

**ING Superannuation Fund**

**Financial Statements for the year ended  
30 June 2018**

# ING Superannuation Fund

## Table of Contents

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	Page
Statement of Financial Position	1
Income Statement	2
Statement of changes in member benefits	3
Statement of changes in equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
1. General Information	6
2. Summary of significant accounting policies	6-8
3. Financial risk management	9-11
4. Fair value measurement	12
5. Net changes in fair value of financial instruments	13
6. Structured entities	13
7. Member liabilities	14
8. Insurance arrangements	14
9. Reserves	14
10. Income Tax	15-16
11. Other operating expenses	16
12. Cash flows reconciliation	17
13. Commitments	17
14. Contingent liabilities and contingent assets	17
15. Events subsequent to reporting date	17
16. Auditor's Remuneration	17
17. Related Parties	18
18. Involvement with unconsolidated investment entities	19
Trustees' declaration	20

**ING Superannuation Fund**  
**Statement of Financial Position**  
**As at 30 June 2018**

	<i>Note</i>	2018 \$'000	2017 \$'000
<b>Assets</b>			
<b>Cash and cash equivalents</b>			
Cash and cash equivalents	12	356,905	368,181
<b>Investments</b>			
Term deposits	4	253,704	314,531
Australian equities	4	287,656	262,031
Unlisted unit trusts	4	1,786,986	1,550,481
<b>Receivables</b>			
Investment income receivable		3,617	5,581
Unsettled investment sales		1,997	3,470
Trade and other receivables		95	103
<b>Total assets</b>		<b>2,690,960</b>	<b>2,504,378</b>
<b>Liabilities</b>			
Trade and other payables		2,640	2,538
Unsettled investment purchases		1,419	2,291
Current tax liabilities		5,886	3,532
Deferred tax liabilities	10	9,261	658
<b>Total liabilities excluding member benefits</b>		<b>19,206</b>	<b>9,019</b>
<b>Net assets available for member benefits</b>		<b>2,671,754</b>	<b>2,495,359</b>
<b>Member liabilities</b>	7	<b>2,667,206</b>	<b>2,490,812</b>
<b>Total net assets</b>		<b>4,548</b>	<b>4,547</b>
<b>Equity</b>			
Operational risk reserve	9	2,890	178
Unallocated surplus	7	1,658	4,369
<b>Total equity</b>		<b>4,548</b>	<b>4,547</b>

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

**ING Superannuation Fund**  
**Income Statement**  
**For the year ended 30 June 2018**

	2018	2017
<i>Note</i>	<u>\$'000</u>	<u>\$'000</u>
<b>Superannuation Activities</b>		
<b>Revenue</b>		
Interest revenue	11,701	12,848
Dividends	10,012	8,666
Distributions	63,349	86,690
Other investment income	44	5,469
Net changes in fair value of investments	5 <u>104,829</u>	<u>54,731</u>
<b>Total revenue</b>	<u>189,935</u>	<u>168,404</u>
<b>Expenses</b>		
Investment Expenses	<u>(3,997)</u>	<u>(1,058)</u>
<b>Total Expenses</b>	<u>(3,997)</u>	<u>(1,058)</u>
<b>Profit/(loss) from operating activities</b>	<u>185,938</u>	<u>167,346</u>
Less: net benefits allocated to member's accounts	<u>(176,596)</u>	<u>(157,426)</u>
<b>Profit/(loss) before income tax</b>	<u>9,342</u>	<u>9,920</u>
Income tax (expense)/benefit	10 <u>(9,341)</u>	<u>(6,537)</u>
<b>Profit/(loss) after income tax</b>	<u>1</u>	<u>3,383</u>

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

**ING Superannuation Fund**  
**Statement of changes in member benefits**  
**For the year ended 30 June 2018**

	<b>2018</b>	<b>2017</b>
<i>Note</i>	<u>\$'000</u>	<u>\$'000</u>
<b>Opening Balance of member benefits at 1 July</b>	7      2,490,812	2,018,194
<b>Contributions:</b>		
Employer	190,273	183,985
Member	39,866	100,025
Transfers from other superannuation funds	231,233	434,329
Income tax on contributions	10      (26,694)	(26,500)
<b>Net after tax contributions</b>	<u>434,678</u>	<u>691,839</u>
<b>Benefit payments</b>	(411,144)	(360,971)
Insurance premiums charged to member's accounts	(12,290)	(11,414)
Death and disability benefits credited to members accounts	3,317	1,918
Benefits allocated to members accounts comprising:		
Net Investment income	176,596	157,426
Administration fees	11      (14,763)	(6,180)
<b>Closing balance of member benefits at 30 June</b>	7 <u>2,667,206</u>	<u>2,490,812</u>

