

ING DIRECT Superannuation Fund

**Financial Statements for the year ended
30 June 2014**

ING DIRECT Superannuation Fund

Table of Contents

	Page
Statement of Financial Position	3
Operating Statement	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
Trustee Declaration	21
Independent Report by the Approved Auditor to the Trustee	22

ING DIRECT Superannuation Fund
Statement of Financial Position
As at 30 June 2014

	<i>Note</i>	2014 \$'000	2013 \$'000
ASSETS			
Investments			
Term deposits	6	184,069	117,161
Australian equities	6	36,341	7,659
Unlisted unit trusts	6	530,270	216,200
		<u>750,680</u>	<u>341,020</u>
Other Assets			
Cash and cash equivalents	14	136,625	68,508
Trade and other receivables	7	3,482	1,838
Deferred tax assets	11(c)	2,462	289
Outstanding investment settlements		2,485	658
Total Assets		<u>895,734</u>	<u>412,313</u>
LIABILITIES			
Benefits payable		275	386
Trade and other payables	8	307	320
Current tax liabilities	11(a)	12,353	3,337
Deferred tax liabilities	11(c)	-	-
Total Liabilities (excluding net assets available to pay benefits)		<u>12,935</u>	<u>4,043</u>
Net Assets Available to Pay Benefits		<u>882,799</u>	<u>408,270</u>
<i>Represented by:</i>			
Liability for accrued benefits			
Allocated to members' accounts	3, 4	876,892	405,620
Unallocated to members' accounts	3	5,907	2,650
Total Liability for Accrued Benefits	3	<u>882,799</u>	<u>408,270</u>

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

**ING DIRECT Superannuation Fund
Operating Statement
For the year ended 30 June 2014**

	Note	2014 \$'000	2013 \$'000
Investment Revenue			
Interest		8,210	2,829
Dividends		573	53
Distributions		52,454	8,816
Other investment income		-	18
Changes in net market values	9	<u>(17,480)</u>	<u>(2,336)</u>
Total Investment Revenue		43,757	9,380
Contributions Revenue			
Employer contributions		58,084	17,088
Members' contributions		61,579	33,714
Transfers from other funds		<u>520,839</u>	<u>446,269</u>
Total Contribution Revenue		640,502	497,071
Other Revenue			
Group life insurance proceeds		1,140	-
Other		<u>24</u>	<u>3</u>
Total Other Revenue		1,164	3
Total Revenue		<u>685,423</u>	<u>506,454</u>
Direct Investment Expenses			
		(124)	(22)
General Administrative Expenses			
Operating expenses	12	(397)	(92)
Group life insurance premiums		<u>(1,738)</u>	<u>(450)</u>
Total General Administrative Expenses		(2,135)	(542)
Total Expenses		<u>(2,259)</u>	<u>(564)</u>
Benefits accrued as a result of operations before income tax		683,164	505,890
Income tax (expense)/benefit	11(a)	<u>(10,141)</u>	<u>(3,048)</u>
Benefits accrued as a result of operations		<u>673,023</u>	<u>502,842</u>

The above statement of operating statement should be read in conjunction with the accompanying notes.

ING DIRECT Superannuation Fund
Statement of Cash Flows
For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Employer contributions received		58,084	17,088
Member contributions received		61,579	33,714
Transfers from other funds		520,839	446,269
Interest received		6,241	1,218
Dividends received		573	-
Distributions		52,771	8,551
Other income received		24	2
Group life insurance proceeds		1,140	-
Benefits paid to members		(198,603)	(94,186)
Direct investment and other general administration expenses paid		(496)	(92)
Group life insurance premiums paid		(1,645)	(366)
Income tax paid		(3,365)	(51)
Other expenses paid		-	(12)
Net cash flows from operating activities	14	<u>497,142</u>	<u>412,135</u>
Cash flows from investing activities			
Purchase of investments		(668,498)	(396,906)
Proceeds on the sale of investments		239,473	53,279
Net cash used in investing activities		<u>(429,025)</u>	<u>(343,627)</u>
Net (decrease)/increase in cash and cash equivalents		68,117	68,508
Cash and cash equivalents at the beginning of the financial year		<u>68,508</u>	-
Cash and cash equivalents at the end of the financial year	14	<u>136,625</u>	<u>68,508</u>

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

**ING DIRECT Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2014**

1. Operation of the Fund

ING DIRECT Superannuation Fund (the 'Fund') was established by a Trust Deed dated 13 June 2012 as a public offer complying superannuation fund. The Fund accepts contributions from a range of contributors. The Fund is domiciled in Australia and the address of the Fund's registered office is Suite 710 / Level 7, 530 Little Collins Street Melbourne, VIC 3001.

