

ING DIRECT Superannuation Fund

**Financial Statements for the year ended
30 June 2016**

ING DIRECT Superannuation Fund

Table of Contents

	Page
Statement of Financial Position	1
Operating Statement	2
Statement of Cash Flows	3
Notes to the Financial Statements	4
Trustee Declaration	18
Independent Report by the Approved Auditor to the Trustee	19

ING DIRECT Superannuation Fund
Statement of Financial Position
As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
ASSETS			
Investments			
Cash and cash equivalents	17	299,966	203,625
Term deposits	4	299,738	209,960
Australian equities	4	182,492	82,536
Unlisted unit trusts	4	1,236,565	896,933
		<u>2,018,761</u>	<u>1,393,054</u>
Other Assets			
Trade and other receivables	6	5,309	3,982
Deferred tax assets	12	5,082	3,817
Total Assets		<u>2,029,152</u>	<u>1,400,853</u>
LIABILITIES			
Trade and other payables	7	1,245	512
Outstanding investment settlements		2,789	-
Current tax liabilities	11	5,760	7,397
Total Liabilities (excluding net assets available to pay benefits)		<u>9,794</u>	<u>7,909</u>
Net Assets Available to Pay Benefits		<u>2,019,358</u>	<u>1,392,944</u>
<i>Represented by:</i>			
Liability for accrued benefits			
Allocated to members' accounts	14	2,016,844	1,387,234
Unallocated to members' accounts		2,514	5,710
Total Liability for Accrued Benefits	13	<u>2,019,358</u>	<u>1,392,944</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 2016**

	Note	2016 \$'000	2015 \$'000
Investment Revenue			
Interest		11,477	11,608
Dividends		3,901	1,709
Distributions		45,571	60,206
Other investment income		563	-
Changes in net market values	5	<u>(30,040)</u>	<u>(14,925)</u>
Total Investment Revenue		31,472	58,598
Contributions Revenue			
Employer contributions		138,831	97,000
Member contributions		89,980	79,805
Transfers from other funds		<u>518,626</u>	<u>378,650</u>
Total Contributions Revenue		747,437	555,455
Other Revenue			
Group life insurance proceeds		971	967
Other		<u>28</u>	<u>327</u>
Total Other Revenue		999	1,294
Total Revenue		<u>779,908</u>	<u>615,347</u>
Direct Investment Expenses			
		(546)	(287)
General Administrative Expenses			
Operating expenses	8	(2,716)	(893)
Group life insurance premiums		<u>(7,661)</u>	<u>(3,147)</u>
Total General Administrative Expenses		(10,377)	(4,040)
Total Expenses		<u>(10,923)</u>	<u>(4,327)</u>
Benefits accrued as a result of operations			
before income tax		768,985	611,020
Income tax (expense)/benefit	10	<u>(19,425)</u>	<u>(13,379)</u>
Benefits accrued as a result of operations		<u>749,560</u>	<u>597,641</u>

The above 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 2016

	<i>Note</i>	2016	2015
		\$'000	\$'000
Cash flows from operating activities			
Employer contributions received		138,831	97,000
Member contributions received		89,980	79,805
Transfers from other funds		518,626	378,650
Interest received		10,844	11,373
Dividends received		3,295	1,709
Distributions received		1,372	391
Other income received		586	327
Group life insurance proceeds received		971	967
Benefits paid to members		(123,086)	(87,730)
Direct investment and other general administration expenses paid		(3,444)	(1,394)
Group life insurance premiums paid		(6,889)	(2,798)
Income tax paid		(22,327)	(19,690)
Net cash flows from operating activities	17	608,759	458,610
Cash flows from investing activities			
Purchase of investments		(1,207,123)	(912,471)
Proceeds on the sale of investments		694,705	520,861
Net cash used in investing activities		(512,418)	(391,610)
Net increase in cash and cash equivalents		96,341	67,000
Cash and cash equivalents at the beginning of the financial year		203,625	136,625
Cash and cash equivalents at the end of the financial year	17	299,966	203,625

The above 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 2016

1. Reporting Entity

ING DIRECT 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 Trustee of the Fund during the reporting period was The Trust Company (Superannuation) 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.

2. Basis of preparation

(a) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards AAS 25, "Financial Reporting by Superannuation Plans", other applicable Australian Accounting Standards, the provisions of the Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations.