**ING Superannuation Fund  
Statement of changes in Equity  
As at 30 June 2018**

	<b>ORFR Reserve</b>	<b>Unallocated</b>	<b>Total Equity</b>
<b>Opening balance as at 1 July 2017</b>	178	4,369	<b>4,547</b>
Net transfers to/(from) reserves	2,712	(2,712)	0
Profit/(loss)	-	1	1
<b>Closing balance as at 30 June 2018</b>	<b>2,890</b>	<b>1,658</b>	<b>4,548</b>
<b>Opening balance as at 1 July 2016</b>	-	1,164	<b>1,164</b>
Net transfers to/(from) reserves	178	(178)	-
Profit/(loss)	-	3,383	<b>3,383</b>
<b>Closing balance as at 30 June 2017</b>	<b>178</b>	<b>4,369</b>	<b>4,547</b>

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

**ING Superannuation Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2018**

	<i>Note</i>	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Interest received		13,556	12,788
Dividends and distributions received		10,123	8,980
Other income received		44	5,469
Group life insurance proceeds		3,317	1,918
Group life insurance premiums		(12,290)	(11,414)
General administration expenses		(14,653)	(4,902)
Income tax (paid)/received		1,614	(3,026)
<b>Net cash inflow/(outflow) from operating activities</b>	12	<u>1,711</u>	<u>9,813</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments			
Term deposits		463,545	442,421
Australian equities		176,043	181,244
Unlisted unit trusts		387,648	472,318
Payments for purchase of investments			
Term deposits		(402,719)	(457,214)
Australian equities		(178,684)	(245,760)
Unlisted unit trusts		(482,354)	(665,475)
<b>Net cash inflow/(outflow) from investing activities</b>		<u>(36,521)</u>	<u>(272,466)</u>
<b>Cash flows from financing activities</b>			
Employer contributions		190,273	183,985
Member contributions		39,866	100,025
Transfers from other funds		231,233	434,329
Benefits paid to members		(411,144)	(360,971)
Income tax paid on contributions received		(26,694)	(26,500)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>23,534</u>	<u>330,868</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>(11,276)</u>	<u>68,215</u>
Cash and cash equivalents at the beginning of the financial year		<u>368,181</u>	<u>299,966</u>
<b>Cash and cash equivalents at the end of the financial year</b>	12	<u>356,905</u>	<u>368,181</u>

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

# ING SUPERANNUATION FUND

## Notes to the financial statements

### For the year ended 30 June 2018

#### 1. General information

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

Effective 28 August 2017, the Fund changed its name from ING Direct Superannuation Fund to ING Superannuation Fund.

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

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

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

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

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

These financial statements cover the Fund as an individual entity. The financial statements of the Fund were authorised for issue by the directors of the Trustee on 4 September 2018. The directors of the Trustee have the power to amend and re-issue these financial statements.

#### 2. Summary of significant accounting policies

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

##### (a) Basis of preparation

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

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

##### (b) Financial instruments

###### (i) Classification

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

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

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

###### (ii) Recognition/de-recognition

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

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



**ING SUPERANNUATION FUND**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**2. Summary of significant accounting policies (continued)**

**(b) Financial instruments (continued)**

**(iii) Measurement**

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

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

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

**(iv) Offsetting financial instruments**

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

**(c) Cash and cash equivalents**

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

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

**(d) Revenue recognition**

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

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

**(e) Foreign currency translation**

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

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

**(f) Receivables**

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

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

**(g) Payables**

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

**ING SUPERANNUATION FUND**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**2. Summary of significant accounting policies (continued)**

**(h) Benefits paid/payable**

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

**(i) Contributions received and transfers from other funds**

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

**(j) Use of estimates**

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

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

**(k) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) is set out below:

***AASB 9 Financial Instruments (and applicable amendments), (effective 1 January 2018)***

AASB 9 addresses classification, measurement and derecognition of financial assets and financial liabilities. AASB9 introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption.