The Fund is a defined contribution fund (whereby contributions of the employers and the employees are made in accordance with the terms of the Trust Deed). The members' accounts are credited or debited each year with contributions and their proportionate share of the net investment income, expenses and income tax expense of the Fund.

The trustee of the Fund is The Trust Company (Superannuation) Limited (the 'Trustee') and it is the holder of a public offer class Registrable Superannuation Entity License (licence no. L0000635). In accordance with amendments to the Superannuation Industry (Supervision) Act 1993 the Fund was registered with the Australian Prudential Regulation Authority on 6 July 2012 (registration no. R107471).

ING DIRECT, a division of ING Bank (Australia) Limited AFSL 229823, is the Promoter of the Fund (the 'Promoter'). The Administrator of the Fund is Financial Synergy Pty Ltd (the 'Administrator').

2. Summary of Significant Accounting Policies

(a) Basis of preparation

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans', other accounting standards to the extent applicable, the provisions of the Trust Deed and the Superannuation Industry (Supervision) Act 1993 and Regulations.

The financial statements are presented in Australian Dollars and all values are rounded to the nearest \$'000 except where otherwise indicated. Both the functional and presentation currency of the fund is Australian Dollars.

(b) Statement of compliance

The financial statements comply with AAS 25. Since AAS 25 is the principal standard that applies to the financial statements, other standards, including Australian Accounting Standards issued by the AASB are also applied where necessary except to the extent that they differ from AAS 25.

International Financial Reporting Standards ('IFRS') form the basis of Australian Accounting Standards adopted by the AASB. The financial statements of the Fund do not comply with IFRS.

The financial statements were approved by the board of directors of the Trustee, on the date of the Trustee Statement in this financial report.

(c) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that became effective for the first time for the Fund for the annual reporting period ended 30 June 2014 are outlined below.

Accounting standards	Nature	Impact on Fund financial statements	Application date of standard	Adopted for the Fund
AASB 13 – Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	No change to accounting policy	1 Jan 2013	1 Jul 2013

**ING DIRECT Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2014**

2. Summary of Significant Accounting Policies (continued)

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Fund for the annual reporting period ended 30 June 2014. The impact of these standards has been assessed and to the extent applicable to the Fund are outlined in the table below.

Accounting standards	Summary	Impact on Fund financial statements	Application date of standard	Adopted for the Fund
<i>AASB 1056 – Superannuation Entities</i>	AASB 1056 is a new Standard applying to superannuation entities replacing AAS 25 <i>Financial Reporting by Superannuation Plans</i> . This new standard specifies requirements for general purpose financial statements of superannuation entities and results in significant changes to presentation of financial statements, measurement and disclosure of defined benefit obligations and disclosure of disaggregated financial information.	New format for Financial Statement for the Fund. The Standard is to be applied retrospectively, therefore there will be a re-statement of prior year data.	1 Jul 2016	1 Jul 2016
<i>AASB 9 – Financial Instruments</i>	Changes to the classification and measurement of financial assets.	No change to accounting policy	1 Jan 2018	1 Jul 2018

(d) Investments

Investments of the Fund are initially recognised at fair value plus transaction costs.

After initial recognition, investments are measured at net market value. The change in the net market value of investments is recognised in the Operating Statement.

Net market value of investments have been determined as follows:

- Shares in listed entities, listed unit trusts, government and other fixed interest securities:
These are valued at last quoted price by an exchange at close of business on the balance date;
- Shares in unlisted entities and unit trusts:
Unlisted unit trusts are valued at fair value through the profit and loss. Fair value is deemed to be exit price determined by the managers of the trusts at balance date.
- Term deposits
Term deposits are readily convertible to cash and are subject to insignificant risk of changes in value.

Estimated costs of disposal have been deducted in determining net market value. As disposal costs are generally immaterial, unless otherwise stated net market value is considered a reasonable approximation of fair value.

Purchases and sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Fund commits to purchase or sell the asset.

The Fund owns 100% of the issued units in the unlisted unit trusts in which the Fund invests.

