

ING Superannuation Fund

**Financial Statements for the year ended
30 June 2019**

ING Superannuation Fund

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ING Superannuation Fund
Statement of Financial Position
As at 30 June 2019

	<i>Note</i>	2019 \$'000	2018 \$'000
Assets			
Cash and cash equivalents			
Cash and cash equivalents	12	357,377	356,905
Investments			
Term deposits	4	245,753	253,704
Australian equities	4	299,939	287,656
Unlisted unit trusts	4	1,972,936	1,786,986
Receivables			
Investment income receivable		4,166	3,617
Unsettled investment sales		1,360	1,997
Trade and other receivables		1	95
TOTAL ASSETS		2,881,532	2,690,960
Liabilities			
Trade and other payables			
Trade and other payables		2,613	2,640
Unsettled investment purchases		648	1,419
Current tax liabilities		7,354	5,886
Deferred tax liabilities	10	16,534	9,261
TOTAL LIABILITIES EXCLUDING MEMBER BENEFITS		27,149	19,206
NET ASSETS AVAILABLE FOR MEMBER BENEFITS		2,854,383	2,671,754
Member liabilities	7	2,843,744	2,664,514
TOTAL NET ASSETS		10,639	7,240
Equity			
Operational risk reserve	9	6,359	2,890
Unallocated surplus	7	4,280	4,350
TOTAL EQUITY		10,639	7,240

The statement of financial position should be read in conjunction with the accompanying notes.

**ING Superannuation Fund
Income Statement
For the year ended 30 June 2019**

	2019 \$'000	2018 \$'000
	<u>Note</u>	
Superannuation Activities		
Interest revenue	10,221	11,701
Dividends	11,232	10,012
Distributions	93,883	63,349
Other investment income	31	44
Net changes in fair value of investments	5 83,600	104,829
TOTAL NET INCOME	198,967	189,935
Less expenses		
Investment Expenses	(4,470)	(3,997)
TOTAL EXPENSES	(4,470)	(3,997)
RESULTS FROM SUPERANNUATION ACTIVITIES BEFORE INCOME TAX EXPENSE	194,497	185,938
Income tax (expense)/benefit	10 (9,267)	(9,341)
RESULTS FROM SUPERANNUATION ACTIVITIES AFTER INCOME TAX EXPENSE	185,230	176,597
Less: net benefits allocated to defined contribution members	(185,230)	(176,596)
OPERATING RESULT AFTER INCOME TAX	1	1

The income statement should be read in conjunction with the accompanying notes.

ING Superannuation Fund
Statement of changes in member benefits
For the year ended 30 June 2019.

	2019	2018
Note	\$'000	\$'000
OPENING BALANCE OF MEMBER BENEFITS AS AT 1 JULY	7 2,664,514	2,490,812
Contributions:		
Employer	300,684	190,273
Member	88,778	39,866
Transfers from other superannuation funds	187,997	231,233
Income tax on contributions	10 <u>(27,339)</u>	<u>(26,694)</u>
NET AFTER TAX CONTRIBUTIONS	400,120	434,678
Benefits to members	(379,180)	(411,144)
Insurance premiums charged to member's accounts	(13,245)	(12,290)
Death and disability benefits credited to members accounts	4,483	3,317
Net benefits allocated comprising:		
Net investment income	185,230	178,596
Administration fees	11 <u>(18,178)</u>	<u>(17,455)</u>
CLOSING BALANCE OF MEMBER BENEFITS AS AT 30 JUNE	7 <u>2,849,744</u>	<u>2,664,514</u>

The statement of changes in member benefits should be read in conjunction with the accompanying notes

**ING Superannuation Fund
Statement of changes in Equity
For the year ended 30 June 2019**

	Operational Risk Reserve \$'000	Unallocated Surplus \$'000	Total Equity \$'000
Opening balance as at 1 July 2018	2,890	4,350	7,240
Net transfers to/(from) reserves	3,399	-	3,399
Profit/(loss)	70	(70)	-
Closing balance as at 30 June 2019	6,359	4,280	10,639
Opening balance as at 1 July 2017	178	4,369	4,547
Net transfers to/(from) reserves	2,692	-	2,692
Profit/(loss)	20	(19)	1
Closing balance as at 30 June 2018	2,890	4,350	7,240

The statement of changes in equity should be read in conjunction with the accompanying notes.