International Financial Reporting Standards ('IFRS') form the basis of Australian Accounting Standards adopted by the AASB. Certain requirements of AAS 25 however differ from the equivalent requirements that would be applied under IFRS.

The financial statements were authorised for issue by a resolution of the Trustee on 6 September 2016.

(b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Fund. Amounts have been rounded to the nearest thousand dollars except where otherwise noted.

(c) Comparatives

Where necessary, comparative figures have been reclassified and re-presented for consistency with current year disclosures.

(d) Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of asset and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future period affected.

The Fund meets the definition of an investment entity per AASB 10 Consolidated Financial Statements due to the following factors:

- the Fund obtains and manages funds for the purpose of providing those investors with investment management services;
- the Fund commits to its investors that its business purpose is to invest solely for returns from capital appreciation and investment income;
- the Fund measures and evaluates the performance of substantially all of its investments on a net market value basis which approximates fair value.

As the Fund meets the definition of an investment entity it is not required to consolidate its investees, but must recognise and measure such investments at net market value.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial assets and financial liabilities

Financial assets and financial liabilities are included in the statement of financial position at net market value as at reporting date and movements in the net market value of assets and liabilities are recognised in the operating statement in the periods which they occur.

The Fund recognises financial assets and liabilities on the date it becomes party to the contractual provisions of the instrument. From this date any gains and losses arising from changes in net market values are recorded.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Estimated costs of disposal are deducted in determination of net market value. As disposal costs are generally immaterial, unless otherwise stated, net market value approximates fair value.

Net market values have been determined as follows:

ING DIRECT SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2016

3. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

Fixed income investments

Investments in fixed term deposits are recorded at cost with the accrued interest being reflected in receivables.

Market quoted investments

When applicable, the Fund measures the net market values of an instrument using the quoted prices in an active market for that instrument less an appropriate allowance for costs expected to be incurred in realising the investment. A market is regarded as active if transactions fit the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Units in unlisted unit trusts

Units in unlisted unit trusts are valued at the redemption price at reporting dated quoted by the underlying fund managers which are based on the net market value of the underlying investments.

Where there is no quoted price in an active market market, the Fund uses valuation techniques that maximise the use of relevant observable inputs to minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

(b) Derivatives

The Fund presently is not directly exposed to or involved in the use of derivative financial instruments. However, some of the Fund's underlying investments may, as part of the respective fund manager's investment strategy, 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.

(c) Cash and cash equivalents

Cash comprises cash on hand and cash at bank.

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

(d) Receivables

Receivable amounts are generally received within 60 days of being recorded as receivable.

(e) Payables

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

(f) Revenue recognition

Interest revenue

Interest income is recognised in the operating statement as it accrues, taking into account the effective yield on the financial asset. Interest income not received at reporting date is reflected in the statement of financial position as a receivable.

Dividend revenue

Revenue from dividends is recognised on the date the shares are quoted ex-dividend and if not received at reporting date, are reflected in the statement of financial position as a receivable at net market value.

Distributions

Distributions from managed investment schemes are recognised as at the date the unit value is quoted ex-distribution and if not received at reporting date, are reflected in the statement of financial position as a receivable at net market value.

Changes in net market value of investments

Changes in net market value of investments are recognised as income and are determined as the difference between the net market value at year-end or consideration received (if sold during the year) and the net market value as at the prior year-end or cost (if the investment was acquired during the period).

Contributions revenue and transfers

Contributions revenue and transfers in are recognised when the control and the benefits from the revenue have transferred to the Fund and is recognised gross of any taxes.

Group life insurance proceeds

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

ING DIRECT SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2016

3. Significant accounting policies (continued)

(g) Income Tax

Income tax on benefits accrued as a result of operations for the year comprises current and deferred tax.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted on reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

The measure of deferred tax reflects the tax consequences that would follow the manner in which the Fund expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Further, the Fund applies a deferred tax asset cap in line with its current deferred tax asset capping policy, whereby any deferred tax asset is capped at 3% of the Fund's net assets.

Current and deferred tax for the period

Income tax has been provided in the current year at the rate of 15% of taxable contributions (excluding exempt pension streams) as it is the expectation of the Trustee that the Fund will be treated as a complying superannuation fund.

(h) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of amounts of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC). In circumstances where GST is not recoverable, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

(i) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 30 June 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the Fund are set out below. The Fund does not plan to adopt these standards early.