**ING DIRECT Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2014**

2. Summary of Significant Accounting Policies (continued)

(e) Principles of consolidation

The Fund holds 100% of the unlisted unit trusts as detailed in Note 6 to the financial statements. The Fund has determined that it is an investment entity as defined by AASB 10/AASB 2013-5. As a superannuation fund its main objectives are to provide a pool of members with an investment return and investment management services, to invest members' funds solely for returns from capital appreciation, investment income, or both and the performance of substantially all of its investments is measured and evaluated on a fair value basis.

As a result of adopting AASB 10/AASB 2013-5, the Fund does not consolidate these unit trusts and the Fund records the investments in the unlisted unit trusts at fair value through the Operating Statement. Fair value is deemed to be the redemption price determined for each unlisted unit trust, which equates to its net market value.

(f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to cash, and subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above.

(g) Receivables and other payables

Receivables are carried at nominal amounts due which approximate net market value. Receivables are normally settled within 30 days. An allowance for uncollectible amounts is only made where there is objective evidence that the debt will not be collected.

Other payables are carried at nominal amounts which approximate net market value. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services. Payables are normally settled on 30 day terms.

(h) Benefits payable

Benefits payable are valued at net market value which comprises the entitlements of members who ceased employment prior to the year-end but had not been paid at that time. Benefits payable are settled within 30 days.

(i) Revenue recognition

Revenue is recognised and measured at fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Changes in net market value

Changes in the net market value of investments are calculated as the difference between the net market value at sale, or at balance date, and the net market value at the previous valuation point. All changes are recognised in the Operating Statement.

Contributions revenue and transfers in

Contributions revenue and transfers in are recognised when control of the asset has been attained and are recorded, gross of any tax, in the period to which they relate.

Interest

Interest revenue on cash and other financial assets carried at net market value is recorded according to the terms of the contract and when the Fund's right to receive the interest is established.

Dividends and Distributions

Revenue is recognised when the right to receive payment is established.

Group Life insurance proceeds

Insurance claim amounts are recognised where the insurer has agreed to pay the claim lodged and transferred the claim amount to the Fund.

**ING DIRECT Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2014**

2. Summary of Significant Accounting Policies (continued)

(j) Income Tax

The Fund is a complying superannuation fund for the purposes of the provisions of the Income Tax Assessment Act. Accordingly, the concessional tax rate of 15% has been applied to the Fund's taxable income.

Income tax in the Operating Statement for the year comprises current and deferred tax.

Current tax expense is the expected tax payable on the taxable income for the year using the concessional tax rate of 15% for Fund Income and any adjustment to tax payable in respect of previous years. Assessable income referable to pension liabilities may be exempt from tax.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow for all or part of deferred income tax to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(k) Goods and services tax (GST)

Revenues are recognised net of the amount of GST where applicable. Expenses and assets are also recognised net of the amount of GST where applicable to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from taxation authority is included as part of receivables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing activities, which is recoverable from, or payable to the taxation authority are classified as operating cash flows.

(l) Accrued Benefits

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries. This has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the sundry liabilities and income tax liabilities as at balance date.

(m) Significant accounting judgements, estimates and assumptions

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the amount recognised in the financial statements. However uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amount of the asset or liability affected in the future. In the current year there have been no significant adjustments made.

ING DIRECT Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2014

3. Liability for Accrued Benefits

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries and has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the sundry liabilities and income tax liabilities as at reporting date.

The changes in the liability for accrued benefits for the Fund are as follows:

	2014		
	Allocated to members' accounts \$'000	Unallocated to members' accounts \$'000	Total \$'000
Liability for accrued benefits at beginning of the financial year	405,620	2,650	408,270
Plus: Benefits accrued from ordinary activities after income tax	669,766	3,257	673,023
Less: Benefits and transfers paid and payable after tax	(198,494)	-	(198,494)
Liability for accrued benefits after tax and at the end of financial year	<u>876,892</u>	<u>5,907</u>	<u>882,799</u>
	2013		
	Allocated to members' accounts \$'000	Unallocated to members' accounts \$'000	Total \$'000
Liability for accrued benefits at beginning of the financial year	-	-	-
Plus: Benefits accrued from ordinary activities after income tax	500,192	2,650	502,842
Less: Benefits and transfers paid and payable after tax	(94,572)	-	(94,572)
Liability for accrued benefits after tax and at the end of financial year	<u>405,620</u>	<u>2,650</u>	<u>408,270</u>

The amount not yet allocated to members' accounts above is a surplus amount in excess of vested benefits that the Fund has not been able to allocate to members' as at balance date.

4. Vested Benefits

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and includes benefits which members were entitled to receive had they terminated their fund membership at reporting date.