ING Superannuation Fund
Statement of cash flows
For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Interest received		10,014	13,556
Dividends and distributions received		10,890	10,123
Other income received		31	44
Group life insurance proceeds		4,483	3,317
Group life insurance premiums		(13,243)	(12,290)
General administration expenses		(14,711)	(14,653)
Income tax (paid)/received		(527)	1,614
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	13 (a)	(3,065)	1,711
Cash flows from investing activities			
Proceeds from sale of investments			
Term deposits		396,379	463,545
Australian equities		181,767	176,043
Unlisted unit trusts		416,068	387,648
Payments for purchase of investments			
Term deposits		(388,427)	(402,719)
Australian equities		(178,973)	(178,684)
Unlisted unit trusts		(446,218)	(482,354)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		(17,404)	(36,521)
Cash flows from financing activities			
Employer contributions		200,684	190,273
Member contributions		38,778	39,866
Transfers from other funds		187,998	231,233
Benefits paid to members		(379,180)	(411,144)
Income tax paid on contributions received		(27,339)	(26,694)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		20,943	23,534
Net increase/(decrease) in cash and cash equivalents		472	(11,276)
Cash and cash equivalents at the beginning of the financial year		356,905	368,181
CASH AND CASH EQUIVALENT AT THE END OF THE FINANCIAL YEAR	12	357,377	356,905

The statement of cash flows should be read in conjunction with the accompanying notes.

ING SUPERANNUATION FUND

Notes to the financial statements

For the year ended 30 June 2019

1. General Information

ING Superannuation Fund (ABN 13355603448) (the 'Fund') is a retail superannuation fund domiciled in Australia. The Fund is primarily involved in providing retirement benefits to its members. The Fund is constituted by a Trust Deed dated 13 June 2012 as amended.

In accordance with amendments to the Superannuation Industry (Supervision) Act 1993 the Fund is registered with the Australian Prudential Regulation Authority ("APRA") as a Registrable Superannuation Entity ("RSE") (R1074741).

The Fund is a defined contribution fund. Members are either employees of Australian-based employers who have selected the Fund as the default fund for their employees or members who have voluntarily selected the Fund.

The Trustee of the Fund during the reporting period was Diversa Trustees Limited (ABN 49 006 421 638) (RSE No L0000635).

The address of the Fund's registered office is Level 20, 357 Collins Street, Melbourne, VIC 3000.

Both the Trustee and the Fund are domiciled in Australia and registered with APRA.

These financial statements cover the Fund as an individual entity. The financial statements of the Fund were authorised for issue by the directors of the Trustee on 4 September 2019. The directors of the Trustee have the power to amend and re-issue these financial statements.

2. Summary of significant accounting policies

Unless covered in other notes to the financial statements, the principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Superannuation Industry (Supervision) Act 1993 and Regulations ("SIS") and the provisions of the Trust Deed.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

(b) Financial Instruments

(i) Classification

The Fund's investments are classified at fair value through the income statement. They comprise:

- *Financial instruments held for trading*
Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification, however the Fund presently is not directly exposed to or involved in the use of derivative financial instruments. However, some of the underlying instruments may utilise derivative financial instruments to hedge or partially hedge specific exposures. The Fund does not enter into, hold or issue derivative financial instruments for trading purposes.
- *Financial instruments designated at fair value through income statement upon initial recognition*
These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity investments, unlisted trusts and commercial paper.

These instruments are managed and their performance is evaluated on a fair value basis in accordance with the the Fund's investment strategy.

ING SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2019

2. Summary of significant accounting policies (continued)

(b) Financial Instruments (continued)

(ii) Recognition/de-recognition

Financial assets and liabilities are recognised on the date the Fund becomes party to the contractual agreement (trade date) and changes in the fair value of the financial assets or financial liabilities are recognised from this date.

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

(iii) Measurement

At initial recognition, the Fund measures a financial asset or liability at fair value. Transaction costs are expensed in the income statement.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through income statement 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.

For further details on how the fair values of financial instruments are determined refer to Note 4.

(iv) 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.

(c) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from investing activities, as movements in the fair value of these securities represent the Fund's main income generating entity.