AASB 9 Financial Instruments, (effective 1 January 2018)

AASB 9 addresses classification, measurement and derecognition of financial assets and financial liabilities. This standard applies to annual reporting periods beginning on or after 1 January 2018. The adoption of this standard is expected to have no impact on the Fund's accounting for financial instruments as movements in the fair value of investments and derivatives will continue to be recognised in the operating statement for periods in which they occur.

AASB 1056 Superannuation Entities, (effective 1 July 2016)

Issued in June 2014, AASB 1056 replaces AAS 25 Financial reporting by Superannuation Plans and is applicable to annual reporting periods beginning on or after 1 July 2016.

AASB 1056 will have a number of impacts on the financial statements of the Fund, including the requirement to prepare the following five statements under the new standard rather than the current three.

- Statement of Financial Position;
- Income Statement;
- Statement of changes in equity/reserves;
- Statement of cash flows; and
- Statement of changes in members' benefits.

Other key changes:

- Funds must recognise member benefits as a liability on the face of the statement of financial position;
- The statement of financial position will need to disclose the surplus or deficit funds;
- Net assets will reflect the fund's reserves, including the Operational Risk Financial Requirement Reserve where applicable; and
- Increased disclosure in relation to insurance arrangements.

This standard will have an impact on the Fund's future financial statements.

ING DIRECT SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2016

4. Investments

	2016	2015
	\$'000	\$'000
Term Deposits		
ING DIRECT term deposits	<u>299,738</u>	209,960
Australian Equities		
Listed equity securities	<u>182,492</u>	82,536
Unlisted Unit Trusts		
ING DIRECT Balanced Fund	887,390	665,644
ING DIRECT Growth Fund	50,743	35,038
ING DIRECT High Growth Fund	87,444	58,454
ING DIRECT Cash Fund	90,879	60,460
ING DIRECT Australian Shares Fund	35,537	26,177
ING DIRECT International Shares Fund	34,240	23,223
ING DIRECT Australian Fixed Income Fund	11,746	6,528
ING DIRECT Australian Listed Property Fund	24,593	12,094
ING DIRECT International Shares (Hedged) Fund	8,310	6,014
ING DIRECT International Fixed Income (Hedged) Fund	5,663	3,301
	<u>1,236,565</u>	896,933
Total Investments	<u>1,718,795</u>	1,189,429

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

An overview of the Fund's investment management framework and investment risk exposure is included in Note 19 to the financial statements.

5. Changes in Net Market Value of Investments

	2016	2015
	\$'000	\$'000
Investments held at the end of the reporting period		
Australian equities	(2,719)	(1,444)
Unlisted unit trusts	<u>(25,042)</u>	<u>(19,774)</u>
	<u>(27,761)</u>	<u>(21,218)</u>
Investments realised during the reporting period		
Australian equities	522	968
Unlisted unit trusts	<u>(2,801)</u>	<u>5,325</u>
	<u>(2,279)</u>	6,293
Total	<u>(30,040)</u>	<u>(14,925)</u>

ING DIRECT SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2016

6. Other Receivables

	2016 \$'000	2015 \$'000
Investment income receivable	5,221	3,955
GST receivable	81	27
Other receivables	7	-
	<u>5,309</u>	<u>3,982</u>

Due to the short term nature of these receivables, their carrying value is assumed to approximate their net market value and fair value. The maximum exposure to credit risk is the net market value of receivables. Information regarding credit risk exposure is set out in Note 19.

7. Other Payables

	2016 \$'000	2015 \$'000
Group life insurance payable	772	349
Accrued expenses	412	121
Benefit tax payable	61	42
	<u>1,245</u>	<u>512</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 19.

8. General operating expenses

	2016 \$'000	2015 \$'000
Promoter fees	1,573	858
Adviser fees	1,143	35
	<u>2,716</u>	<u>893</u>

9. Auditor's Remuneration

	2016 \$'000	2015 \$'000
KPMG		
Audit and review of the financial statements and regulatory audit services	90	-
Taxation services	-	-
	<u>90</u>	<u>-</u>
Ernst & Young		
Audit and review of the financial statements and regulatory audit services	-	113
Taxation services	52	104
	<u>52</u>	<u>217</u>
Grant Thornton		
Audit and review of the risk management framework	2	2
	<u>2</u>	<u>2</u>

Auditor's remuneration is paid by the Fund Promoter.