	2014 \$'000	2013 \$'000
Vested benefits as at the end of the financial year	<u>876,892</u>	<u>405,620</u>
As compared to net assets available to pay benefits	<u>882,799</u>	<u>408,270</u>

5. Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

**ING DIRECT Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2014**

6. Investments

	2014 \$'000	2013 \$'000
Term Deposits		
ING DIRECT term deposits	184,069	117,161
Australian Equities		
Listed equity securities	36,341	7,659
Unlisted Unit Trusts		
ING DIRECT Balanced Fund	420,708	177,070
ING DIRECT Growth Fund	16,993	4,927
ING DIRECT High Growth Fund	24,910	6,381
ING DIRECT Cash Fund	32,434	14,909
ING DIRECT Australian Shares Fund	14,884	6,328
ING DIRECT International Shares Fund	8,290	2,142
ING DIRECT Australian Fixed Income Fund	3,382	1,902
ING DIRECT Australian Listed Property Fund	4,830	1,637
ING DIRECT International Shares (Hedged) Fund	2,668	544
ING DIRECT International Fixed Income (Hedged) Fund	1,171	360
	<u>530,270</u>	<u>216,200</u>
Total Investments	<u>750,680</u>	<u>341,020</u>

The investments of the Fund are managed on behalf of the Trustee by selected managers. The custodian of the Fund, State Street Australia Limited, holds the unlisted unit trusts.

The trustee of the Unlisted Unit Trusts is The Trust Company (Australia) Limited, and the principal place of business of the trusts is Level 15, 20 Bond Street Sydney NSW 2000. The Fund holds 100% of the units in the Unlisted Unit Trusts as an investment entity. The Unlisted Unit Trusts invest solely into cash at bank and State Street Global Advisors registered managed funds.

Refer to Note 2(d) for the methods adopted in determining the net market values of investments.

(a) Classification of Financial Instruments under the Fair Value Hierarchy

AAS 25 requires investments to be measured using net market value. The following table shows financial instruments recorded at net market value, analysed between those whose net market value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market and those where the valuation technique involves the use of non-market observable inputs that are significant to the determination of net market value. Net market value is considered a reasonable approximation of fair value. Listed Australian equities have been disclosed within Level 1 in the fair value hierarchy and term deposits and unlisted unit trusts have been disclosed within level 2, as the Trustee considers this is the most appropriate treatment.

	2014			Total \$'000
	Valued at quoted market price (Level 1) \$'000	Valuation techniques - market observable inputs (Level 2) \$'000	Valuation techniques - non-market observable inputs (Level 3) \$'000	
Term Deposits				
ING DIRECT term deposits	-	184,069	-	184,069
Australian Equities				
Listed equity securities	36,341	-	-	36,341
Unlisted Unit Trusts				
ING DIRECT Balanced Fund	-	420,708	-	420,708
ING DIRECT Cash Fund	-	32,434	-	32,434
ING DIRECT Australian Shares Fund	-	14,884	-	14,884
ING DIRECT Growth Fund	-	16,993	-	16,993
ING DIRECT High Growth Fund	-	24,910	-	24,910
ING DIRECT International Shares Fund	-	8,290	-	8,290
ING DIRECT Australian Fixed Income Fund	-	3,382	-	3,382
ING DIRECT Australian Listed Property Fund	-	4,830	-	4,830
ING DIRECT International Shares (Hedged) Fund	-	2,668	-	2,668
ING DIRECT International Fixed Income (Hedged) Fund	-	1,171	-	1,171
	-	<u>530,270</u>	-	<u>530,270</u>
Total Investments	<u>36,341</u>	<u>714,339</u>	<u>-</u>	<u>750,680</u>

**ING DIRECT Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2014**

6. Investments (continued)

(a) Classification of Financial Instruments under the Fair Value Hierarchy (continued)

	Valued at quoted market price (Level 1)	Valuation techniques - market observable inputs (Level 2)	2013		Total
			Valuation techniques - non- market observable inputs (Level 3)		
	\$'000	\$'000	\$'000		\$'000
Term Deposits					
ING DIRECT term deposits	-	117,161	-		117,161
Australian Equities					
Listed equity securities	7659	-	-		7659
Unlisted Unit Trusts					
ING DIRECT Balanced Fund	-	177,070	-		177,070
ING DIRECT Cash Fund	-	14,909	-		14,909
ING DIRECT Australian Shares Fund	-	6,328	-		6,328
ING DIRECT Growth Fund	-	4,927	-		4,927
ING DIRECT High Growth Fund	-	6,381	-		6,381
ING DIRECT International Shares Fund	-	2,142	-		2,142
ING DIRECT Australian Fixed Income Fund	-	1,902	-		1,902
ING DIRECT Australian Listed Property Fund	-	1,637	-		1,637
ING DIRECT International Shares (Hedged) Fund	-	544	-		544
ING DIRECT International Fixed Income (Hedged) Fund	-	360	-		360
	-	216,200	-		216,200
Total Investments	7,659	333,361	-		341,020