(d) Revenue recognition

Interest revenue is recognised in the income statement for all financial instruments that are held at fair value through profit or loss using the effective interest method. Income from cash and cash equivalents is presented as interest income. Interest income on assets held at fair value through profit or loss is included in the net changes in fair value of financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b) to the financial statements.

Dividend and trust distribution income is recognised gross of withholding tax in the period in which the Fund's right to receive payment is established.

(e) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses arise from the settlement of such transactions and from the translations at year end exchange rates of monetary items denominated in foreign currencies.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at balance date. Translation differences on assets and liabilities carried at fair value and reported in the income statement on a net basis within net changes in fair value of financial instruments.

ING SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2019

2. Summary of significant accounting policies (continued)

(f) Receivables

Receivable amounts are generally received within 30 days of being recorded as receivables.

Collectability of trade receivables is reviewed regularly. Debts which are known to be uncollectable are written off by reducing the carrying amount.

(g) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period. These amounts are unsecured and are usually paid within 30 days of recognition.

(h) Benefits paid/payable

Benefits paid/payable are valued at the amounts due to members at reporting date. Benefits paid/payable comprise pensions accrued at balance date and lump sum benefits of members who are due a benefit but had not been paid at balance date.

(i) Contributions received and transfers from other funds

Contributions received and transfers from other funds are recognised in the statement of changes in member benefits when the control of the contribution or transfer has transferred to the Fund. They are recognised gross of any taxes.

(j) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However certain financial instruments, for example unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel. Refer to Note 4 for details.

(k) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) is set out below:

(i) New and amended standards adopted by the Fund

AASB 9 Financial Instruments became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139. Equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. AASB 9 also introduces a new expected credit loss (ECL) impairment model.

AASB 9 has been applied retrospectively by the Fund and it has determined that adoption did not result in a change to the classification or measurement of financial instruments in either the current or prior periods. The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

AASB 15 Revenue and Contracts with Customers became effective for annual periods beginning on or after 1 January 2018.

AASB 15 introduced changes to the recognition of revenue from customers. Given the nature of the Trust's revenue, primarily superannuation contributions, rollovers and investment income, there has been no significant impact on the Trust's financial instruments.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

ING SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2019

2. Summary of significant accounting policies (continued)

(k) New accounting standards and interpretations (continued)

AASB 16 Leases (effective from 1 January 2019)

The adoption of AASB16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. The liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

AASB 16 will have little impact on the Financial Statements of the Fund on the basis that the Fund has no leases.

The Fund intends to adopt AASB 16 from its commencement.

(l) Rounding of amounts

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

(m) Restatement of comparatives

In the prior year, the administration fee recognised in the "Statement of changes in member benefits" was erroneously understated by \$2.692m and consequently unallocated surplus was understated and member liabilities were overstated by the same amount in the Statement of Financial Position. The error has been corrected by restating the prior year figures for the above mentioned items.

(n) Liquidity

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months.

3. Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, and interest rate risk), credit risk and liquidity risk.

The Fund has an Investment Governance Framework ('IGF') established by the Trustee. The IGF sets out the Trustee policies and procedures for the selection, management and monitoring of investments for the Fund. For each investment option offered by the Fund, the Trustee seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

The Fund's assets principally consist of financial instruments which comprise of cash, term deposits, shares in listed entities and collective investment vehicles such as managed investment schemes. The Trustee has determined that these types of investments are appropriate for the Fund and are in accordance with the Fund's investment strategy.

(a) 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 comprises three types of risk: currency risk, interest rate risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Price Risk

The Fund is exposed to price risk on shares in listed entities and managed investment schemes. These arise due to prices on these investments being uncertain in the future.

The Trustee mitigates price risk through diversification and a careful selection of securities. Compliance with the IGF and supporting investment guidelines are monitored by the Trustee on a regular basis.

At 30 June, the fair value of investments exposed to price risk were as follows:

	2019 \$'000	2018 \$'000
Australian equities	299,939	287,656
Unlisted unit trusts	1,972,936	1,786,986
Net exposure to price risk	<u>2,272,875</u>	<u>2,074,642</u>

ING SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2019

3. Financial risk management (continued)

(a) Market Risk (continued)

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund is open to currency risk through its exposure to international investments. To mitigate currency risk fund managers may use derivatives to manage currency exposure. Derivatives are not used for speculative purposes.