ING DIRECT SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2016

10. Income Tax Expense

Recognised in the operating statement	2016	2015
	\$'000	\$'000
Recognised in the operating statement		
Current tax expense		
Current year	21,265	17,656
Adjustment for prior years	<u>(577)</u>	<u>(2,922)</u>
	20,688	14,734
Deferred income tax expense		
Movement in temporary differences	<u>(1,263)</u>	<u>(1,355)</u>
	(1,263)	(1,355)
Total income tax expense	19,425	13,379
Reconciliation between tax expense and benefits accrued as a result of operations before income tax		
Benefit accrued before tax operating result of operations before income tax	768,985	611,020
Tax at complying superannuation fund tax rate of 15%	115,348	91,653
Decrease in tax expense due to:		
Capital gains/(losses) not assessable/(deductible)	1,848	(4,199)
Exempt pension income	(733)	(941)
Non-assessable contributions	(89,524)	(67,595)
Anti detriment deduction	(154)	(139)
Group life proceeds	(146)	(145)
Net imputation and foreign tax credits	(6,637)	(2,333)
Prior year adjustments	<u>(577)</u>	<u>(2,922)</u>
Income tax expense on benefits accrued as a result of operations	19,425	13,379

11. Current tax assets and liabilities

The current tax liability for the Fund of \$5,759,584 (2015: \$7,397,265) represents the amount of income taxes payable in respect of the current and prior financial periods.

12. Deferred tax assets and liabilities

	Assets	Liabilities	Net
	\$'000	\$'000	\$'000
2016			
Unrealised losses on investments	<u>5,082</u>	-	<u>5,082</u>
Net deferred tax asset/(liability)	5,082	-	5,082
2015			
Unrealised losses on investments	<u>3,817</u>	-	<u>3,817</u>
Net deferred tax asset/(liability)	3,817	-	3,817

ING DIRECT SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2016

13. Liability for accrued benefits and funding arrangements

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries arising from membership of the Fund up to the reporting date. It is measured as the difference between the carrying amount of the assets and the sum of sundry liabilities and income tax liabilities as at reporting date.

Changes in liability for accrued benefits

	2016 \$'000	2015 \$'000
Liability for accrued benefits at beginning of the reporting period	1,392,944	882,799
Plus: Benefits accrued as a result of operations	749,560	597,641
Less: Benefits paid during the year	(123,146)	(87,496)
Liability for accrued benefits at the end of the reporting period	2,019,358	1,392,944

Funding Arrangements

Members' contributions were made in accordance with the requirements of the Trust Deed pursuant to applications contained in the Product Disclosure Statement on issue by the Trustee during the year.

14. Vested Benefits

	2016 \$'000	2015 \$'000
Vested benefits as at the end of the reporting period	2,016,844	1,387,234

Vested benefits represent the members' rights to which under the terms of a superannuation plan, are not conditional upon continued membership or any other factor other than resignation from the Fund.

15. Guaranteed Benefits

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

16. Insurance

The Fund provides death and disability benefits, and income protection benefits to its 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.

17. Notes to the statement of cash flows

For the purpose of the statement of cash flows, cash includes cash on hand and cash at bank. Cash at the end of financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Reconciliation of cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash at bank	299,966	203,625
	299,966	203,625

Reconciliation of cash flows from operating activities

Benefits accrued as a result of operations after income tax	749,560	597,641
Benefits paid/payable	(123,147)	(87,498)
Movement in net market value of investments and investment income	(14,158)	(44,652)
(Increase)/decrease in trade and other receivables	(1,326)	(500)
(Increase)/decrease in deferred tax assets	(1,265)	(1,355)
Increase/(decrease) in trade and other payables	733	(70)
Increase/(decrease) in current tax payable	(1,638)	(4,956)
Net cash provided by operating activities	608,759	458,610

ING DIRECT SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2016

18. Related Parties

(a) Trustee and Key Management Personnel

The Trustee of the Fund during the reporting period was The Trust Company (Superannuation) Limited (RSE No L0000635).

Key management personnel include persons who were directors of the trustee at any time during the reporting period.

The directors of The Trust Company (Superannuation) Limited were as follows:

M. Cerché (Chairperson), appointed 1 September 2014

M. Jones, appointed 1 September 2014

A. de Vries, appointed 1 September 2014

V. Parrott, appointed 1 September 2014

L. Barrett, appointed 23 June 2016

None of the directors were members of the Fund.

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 \$1,162,379 (2015:\$578,735).