The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the net market value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

Disclosure of the methods and assumptions applied in determining the net market value for each class of financial assets and financial liabilities are included in Note 2(d).

(b) Transfers Between Hierarchy Levels

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

7. Trade and Other Receivables

	2014 \$'000	2013 \$'000
Recoverable within 12 months		
Investment income receivable	3,476	1,824
Sundry debtors	-	9
GST receivable	6	5
	3,482	1,838

Due to the short term nature of these receivables, their carrying value is assumed to approximate their net market value.

The maximum exposure to credit risk is the net market value of receivables. Information regarding credit risk exposure is set out in Note 17(b).

**ING DIRECT Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2014**

8. Trade and Other Payables

	2014	2013
	\$'000	\$'000
Due within 12 months		
Group life insurance payable	178	84
Accrued expenses	103	226
Benefit tax payable	26	10
	<u>307</u>	<u>320</u>

Due to the short term nature of these payables, their carrying value is assumed to approximate their net market value.

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 17(c).

9. Changes in Net Market Value of Investments

	2014	2013
	\$'000	\$'000
Investments held at balance date		
Australian equities	351	(293)
Unlisted unit trusts	(20,847)	(2,451)
Total unrealised gains/(losses)	(20,497)	(2,744)
Investments realised during the year		
Australian equities	396	50
Unlisted unit trusts	2,621	358
Total realised gains/(losses)	3,017	408
Change in net market value of investments	<u>(17,480)</u>	<u>(2,336)</u>

The amounts recorded as 'realised gains/(losses)' above is the difference between the net market value at sale and the carrying amount at the beginning of the reporting period or when acquired, if acquired during the year.

10. Funding Arrangements

As a public offer fund, members can instruct their employer to contribute their superannuation guarantee contributions, and can make additional and voluntary contributions to the Fund if they elect to do so.

**ING DIRECT Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2014**

11. Income Tax

Income tax expenses and assets and liabilities arising from the levying of income tax on the Fund has been determined in accordance with the provisions of Australian Accounting Standard AASB 112 *Income Taxes*.

	2014 \$'000	2013 \$'000
(a) Major components of income tax expenses for the years ended 30 June 2014 and 2013:		
Operating Statement		
Current tax expense		
Current income tax liability	12,363	3,337
Adjustments in respect of current income tax of previous years	(39)	-
Derecognition of temporary differences	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	(2,173)	(289)
	<u>10,141</u>	<u>3,048</u>

(b) Reconciliation between income tax expenses and the accounting profit before income tax operating result

Benefit accrued before tax operating result	683,164	505,890
Income tax at 15%	102,474	75,884
Decrease in tax expense due to:		
Capital gains/(losses) not assessable/(deductible)	(2,355)	(386)
Exempt pension income	(1,201)	(188)
Non-assessable contributions	(86,435)	(71,739)
Net imputation and foreign tax credits	(2,381)	(523)
Under/(over) provision in the previous year	39	-
Income tax expense reported in Operating Statement	<u>10,141</u>	<u>3,048</u>

(c) Deferred Income Tax

Deferred income tax at 30 June relates to the following:

Type of Temporary Difference	2014		
	Opening Balance \$'000	Charged to income \$'000	Closing balance \$'000
Deferred tax assets			
Fund expenses accrued but not incurred	16	(16)	-
Unrealised losses on investments	273	2,189	2,462
	<u>289</u>	<u>2,173</u>	<u>2,462</u>
Deferred tax liabilities			
Prepaid insurance	-	-	-
Unrealised gains on Investments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net deferred tax asset/(liability)	<u>289</u>	<u>2,173</u>	<u>2,462</u>

**ING DIRECT Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2014**

12. Operating Expenses

	2014 \$'000	2013 \$'000
Promoter fees	397	92

The Promoter of the Fund is paid a promoter fee by the Fund. The Promoter is responsible for paying the costs associated with the running of the Fund, including trustee fees, audit fees, administration fees and investment adviser fees. The Promoter paid the Trustee a trustee fee of \$124,645 during the year ended 30 June 2014. (2013: \$58,843) ING Bank N.V. (Sydney Branch), a company related to the Promoter, acts as investment manager for the Cash Option, Term Deposits and the Cash Hub of the Fund. The investment in the Term Deposits and Cash Hub are disclosed in Note 6 and Note 14.