The Fund does not have direct exposures to investments denominated in foreign currency. The Fund's investments in the unlisted unit trusts are exposed to international equities and the sensitivity analysis for this exposure is disclosed in the summarised sensitivity analysis.

(iii) Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates.

Financial instruments with fixed interest rates expose the Fund to fair value interest rate risk.

The table below summarises the Fund's direct exposure to interest rate risk.

At 30 June 2019

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-Interest bearing \$'000	Total \$'000
Cash and Cash Equivalents	357,377	-	-	357,377
Term Deposits	-	245,753	-	245,753
	357,377	245,753	-	603,130

At 30 June 2018

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-Interest bearing \$'000	Total \$'000
Cash and Cash Equivalents	356,905	-	-	356,905
Term Deposits	-	253,704	-	253,704
	356,905	253,704	-	610,609

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to members to interest rate risk, currency risk and price risk. The reasonably possible movements in the risk variables have been based on the Trustee's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, foreign exchange rates and market volatility. Actual movements in the risk variables may be greater or less than anticipated or less than anticipated due to a number of factors. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Impact on operating profit/Net Assets attributable to members			
	Price Risk		Interest rate risk	
	-15% MSCI Index \$'000	+7.5% MSCI Index \$'000	-75 bps \$'000	+75 bps \$'000
30 June 2019	(428,157)	214,079	(21,408)	21,408
30 June 2018	(400,763)	200,382	(20,038)	20,038

ING SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2019

3. Financial risk management (continued)

(c) Credit Risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing financial loss to the Fund.

The main credit risks, to which the Fund is exposed, arises from the Fund's investment in cash and cash equivalents, interest bearing securities, units in unit trusts and other receivables. The Trustee monitors the Fund's credit risk exposure on a regular basis.

Sensitivity analysis - credit risk

	2019	2018
	\$'000	\$'000
Cash and cash equivalents	357,377	356,905
Term deposits	245,753	259,704
Australian equities	299,939	287,656
Unlisted unit trusts	1,972,936	1,786,986
Interest, dividends and other receivables	5,527	5,708
	<u>2,881,532</u>	<u>2,696,960</u>

(d) Liquidity Risk

Liquidity risk is the risk that the Fund 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 Fund is obligated to pay member benefits on request. The Trustee's policy is therefore to primarily hold investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets are held in investments not actively traded on a stock exchange or ordinarily redeemable within a short period of time. The Fund's overall liquidity risks are monitored by the Trustee at least annually.

(i) Maturities of financial liabilities

The tables below show the Fund's financial liabilities based on their contractual maturities using undiscounted cash flows. Liabilities to defined contribution members are payable upon request. The Fund considers it highly unlikely that all liabilities to members would fall due at the same time.

	Carrying amount \$'000	Less than 1 month \$'000	1 to 3 months \$'000	Greater than 3 months \$'000
At 30 June 2019				
Trade and other payables	2,613	2,613	-	-
Current tax liabilities	7,354	-	7,354	-
Unsettled trades	648	648	-	-
Liability for accrued benefits	2,843,744	2,843,744	-	-
Total undiscounted financial liabilities	<u>2,854,359</u>	<u>2,847,005</u>	<u>7,354</u>	<u>-</u>
	Carrying amount \$'000	Less than 1 month \$'000	1 to 3 months \$'000	Greater than 3 months \$'000
2018				
Trade and other payables	2,640	2,640	-	-
Current tax liabilities	5,886	-	5,886	-
Unsettled trades	1,419	1,419	-	-
Liability for accrued benefits	2,664,514	2,664,514	-	-
Total undiscounted financial liabilities	<u>2,674,459</u>	<u>2,668,573</u>	<u>5,886</u>	<u>-</u>

The liability for accrued benefits have been included in the less than one month column. This is the earliest date on which the Fund can be required to pay members' vested benefits, however the Trustee does not anticipate that members will call upon all amounts vested to them during this time.

ING SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2019

4. Fair value measurement

(a) Fair value hierarchy

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- (i) **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources.
- (ii) **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly. The Trustee values Australian equities using broker quotes, units in unit trusts using the unit price provided by the underlying fund manager and term deposits using purchase price.
- (iii) **Level 3:** one or more of the significant inputs are not based on observable market data, examples include discount rates and other material unobservable inputs. The Trustee values units in unit trusts classified as level 3 using the unit price provided by the underlying fund manager. These unit trusts hold illiquid investments such as unlisted property and private equity.