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

(b) Other entities with significant influence over the Fund

The Promoter of the Fund is ING DIRECT, 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 operating statement. The compensation received or due and receivable by the Promoter from the Fund in connection with services provided to the Fund was \$2,249,963 (2015: \$858,464).

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.

Investments

ING Bank N.V. (Sydney Branch), 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 2016.

ING DIRECT SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2016

19. Additional financial instruments disclosure

(a) Financial instruments management

The investments of the Fund (other than cash held for meeting daily administrative and benefit expenses), are managed in accordance with the investment strategy to achieve the Fund's investment objectives.

The Trustee has engaged an asset consultant to monitor and provide regular reports on the Fund's investments to the Trustee. The Trustee may seek information from the trustee and/or manager of each collective investment (and also may seek independent advice from other qualified persons) so as to determine the nature and extent of any risks, and the expected returns, associated with each investment prior to determining its suitability as an investment for the Fund.

State Street Australia Limited acts as custodian on behalf of the Trustee and as such provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

The Fund's financial assets and liabilities adopted in the statement of financial position are carried at their net market value, which directors believe approximate their fair value.

(b) Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

(c) Capital risk management

The Trustee has established an operational risk trustee capital (ORTC) amount in response to the operational risk financial requirement introduced by APRA Prudential Standards SPS 114 Operational Risk Financial Requirements effective from 1 July 2013. The financial resources held to meet the operational risk target amount is held as an operational risk trustee capital held by the Trustee. The capital amount is operated in accordance with the Operational Risk Financial Requirement Strategy. The purpose is to provide funding for incidents where losses may arise from operational risk relating to the Fund. The level of capital amount is determined by the Trustee based on an assessment of the risks faced by the Fund.

The Trustee was allowed a three year transition period through to 30 June 2016 to reach the target amount. The Fund met its target amount of 0.275% on 21 June 2016. As required by APRA under RSE Licence conditions, the Trustee maintained an approved guarantee amount of at least \$5,000,000. This was in place until licence conditions were changed on 29 June 2016. The ORTC has replaced the approved guarantee amount.

The ORTC balance at the end of the reporting period was \$5,430,000 (2015: \$2,440,000).

(d) Financial risk management objectives

The Fund is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including currency risk, cash flow interest rate risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Fund's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Fund's financial performance. These policies may include the use of certain financial derivative instruments.

It is ultimately the responsibility of the Trustee to ensure that there is an effective risk management control framework in place. Consistent with regulatory requirements the Trustee has the function of overseeing the establishment and maintenance of risk-based systems and controls for the Fund. The Trustee has developed, implemented and maintains a Risk Management Framework ("RMF").

The RMF identifies the Trustee's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Fund. Annually, the Trustee is required to certify to APRA whether adequate strategies have been put in place to monitor those risks, that the Trustee has systems in place to ensure compliance with legislative and prudential requirements and that the Trustee has satisfied itself as to the compliance with the RMF.

(e) Investment Risk

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 this type of investment is appropriate for the Fund and is in accordance with the Fund's investment strategy.

The Fund's investment activities expose it to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

ING DIRECT SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2016

19. Additional financial instruments disclosure (continued)

(e) Investment Risk

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 other 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.

To mitigate market risk, the Fund undertakes due diligence prior to the approval of fund managers to ensure they have appropriate expertise and skill for monitoring of the market conditions and benchmark analysis. Further, the Fund's asset consultant provides additional expert advice as required.

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.

Sensitivity analysis - currency risk

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 other market price risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Fund's financial instruments are non-interest bearing with only cash and fixed interest securities being subjected to interest rate risk. The Fund's exposure to interest rate risk is set out below.

Sensitivity analysis - interest rate risk

	Carrying Amount \$	Change in net assets available to pay benefits		Net assets available to pay benefits after change	
		-1%	+1%	Decrease	Increase
2016					
\$'000					
Cash and Cash Equivalents	299,966	(3,000)	3,000	296,966	302,966
Term Deposits	299,738	(2,997)	2,997	296,741	302,736
Investment in Australian Fixed Interest unit trust	16,246	(162)	162	16,084	16,408
Investment In International Fixed Interest (hedged) unit trust	5,562	(56)	56	5,506	5,618
	621,512	(6,215)	6,215	615,297	627,728
2015					
\$'000					
Cash and Cash Equivalents	203,625	(2,036)	2,036	201,589	205,661
Term Deposits	209,960	(2,100)	2,100	207,860	212,060
Investment in Australian Fixed Interest unit trust	9,877	(99)	99	9,778	9,976
Investment In International Fixed Interest (hedged) unit trust	3,393	(34)	34	3,359	3,427
	426,855	(4,269)	4,269	422,586	431,124

An increase/(decrease) of 1% in interest rates at reporting date would have increased/(decreased) the change for the year in net assets available to pay benefits by the amounts shown above, with all other variables held constant.