Information regarding payments made by the Promoter to related parties is set out in Note 16.

13. Auditor's Remuneration

	2014 \$'000	2013 \$'000
Ernst & Young		
Audit services	111	94
Taxation services	46	73
Other services	20	34
	177	201

14. Cash Flow Statement Reconciliation

Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2014 \$'000	2013 \$'000
Cash at Bank	136,626	68,508

**Reconciliation of Net Cash Flow from Operating Activities
to Benefits Accrued as a Result of Operations After Income Tax**

Benefits accrued as a result of operations after income tax	673,023	502,842
Adjustments for:		
Benefits paid/payable	(198,494)	(94,572)
Changes in net market values	17,480	2,336
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(1,644)	(1,838)
(Increase)/decrease in deferred tax assets	(2,173)	(289)
Increase/(decrease) in trade and other payables	(66)	320
Increase/(decrease) in current tax payable	9,016	3,337
Net cash provided by operating activities	497,142	412,135

ING DIRECT Superannuation Fund

Notes to the Financial Statements

For the year ended 30 June 2014

15. Segment Information

The Fund operates in one reportable business segment, being the provision of benefits to members. The Fund also operates from one reportable geographic segment, being Australia, from where its activities are managed. While the Fund operates from Australia only, the Fund has investment exposures in different countries and across different industries, through its investment in the unlisted unit trusts. Revenue is derived from interest, dividends, distributions, gains on sale of investments, unrealised changes in values of investments, and contributions revenue.

16. Related Party Disclosures

(a) Trustee and Key Management Personnel

The Trustee of the Fund is The Trust Company (Superannuation) Limited and is the holder of a Registrable Superannuation Entity Licence (Licence no. L0000635).

The following people were Directors of The Trust Company (Superannuation) Limited during the entire year (unless otherwise stated) and are also the key management personnel of the Fund:

Mr David Roko Grbin	resigned effective 24 February 2014
Mr John Atkin	resigned effective 18 December 2013
Mr Luigi Mario Rodriguez	
Mr John Edstein	
Ms Michelene Collopy	appointed effective 24 February 2014
Mr Chris Green	appointed effective 24 February 2014

The Directors of the Trustee company did not receive and are not due to receive any remuneration from the Fund in connection with the management of the Fund. Any director fees are paid to the Directors by the Trustee directly. During the year the Fund did not pay any trustee fees to the Trustee. As disclosed in Note 12 to the financial statements, the Promoter paid \$124,645 (2013:\$58,843) as trustee fees to the Trustee.

(b) Other Related Party Transactions

The Trust Company (Australia) Limited, a company related to the Trustee of the Fund, is the trustee of the Unlisted Unit Trusts into which the Fund invests. Details of these investments are disclosed in Note 6 to the financial statements.

ING Bank N.V. (Sydney Branch), a company related to the Promoter, acts as investment manager for the Cash Option, Term Deposits and the Cash Hub of the Fund. The investment in the Term Deposits and Cash Hub are disclosed in Note 6.

The promoter of the Fund, ING Direct, a division of ING Bank (Australia) Limited is paid a promoter fee as disclosed in Note 12.

There were no other related party transactions that require disclosure as at 30 June 2014.

17. Financial Risk Management Objectives and Policies

Introduction

The Fund's principal financial instruments comprise units in unlisted unit trusts, equity securities and term deposits. The main purpose of these financial instruments is to generate a return on investment. The Trustee does not intend to directly invest in futures, options or derivatives instruments however derivatives may be used for hedging and cash flow management as required.

The Fund also has various other financial instruments such as sundry receivables and payables, which arise directly from its operations, these are mainly current in nature.

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement, monitoring, subject to risk limits and other controls. The Fund is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk.

**ING DIRECT Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2014**

17. Financial Risk Management Objectives and Policies (continued)

(a) Risk Management Structure

The Trustee is responsible for identifying and controlling the risks that arise from these financial instruments. The Trustee reviews and agrees policies for managing each of these risks as summarised below. The Fund also monitors the market price risk arising from all financial instruments. The risk framework is reviewed regularly by management and the board of directors.

Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is monitored by the Trustee. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept.

This information is prepared and reported to the Trustee on a regular basis.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or when a number of counterparties are engaged in similar business activities, have activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentrations of risk, the Fund monitors its exposure to ensure concentrations of risk remain within acceptable levels in accordance with the Fund mandate and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

(b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The Fund is exposed to the risk of credit related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations.

There are no significant assets that are past due or impaired. Credit risk is not considered to be significant to the Fund as the Fund did not hold any investments in debt instruments at the reporting date.

Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is monitored by the Trustee. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept.

ING DIRECT Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2014

17. Financial Risk Management Objectives and Policies (continued)

(c) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Fund's significant financial liabilities are benefits payable to members, current tax liabilities and vested benefits.

Other financial liabilities of the Fund comprise trade and other payables which are contractually due within 30 days.

The Fund's financial instruments include unlisted investments that are not traded in organised public markets and may be illiquid. As a result the Fund may not be able to liquidate some of its investments at an amount close to fair value in order to meet its liquidity requirements. The value of these investments is monitored to comply with the asset allocation stipulated by the Fund's investment strategy and commitment cash flow projections are analysed as part of the monthly rebalancing review of the Fund's investments. The risk in relation to illiquid investments is therefore considered minimal.

The following are the contractual maturities of financial liabilities, including interest payments. Vested benefits have been included in the 'Less than 1 month' column below as this is the amount that members could call upon as at year end.

As at 30 June 2014

	Less than 1 month \$'000	1 to 3 months \$'000	3 to 6 months \$'000	6 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
Financial Liabilities						
Benefits payable	275	-	-	-	-	275
Trade and other payables	307	-	-	-	-	307
Current tax liabilities	-	12,353	-	-	-	12,353
Vested benefits	876,892	-	-	-	-	876,892
Total undiscounted financial liabilities	877,474	12,353	-	-	-	889,827

As at 30 June 2013

	Less than 1 month \$'000	1 to 3 months \$'000	3 to 6 months \$'000	6 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
Financial Liabilities						
Benefits payable	386	-	-	-	-	386
Trade and other payables	-	320	-	-	-	320
Current tax liabilities	-	3,337	-	-	-	3,337
Vested benefits	405,620	-	-	-	-	405,620
Total undiscounted financial liabilities	406,006	3,657	-	-	-	409,663

Financial assets that are available in cash or are readily convertible to cash within five business days to meet the above financial liabilities are \$705,721,000 (2013:\$293,025,000)

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and equity prices. Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Fund has set investment allocation ranges to meet its objectives of holding a balanced portfolio, including limits on investments in interest bearing assets, which are monitored regularly. The Fund may use derivatives to hedge against unexpected increases in interest rates.

ING DIRECT Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2014

17. Financial Risk Management Objectives and Policies (continued)

(d) Market Risk (continued)

Interest rate risk (continued)

Financial assets of the Fund exposed to interest rate risk are cash and cash equivalents and other interest bearing securities.

The sensitivity of the Statement of Financial Position is the effect of the assumed changes in interest rates on:

- ▶ the interest income for one year, based on the floating rate financial assets held at the balance date; and
- ▶ changes in fair value of investments for the year, based on revaluing fixed rate financial assets at the balance date.

The Fund's financial assets exposed to interest rate risk are as follows:

	2014 \$'000	2013 \$'000
Investments		
Cash at Bank	136,625	68,508
Term deposits with a maturity of less than one year	68,648	93,684
Term deposits with a maturity of more than one year	115,421	23,477
Investments in Australian cash unit trusts	235,574	103,444
Investments in Australian fixed interest unit trusts	6,475	2,376
Investments in international fixed interest (hedged) unit trusts	1,171	360
	563,914	291,849

The following table demonstrates the sensitivity of the Fund's Statement of Financial Position and Operating Statement to a reasonably possible change in the Reserve Bank of Australia's official cash interest rates and global interest rates based on historical data over a 10 year period and expected future movement over the next 12 months, with all other variables held constant.