Recognised fair value measurements

The table below sets out the Fund's financial assets and liabilities at fair value according to the fair value hierarchy.

As at 30 June 2019

In thousands of dollars

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	357,377	-	-	357,377
Term Deposits	245,753	-	-	245,753
Australian Equities	299,939	-	-	299,939
Unlisted Unit Trusts	-	1,972,936	-	1,972,936
Unsettled investment sales	1,360	-	-	1,360
Other receivables	4,167	-	-	4,167
Total financial assets	908,596	1,972,936	-	2,881,532
Financial liabilities				
Other payables	2,613	-	-	2,613
Unsettled investment purchases	648	-	-	648
Tax liabilities	23,888	-	-	23,888
Total financial liabilities	27,149	-	-	27,149

As at 30 June 2018

In thousands of dollars

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	356,905	-	-	356,905
Term Deposits	253,704	-	-	253,704
Australian Equities	287,656	-	-	287,656
Unlisted Unit Trusts	-	1,786,986	-	1,786,986
Unsettled investment sales	1,997	-	-	1,997
Other receivables	3,712	-	-	3,712
Total financial assets	903,974	1,786,986	-	2,690,960
Financial liabilities				
Other payables	2,640	-	-	2,640
Unsettled investment purchases	1,419	-	-	1,419
Tax liabilities	15,147	-	-	15,147
Total financial liabilities	19,206	-	-	19,206

Movement in level 3 investments

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There have been no transfers between Level 1 and Level 2 of the fair value hierarchy during the year. There are no Level 3 investments.

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

ING SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2019

5. Net changes in fair value of financial instruments

Net changes in financial assets and liabilities measured at fair value:

	2019	2018
	\$'000	\$'000
Investments held at the end of the reporting period		
• Australian equities	15,658	15,165
• Unlisted unit trusts	61,558	71,502
	<u>77,211</u>	<u>86,667</u>
Investments realised during the reporting period		
• Australian equities	1,909	6,900
• Unlisted unit trusts	4,480	11,262
	<u>6,389</u>	<u>18,162</u>
Total	<u>83,600</u>	<u>104,829</u>

6. 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, and the relevant activities are directed by means of contractual arrangements.

The Fund considers all investments in managed investment schemes (funds) to be structured entities. The Fund invests in underlying managed funds for the purpose of capital appreciation and or earning investment income.

The investee funds' objectives are to achieve medium to long term capital growth. The investee funds invest in a number of different financial instruments, including equities and debt instruments.

The exposure to investments in investee funds at fair value, by investment strategy, is disclosed below:

	2019	2018
	\$'000	\$'000
Cash funds	402,671	404,987
Fixed interest funds	159,148	129,209
Australian property funds	124,866	93,215
Australian equity funds	711,930	622,621
International equity funds	580,921	536,954
	<u>1,972,936</u>	<u>1,786,986</u>

The fair value of financial assets \$1,972,935,913 (2018: \$1,786,986,192) is included in the financial assets at 30 June 2019 in the Statement of Financial Position.

The Fund's maximum exposure to loss from its interests in investee funds is equal to the total fair value of its investment in the investee funds.

During the year ended 30 June 2019, total gains incurred on investments in investee funds were \$66,400,449 (total gain 2018: \$82,901,855).

During the year the Fund earned fair value gains and distribution income as a result of its interest in other funds.

ING SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2019

7. Member liabilities

(a) Recognition and measurement of member liabilities

The entitlements of members to benefit payments are recognised as liabilities. They are measured at the amount of the accrued benefits as at the reporting date, being the benefits the Fund 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.

(b) Defined contribution member liabilities

Defined contribution member account balances are measured using unit prices determined by the Trustee based on the underlying investment option values selected by members or alternatively reflect the fair value of the investments held by the members.

The defined contribution members bear the investment risk relating to the underlying investment options. Unit prices used to measure defined contribution member liabilities are updated each day for movements in investment values.

As at 30 June 2019, the net assets attributable to defined contribution members have been substantially allocated. Unallocated amounts are shown in the statement of financial position as "unallocated surplus" within equity.