ING DIRECT SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2016

19. Additional financial instruments disclosure (continued)

(e) Investment Risk (continued)

Other market price risk

Other 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 (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As all of the Fund's financial instruments are carried at net market value with changes recognised in the operating statement, all changes in market conditions will directly affect changes in net market values.

Investments of the Fund (other than cash held for operational purposes) comprise fixed income, shares in listed entities, and collective investment vehicles such as managed investment schemes. The Fund's exposure to other market price risk is therefore limited to market price movement in the asset classes of these investments.

Following an analysis of historical data over the past 20 years and 10 years and expected market movement the Trustee considers the following movements in other market price risk reasonably possible for the reporting period.

Sensitivity analysis - other market price risk by asset class

Asset Class

	%	Carrying Amount \$	Change in net assets available to pay benefits		Net assets available to pay benefits after change	
			Decrease	Increase	Decrease	Increase
2016						
\$'000						
Australian Equities	9	542,160	(48,794)	48,794	493,366	590,954
International Equities (unhedged)	8	168,053	(13,444)	13,444	154,609	181,497
International Equities (hedged)	8	130,814	(10,465)	10,465	120,349	141,279
Australian Listed Property	8	27,718	(2,217)	2,217	25,501	29,935
		868,745	(74,920)	74,920	793,825	943,665
2015						
\$'000						
Australian Equities	9	308,192	(27,737)	27,737	280,455	335,930
International Equities (unhedged)	8	126,503	(10,120)	10,120	116,383	136,623
International Equities (hedged)	8	99,153	(7,932)	7,932	91,221	107,086
Australian Listed Property	8	14,076	(1,126)	1,126	12,950	15,202
		547,924	(46,916)	46,916	501,009	594,840

An increase/(decrease) by the average return at reporting date would have increased/(decreased) the change for the year in net assets available to pay benefits by the amounts shown above, with all other variables held consistent.

ING DIRECT SUPERANNUATION FUND

Notes to the financial statements

For the year ended 30 June 2016

19. Additional financial instruments disclosure (continued)

(e) Investment Risk (continued)

Credit Risk

Credit risk refers to the risk that the counterparty to the financial instrument will default on its contractual obligations resulting in a financial loss to the Fund.

The carrying amounts of financial assets best represent the maximum credit risk exposure at reporting date. No collateral is held as security or other credit enhancement exists for all financial assets held. No financial assets are considered past due as all payments are considered recoverable when contractually due. The Funds financial assets exposed to credit risk amounted to the following:

Sensitivity analysis - credit risk

	2016	2015
	\$'000	\$'000
Cash and cash equivalents	299,966	203,625
Term deposits	299,738	209,960
Australian equities	182,492	82,536
Unlisted unit trusts	1,236,565	896,933
Interest, dividends and other receivables	5,309	27
	2,024,070	1,393,081

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its obligations when they fall due. The 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 conditions. The Fund's financial overall liquidity risks are monitored by the Trustee at least annually.

The following table summarises the maturity profile of the Fund's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay.

Sensitivity analysis - liquidity risk

	Carrying amount	Less than 1 month	1 to 3 months	Greater than 3 months
	\$'000	\$'000	\$'000	\$'000
2016				
\$'000				
Trade and other payables	1,245	1,245	-	-
Current tax liabilities	5,760	-	5,760	-
Unsettled trades	2,789	2,789	-	-
Vested benefits	2,016,844	2,016,844	-	-
	2,026,638	2,020,878	5,760	-
	Carrying amount	Less than 1 month	1 to 3 months	Greater than 3 months
	\$'000	\$'000	\$'000	\$'000
2015				
Trade and other payables	512	512	-	-
Current tax liabilities	7,397	-	7,397	-
Vested benefits	1,387,234	1,387,234	-	-
Total undiscounted financial liabilities	1,395,143	1,387,745	7,397	-

Vested benefits have been included in the less than one month column, as this is the amount that members could call upon at year-end. 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 amounts vested to them during this time.