	2014		2013	
	Change in basis points Increase/(decrease)	Sensitivity of interest income and changes on net assets \$'000 Increase/(decrease)	Change in basis points Increase/(decrease)	Sensitivity of interest income and changes on net assets \$'000 Increase/(decrease)
Term deposits - maturity of more than one year	75 / (110)	253 / (378)	95 / (140)	190 / (280)
Australian fixed interest unit trusts	75 / (175)	41 / (96)	45 / (130)	9 / (26)
International fixed interest (hedged) unit trusts	50 / (180)	5 / (18)	180 / (200)	5 / (6)

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 has an indirect currency exposure through the Fund's investment in international equities (unhedged) unit trust and in diversified unit trusts amounting to **\$63,659,000** (2013:\$24,248,000). All of the Fund's investments are in Australian Dollar denominated

	2014		2013	
	Movement in currency rates % increase/(decrease)	Effect on net assets (\$'000)	Movement in currency rates increase/(decrease)	Effect on net assets (\$'000)
International shares (unhedged)	11.7 / (11.7)	6,338 / (6,338)	9.4 / (9.4)	1,945 / (1,945)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all similar financial instruments in the market. Equity price risk exposure arises from the Fund's investment portfolio.

ING DIRECT Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2014

17. Financial Risk Management Objectives and Policies (continued)

(d) Market Risk (continued)

Other price risk (continued)

Investments in the Fund that are exposed to other price risk include Australian equities and unlisted unit trusts.

As the unlisted units trusts invests in a diversified underlying portfolio, the other price risk of the Fund is limited. Also the Australian equity investments are of a high quality and are publicly traded on the Australian Stock Exchange. The Trustee monitors the Fund's exposure to various indices on an ongoing basis throughout the year ensuring the mandate is not breached.

The effect on the statement of financial position due to a reasonably possible change in market factors, as represented by the volatility of change in the individual indices over the last 10 years, with all other variables held constant, is indicated in the table below.

Index/Benchmark	2014		2013	
	% Change in investment price	Effect on net assets (\$,000)	% Change in investment price	Effect on net assets (\$,000)
Australian Equities	10.5 / (13.4)	18,667 / (23,747)	8.5 / (17.5)	5,108 / (10,516)
International Equities (unhedged)	9.75 / (13.6)	4,764 / (7,351)	8.0 / (16.5)	1,655 / (3,414)
International Equities (hedged)	9.5 / (14.3)	5,141 / (6,985)	11.0 / (19.7)	1,986 / (3,557)
Australian Listed Property	9.0 / (14.0)	497 / (770)	16.0 / (16.0)	256 / (256)

18. Insurance

The Fund provides death and disability benefits, and income protection benefits to members. The Trustee has two group policies in place with a third party to insure death and disability benefits in excess of vested benefits, and to provide income protection benefits.

19. Commitments and Contingencies

There are no commitments or contingencies that the Fund is aware of as at 30 June 2014 (2013: Nil)

20. Operational Risk Financial Requirement (ORFR)

To meet the Fund's ORFR requirement the Trustee has established an Operational Risk Trustee Capital (ORTC) Reserve. The ORTC Reserve is designed to provide access to funds to address any losses arising from Fund risks in a timely manner. The ORTC Approved Investment will be invested such that it maintains a status equivalent to Common Equity Tier 1 Capital.

21. Significant Events After Balance Date

On 1 September 2014, Diversa Group Limited acquired ownership of the Trustee entity, The Trust Company (Superannuation) Limited from Perpetual Limited. As of this date, the following persons commenced as Directors of the Trustee:

Mr Mark Cerché (Chairman)
 Mr Andrew de Vries
 Mr Murray Jones
 Mr Vincent Parrott

John Edstein, Michelene Collopy, Chris Green and Lulgi Mario Rodriguez all resigned as Directors of The Trust Company (Superannuation) Limited effective 1 September 2014.

The value of the Fund's assets in these Financial Statements is displayed as at 30 June 2014 and any subsequent change in value (either positive or negative) after 30 June 2014 is not reflected in these financial statements.

Since 30 June 2014 there has not been any other matter or circumstance not otherwise dealt with in the financial statements that has significantly affected or may significantly affect the Fund.

**ING DIRECT Superannuation Fund
For the year ended 30 June 2014**

Trustee's declaration

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

1. The accompanying financial statements of ING DIRECT Superannuation Fund are properly drawn up so as to fairly present the financial position of the Fund as at **30 June 2014**, and the results of its operations and cash flows for the year then ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia; and
2. The Fund has been conducted in accordance with its constituent Trust Deed dated 13 June 2012 and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations and the Corporations Act 2001 and Regulations and Guidelines during the year.

Signed in accordance with a resolution of the Board of Directors of The Trust Company (Superannuation) Limited.

Signed at Melbourne, the ^{30th} day of October 2014



Director



Director