	2019	2018
	\$'000	\$'000
Member benefits	2,843,744	2,664,514
Unallocated surplus	4,280	4,350
Reserves	6,359	2,890
Net assets available for member benefits	2,854,383	2,671,754

8. Insurance arrangements

The Fund provides death and disability benefits to its members. The Trustee has a group policy in place with a third party insurance company to insure death and disability benefits for the members of the Fund.

The Fund collects premiums from members on behalf of the relevant insurance company. Insurance claim amounts are recognised where 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 members' accounts and reinsurance recoveries allocated are recognised in the statement of changes in members' benefits.

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

- members (or their beneficiaries) will only receive insurance benefits if the external insurer pays the claim
- insurance premiums are only paid through the Fund for administrative reasons; and
- insurance premiums are effectively set directly by reference to premiums set by an external insurer.

9. Reserves

The operational risk financial reserve (ORFR) may be used in certain circumstances to address operational risk events or claims against the Fund arising from certain operational risk events. The ORFR is operated in accordance with the Operational Risk Financial Requirement Strategy. The Trustee has assessed an ORFR target amount of 0.25% of fund assets as appropriate for the Fund. The Fund achieves its ORFR target via a combination of Trustee Capital and operational risk reserve in the Fund.

From 1 June 2017 the Fund commenced the operation of a Operational Risk Financial Requirement (ORFR) reserve. Prior to this date the Trustee met their ORFR obligations by accumulating the required Target amount as capital outside of the Fund. It is estimated that there will be a period of 3 years in which both the Trustee Capital ORFR and the Fund ORFR will co-exist to enable the Trustee to meet the Fund's overall ORFR obligations.

	2019	2018
	\$'000	\$'000
ORFR Reserve	6,359	2,890

ING SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2019

10. Income Tax

This note provides an analysis of the Fund's income tax expense and how the tax expense is affected by non-assessable and non-deductible items.

(i) Accounting policy

Under the Income Tax Assessment Act, the Fund is a complying superannuation fund. As such, a concessional tax rate of 15% is applied on net investment earnings with deductions allowable for administrative and operational expenses. Financial assets held for less than 12 months are taxed at the Fund's rate of 15%. For financial assets held for more than 12 months, the Fund is entitled to a further discount on the tax rate leading to an effective rate of 10% on any gains/(losses) arising from the disposal of investments.

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

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.

(ii) Income tax expense

	2019 \$'000	2018 \$'000
Current tax expense		
Tax on statement of changes in member benefits	27,339	26,694
Tax on income statement	9,267	738
Total current tax expense/(benefit)	36,606	27,432
Deferred tax expense		
Movement in temporary differences	(7,272)	8,603
Total income tax expense/(benefit)	29,334	36,035

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

Operating result before income tax	194,497	9,342
Tax at complying superannuation fund tax rate of 15%	29,175	1,401
Non-assessable investment income	(7,066)	(7,801)
Net imputation and foreign tax credits	(12,989)	(9,962)
Other	147	25,703
Income tax expense on benefits accrued as a result of operations	9,267	9,341

ING SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2019

10. Income Tax (continued)

(iv) Deferred tax assets and liabilities

	2019	2018
	\$'000	\$'000
Deferred tax asset		
Unrealised losses on Investments	-	-
Deferred tax liabilities		
Unrealised gains on investments	16,534	9,261
Net deferred tax asset/(liability)	16,534	9,261

(v) Recognised in the statement of changes in member benefits

Contributions and transfers recognised in the statement of changes in member benefits	21,338	26,492
Tax at the complying superannuation fund rate of 15%	3,201	3,974
Non-assessable contributions	(32,090)	(38,739)
Group Life proceeds	(672)	(498)
Anti detriment deduction	-	(68)
Non deductible benefit payments	56,877	61,672
Other	23	353
Total	27,339	26,694

11. General administration expenses

	2019	2018
	\$'000	\$'000
Promoter fees	16,516	15,348
Adviser fees	1,662	2,107
	18,178	17,455

ING SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2019

12. Cash and cash equivalents

	2019	2018
	\$'000	\$'000
Cash at bank	<u>357,377</u>	<u>356,905</u>
	<u>357,377</u>	<u>356,905</u>

13. Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

(a) Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities.