ING DIRECT SUPERANNUATION FUND
Notes to the financial statements
For the year ended 30 June 2016

19. Additional financial instruments disclosure (continued)

(f) Estimation of fair value

The Fund's financial assets and liabilities included in the statement of financial position are carried at net market value which the Trustee believes approximates net market value. The major methods and assumptions used in determining net market value of financial instruments were disclosed in Note 3, significant accounting policies.

The Fund measures its financial instruments at net market value which approximates fair value, by valuation using the following fair value hierarchy that reflects the significance of inputs used in making the measurement:

- (a) Level 1 net market value measures are those instruments valued based on quoted prices (unadjusted) in active markets for identical instruments.
- (b) Level 2 net market value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using : quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which significant inputs are directly or indirectly observable from market data.
- (c) Level 3 net market value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobserved inputs) and the unobservable inputs have significant effect on the instrument's valuation. This category includes instruments that are based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value (net market value), grouped into Levels 1, 2 and 3 based on the degree to which the fair value is observable.

Fair value measurement

2016

	Carrying Amount	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	
Term Deposits	299,738	299,738	-	-	299,738
Australian Equities	182,492	182,492	-	-	182,492
Unlisted Unit Trusts	1,236,565	-	1,236,565	-	1,236,565
Total Investments	1,718,795	482,230	1,236,565	-	1,718,795

2015

	Carrying Amount	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	
Term Deposits	209,960	209,960	-	-	209,960
Australian Equities	82,536	82,536	-	-	82,536
Unlisted Unit Trusts	896,933	-	896,933	-	896,933
Total Investments	1,189,429	292,496	896,933	-	1,189,429

(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.

20. Events subsequent to reporting date

On 1 July 2016, the Trustee changed its name from The Trust Company (Superannuation Limited) to Diversa Trustees Limited. The directors of the Trustee and its management team remain unchanged.

There have been no significant events since the end of the reporting period and the date of this report that would have an impact on the financial position of the Fund or on the results of its operations, or the state of affairs of the Fund in future years.

21. Commitments and Contingencies

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

ING DIRECT SUPERANNUATION FUND

Notes to the financial statements

For the year ended 30 June 2016

22. 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 net market value of the investment strategy as at 30 June 2016.

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

Investment strategy	Net Market Value as at 30 June 2016	Net Market Value as at 30 June 2015	Exposure % (2016)	Exposure % (2015)	Financial Statement Caption
	\$'000	\$'000			
Balanced	887,390	665,644	72%	74%	Unlisted unit trusts
Growth	50,743	35,038	4%	4%	Unlisted unit trusts
High Growth	87,444	58,454	7%	6%	Unlisted unit trusts
Cash Fund	90,879	60,460	7%	7%	Unlisted unit trusts
Australian Shares	35,537	26,177	3%	3%	Unlisted unit trusts
International Shares	34,240	23,223	3%	3%	Unlisted unit trusts
Australian Fixed Income	11,746	6,528	1%	1%	Unlisted unit trusts
Australian Listed Property	24,593	12,094	2%	1%	Unlisted unit trusts
International Shares (Hedged)	8,310	6,014	1%	1%	Unlisted unit trusts
International Fixed Income (Hedged)	5,683	3,301	0%	0%	Unlisted unit trusts
	1,236,565	896,933	100%	100%	

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

Unconsolidated Investment Entities	Domicile	Percentage Ownership (2016)	Percentage Ownership (2015)
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 2016, 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 (2015: Nil).

At at 30 June 2016, 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 (2015: Nil).

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

**ING DIRECT Superannuation Fund
For the year ended 30 June 2016**

Trustee's declaration to members

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 present fairly the financial position of the Fund as at 30 June 2016, and the results of its operations and cash flows for the year then ended on that date; and
2. The operation of ING DIRECT Superannuation Fund has been carried out in accordance with its Trust Deed dated 13 June 2012 as amended and in compliance with:
 - The requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations;
 - Applicable sections of the Corporations Act 2001 and Regulations;
 - The requirements under Section 13 of the Financial Sector (Collection of Data) Act 2001;
3. The accompanying financial statements have been drawn up in accordance with Australian Accounting Standards and the provisions of the Trust Deed dated 13 June 2012, as amended.

Dated at Melbourne, the 6th day of September, 2016

Signed on behalf of the directors of the Trustee:



Director



Director