	2019	2018
	\$'000	\$'000
Operating result after tax	-	1
<i>Adjustments for:</i>		
(Increase)/decrease in assets measured at fair value	(175,015)	(164,181)
(Increase)/decrease in trade and other receivables	(455)	1,972
(Increase)/decrease in deferred tax assets	-	-
Increase/(decrease) in trade and other payables	3,374	102
Increase/(decrease) in income tax payable	8,741	10,957
Allocation to member's accounts	185,230	176,596
General administration expenses	(18,178)	(14,763)
Group Life insurance proceeds	4,483	3,317
Group Life Insurance premiums	<u>(13,245)</u>	<u>(12,290)</u>
Net cash provided by operating activities	<u>(3,089)</u>	<u>1,711</u>

(b) Non-cash financing and investing activities

There were no non-cash financing activities during the year.

14. Commitments

There are no commitments or contingencies the Trustee is aware of as at the date of this report.

15. Contingent liabilities and contingent assets

There are no outstanding contingent assets or liabilities at at 30 June 2019 and 30 June 2018.

16. Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund as at 30 June 2019 or on the results and cash flows of the Fund for the year ended on that date.

ING SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2019

17. Related Parties

(a) Trustee

The Trustee of ING Superannuation Fund is Diversa Trustees Limited (ABN 49 006 421 638) (RSE No L0000635).

Key management personnel include persons who were directors of Diversa Trustees Limited at any time during the financial year as follows:

V. Plant (Chairperson), appointed 4 May 2017	A. Peterson, appointed 28 June 2019
R. FitzRoy, appointed 21 December 2017	F. McNabb, appointed 28 June 2019
M. Jones, appointed 1 September 2014	
G. Wayling, appointed 4 May 2017 (resigned 28 June 2019)	

None of the directors were members of the Fund.

(b) Other Key Management Personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

(c) Remuneration of directors of the Trustee

The compensation received or due and receivable by the Trustee from the Promoter in connection with the trusteeship of the Fund was \$828,752 (2018: \$1,000,969).

The directors of the Trustee do not receive any remuneration directly from the Fund or the Promoter.

(d) Other entities with significant influence over the Fund

The Promoter of the Fund is ING, a division of ING Bank (Australia) Limited (ABN 24 000 893 292), (AFSL 229823).

Under the terms of the Trust Deed the Promoter is entitled to receive compensation for services provided to the Fund.

Remuneration of the Promoter

There have been no transactions between the Promoter and the Fund other than promoter fees disclosed in the Statement of changes in member benefits. The compensation received or due and receivable by the Promoter from the Fund in connection with services provided to the Fund was \$18,456,032 (2018: \$17,086,929). The promoter fees paid include the investment management fees received from State Street Global Advisers amounting to \$4,796,816 (2018: \$4,529,531).

The Promoter is responsible for paying the costs associated with the running of the Fund, including trustee fees, audit fees, administration, investment management and asset consultant fees.

There were no other transactions between the Promoter and the Fund during the year.

Change in ownership of Diversa Trustees Limited

OneVue Holdings Limited (ABN 15 108 221 870) announced on 20 December 2018 the sale of its trustee services business, Diversa Trustees Limited, to a financial technology and infrastructure company, Sargon Capital Limited (ABN 73 608 799 873). The sale of Diversa Trustees Limited to Sargon Capital Pty Limited was finalised on 28 June 2019.

Investments

ING Bank (Australia) Limited, a company related to the Promoter may be appointed as the sub investment manager for the Cash Option, Term Deposits and the Cash Hub of the Fund. The investment in the Term Deposits and the Cash Option are disclosed in Note 4.

There were no other related party transactions that require disclosure as at 30 June 2019.

ING SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2019

18. Auditor's Remuneration

During the year the following fees were paid or payable for services provided by the auditors of the Fund:

	2019	2018
	\$'000	\$'000
KPMG		
Audit and review of the financial statements and regulatory audit services	100	100
Other services	16	20
	<u>116</u>	<u>120</u>
Ernst & Young		
Tax agent services	100	68
Consulting fees	-	-
	<u>100</u>	<u>68</u>
Grant Thornton		
Audit and review of the risk management framework	3	3
	<u>3</u>	<u>3</u>

Auditor's remuneration is paid by the Fund Promoter.

19. Involvement with unconsolidated investment entities

The table below sets out interests held by the fund in the unconsolidated investment entities that the Fund does not consolidate but holds an interest, set out by investment strategy. The maximum exposure to each investment strategy is limited to the fair value of the investment strategy as at 30 June 2019.

The fair value of the exposure changes on a daily basis throughout the period is as follows:

Investment strategy	Fair Value as at 30 June 2019	Fair Value as at 30 June 2018	Exposure % (2019)	Exposure % (2018)	Financial Statement Caption
	\$'000	\$'000			
Balanced	1,140,283	1,117,896	58%	63%	Unlisted unit trusts
Growth	198,442	146,450	10%	8%	Unlisted unit trusts
High Growth	325,704	238,905	17%	13%	Unlisted unit trusts
Cash Fund	79,547	78,782	4%	4%	Unlisted unit trusts
Australian Shares	71,950	64,610	4%	4%	Unlisted unit trusts
International Shares	69,985	62,342	3%	3%	Unlisted unit trusts
Australian Fixed Income	21,524	17,714	1%	1%	Unlisted unit trusts
Australian Listed Property	34,332	31,140	2%	2%	Unlisted unit trusts
International Shares (Hedged)	23,286	21,559	1%	1%	Unlisted unit trusts
International Fixed Income (Hedged)	7,883	7,588	0%	1%	Unlisted unit trusts
	<u>1,972,936</u>	<u>1,786,986</u>	<u>100%</u>	<u>100%</u>	

ING SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2019

19. Involvement with unconsolidated investment entities (continued)

The Fund's investment in each of the unconsolidated investment entities is detailed below:

Unconsolidated Investment Entities	Domicile	Percentage Ownership (2019)	Percentage Ownership (2018)
ING DIRECT Balanced Fund	Australia	100%	100%
ING DIRECT Growth Fund	Australia	100%	100%
ING DIRECT High Growth Fund	Australia	100%	100%
ING DIRECT Cash Fund	Australia	100%	100%
ING DIRECT Australian Shares Fund	Australia	100%	100%
ING DIRECT International Shares Fund	Australia	100%	100%
ING DIRECT Australian Fixed Income Fund	Australia	100%	100%
ING DIRECT Australian Listed Property Fund	Australia	100%	100%
ING DIRECT International Shares (Hedged) Fund	Australia	100%	100%
ING DIRECT International Fixed Income (Hedged) Fund	Australia	100%	100%

As at 30 June 2019, there are no significant restrictions (e.g. borrowing arrangements, regulatory requirements or contractual arrangements) on the ability of an unconsolidated investment entities to transfer funds to the Fund in the form of dividends or to repay loans or advances made to the unconsolidated investment entities by the Fund (2018: Nil).

As at 30 June 2019, the Fund does not have any current commitments or intentions to provide financial or other support to the unconsolidated investment entities, including commitments or intentions to assist the investment entities in obtaining financial support (2018: Nil).

The Fund did not provide financial or other support to the unconsolidated investment entities.

Trustees' declaration

In the opinion of the directors of the Trustee of ING Superannuation Fund:

- (a) the accompanying financial statements and notes set out on pages 1 to 20 are in accordance with:
 - (i) Australian Accounting Standards and other mandatory professional reporting requirements, and
 - (ii) present fairly the Fund's financial position as at 30 June 2019 and its performance for the financial year ended on that date.
- (b) the Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and its accompanying Regulations; the relevant requirements of the Corporations Act 2001 and Regulations; the requirements under Section 13 of the Financial Sector (Collection of Data) Act 2001, during the year ended 30 June 2019, and
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable

Signed on behalf of the Board of Directors of Diversa Trustees Limited as Trustee for ING Superannuation Fund.



Director

Melbourne
4 September 2019



Independent Auditor's report on financial statements

ING Superannuation Fund ABN 13 355 603 448

Report by the RSE Auditor to the trustee and members

Opinion

I have audited the financial statements of ING Superannuation Fund ('the Fund') for the year ended 30 June 2019, comprising the statement of financial position, income statement, statement of changes in member benefits, changes in reserves, cash flows and accompanying notes 1 to 19.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards, the financial position of ING Superannuation Fund as at 30 June 2019 and the results of its operations, cash flows, changes in reserves and changes in members' benefits for the year ended 30 June 2019.

Basis for Opinion

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

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

Responsibilities of the trustee for the Financial Statements

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993 (SIS Act)* and the *Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations)*. The trustee 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.



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

David Kells
Partner

KPMG

Melbourne
4 September 2019