The Trustee does not expect this to have a significant impact on the Fund's financial instruments as they are carried at fair value through profit and loss.

The Fund intends to adopt AAS9 from its commencement.

***AASB 15 Revenue from contracts with customers, (effective 1 January 2018)***

AASB 15 introduces changes in the recognition of revenue from customers. Given the nature of the Fund's revenue, primarily superannuation contributions, rollovers and investment income, the Trustee does not expect this to have a significant impact on the Fund's financial statements.

The Fund intends to adopt AAS15 from its commencement.

**(l) Rounding of amounts**

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

**ING SUPERANNUATION FUND**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**3. Financial risk management**

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

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

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

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

- Market risk
- Credit risk
- Liquidity risk

**(a) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market comprises three types of risk: currency risk, interest rate risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**(i) Price Risk**

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

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

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

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Australian equities	287,656	262,031
Unlisted unit trusts	<u>1,786,986</u>	<u>1,550,481</u>
Net exposure to price risk	<u><b>2,074,642</b></u>	<u><b>1,812,512</b></u>

**(ii) Currency risk**

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

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

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

**ING SUPERANNUATION FUND**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**3. Financial risk management (continued)**

**(a) Market Risk (continued)**

**(iii) Cash flow and fair value Interest rate risk**

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

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

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

**At 30 June 2018**

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

**At 30 June 2017**

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000
Cash and Cash Equivalents	368,181	-	-	368,181
Term Deposits	-	314,531	-	314,531
	<b>368,181</b>	<b>314,531</b>	<b>-</b>	<b>682,712</b>

**(b) Summarised sensitivity analysis**

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

	Impact on operating profit/Net Assets attributable to members			
	Price Risk		Interest rate risk	
	-16%	+7.5%	-75 bps	+75 bps
	MSCI Index	MSCI Index		
	\$'000	\$'000	\$'000	\$'000
30 June 2018	(400,763)	200,382	(20,038)	20,038
30 June 2017	(374,304)	167,152	(18,715)	18,715

**ING SUPERANNUATION FUND**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**3. Financial risk management (continued)**

**(c) Credit Risk**

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

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

**Sensitivity analysis - credit risk**

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	356,905	388,181
Term deposits	253,704	314,531
Australian equities	287,656	262,031
Unlisted unit trusts	1,786,986	1,550,481
Interest, dividends and other receivables	5,709	9,154
	<u>2,690,960</u>	<u>2,504,378</u>

**(d) Liquidity Risk**

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

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

**(i) Maturities of financial liabilities**

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

	Carrying amount \$'000	Less than 1 month \$'000	1 to 3 months \$'000	Greater than 3 months \$'000
<b>At 30 June 2018</b>				
Trade and other payables	2,640	2,640	-	-
Current tax liabilities	5,886	-	5,886	-
Unsettled trades	1,419	1,419	-	-
Liability for accrued benefits	2,667,206	2,667,206	-	-
<b>Total undiscounted financial liabilities</b>	<u>2,677,151</u>	<u>2,671,265</u>	<u>5,886</u>	<u>-</u>
	Carrying amount \$'000	Less than 1 month \$'000	1 to 3 months \$'000	Greater than 3 months \$'000
<b>2017</b>				
Trade and other payables	2,538	2,538	-	-
Current tax liabilities	3,532	-	3,532	-
Unsettled trades	2,291	2,291	-	-
Liability for accrued benefits	2,490,812	2,490,812	-	-
<b>Total undiscounted financial liabilities</b>	<u>2,499,173</u>	<u>2,495,641</u>	<u>3,532</u>	<u>-</u>

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

**ING SUPERANNUATION FUND**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**4. Fair value measurement**

**(a) Fair value hierarchy**

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

The fair value hierarchy has the following levels:

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

**Recognised fair value measurements**

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

<b>As at 30 June 2018</b>				
<i>In thousands of dollars</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	356,905			356,905
Term Deposits	253,704			253,704
Australian Equities	287,656			287,656
Unlisted Unit Trusts	-	1,786,986		1,786,986
Unsettled investment sales	1,997			1,997
Other receivables	3,712			3,712
<b>Total financial assets</b>	<b>903,974</b>	<b>1,786,986</b>	<b>-</b>	<b>2,690,960</b>
<b>Financial liabilities</b>				
Other payables	2,640			2,640
Unsettled investment purchases	1,419			1,419
Tax liabilities	15,147			15,147
<b>Total financial liabilities</b>	<b>19,206</b>	<b>-</b>	<b>-</b>	<b>19,206</b>
<b>As at 30 June 2017</b>				
<i>In thousands of dollars</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	368,181			368,181
Term Deposits	314,531			314,531
Australian Equities	262,031			262,031
Unlisted Unit Trusts	-	1,550,481		1,550,481
Unsettled investment sales	3,470			3,470
Other receivables	5,684			5,684
<b>Total financial assets</b>	<b>953,898</b>	<b>1,550,481</b>	<b>-</b>	<b>2,504,378</b>
<b>Financial liabilities</b>				
Other payables	2,538			2,538
Unsettled investment purchases	2,291			2,291
Tax liabilities	4,190			4,190
<b>Total financial liabilities</b>	<b>9,019</b>	<b>-</b>	<b>-</b>	<b>9,019</b>

**Movement in level 3 investments**

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

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

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

**ING SUPERANNUATION FUND**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**5. Net changes in fair value of financial instruments**

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

<i>in thousands of dollars</i>	2018	2017
<b>Investments held at the end of the reporting period</b>		
Australian equities	15,165	8,465
Unlisted unit trusts	71,502	21,354
	<b>86,667</b>	<b>29,819</b>
<b>Investments realised during the end of the reporting period</b>		
Australian equities	6,900	7,513
Unlisted unit trusts	11,262	17,399
	<b>18,162</b>	<b>24,912</b>
<b>Total</b>	<b>104,829</b>	<b>54,731</b>

**6. Structured entities**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

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

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

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

	2018	2017
	\$'000	\$'000
Cash funds	404,987	535,245
Fixed Interest funds	129,209	52,836
Australian property funds	93,215	42,451
Australian equity funds	622,621	492,404
International equity funds	536,954	427,545
	<b>1,786,986</b>	<b>1,550,481</b>

The fair value of financial assets \$1,786,986,192 (2017:\$1,550,481,076) is included in the financial assets at 30 June 2018 in the Statement of Financial Position.

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

During the year ended 30 June 2018, total gains/losses incurred on investments in investee funds were \$82,901,855 (total gain/loss 2017: \$35,921,087).

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

**ING SUPERANNUATION FUND**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**7. Member liabilities**

**(a) Recognition and measurement of member liabilities**

The entitlements of members to benefit payments are recognised as liabilities. They are measured at the amount of the accrued benefits as at the reporting date, being the benefits the Fund is presently obliged to transfer to members or their beneficiaries in the future as a result of the membership up to the end of the reporting period.

**(b) Defined contribution member liabilities**

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

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

As at 30 June 2018, the net assets attributable to defined contribution members have been substantially allocated. Unallocated amounts are shown in the statement of financial position as "unallocated surplus" within equity.

<i>in thousands of dollars</i>	2018	2017
Member benefits	2,667,206	2,490,812
Unallocated surplus	1,658	4,369
Reserves	2,890	178
<b>Net assets available for member benefits</b>	<b>2,671,754</b>	<b>2,495,359</b>

**8. Insurance arrangements**

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

The Fund collects premiums from members on behalf of the relevant insurance company. Insurance claim amounts are recognised where the insurer has agreed to pay the claim. Therefore, insurance premiums are not revenues or expenses of the superannuation entity and do not give rise to insurance contract liabilities or reinsurance assets. Insurance premiums charged to members' accounts and reinsurance recoveries allocated are recognised in the statement of changes in members' benefits.

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

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

**9. Reserves**

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

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

<i>in thousands of dollars</i>	2018	2017
<b>ORFR Reserve</b>	<b>2,890</b>	<b>178</b>



**ING SUPERANNUATION FUND**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**10. Income Tax**

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

**(i) Accounting policy**

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

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

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

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

**(ii) Income tax expense**

<i>in thousands of dollars</i>	2018	2017
<b>Current tax expense</b>		
Tax on statement of changes in member benefits	26,694	26,500
Tax on income statement	738	796
Adjustment for prior years	-	-
<b>Total current tax expense/(benefit)</b>	<b>27,432</b>	<b>27,296</b>
<b>Deferred tax expense</b>		
Movement in temporary differences	8,603	5,740
<b>Total income tax expense/(benefit)</b>	<b>36,035</b>	<b>33,036</b>

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

Profit/(loss) from operating activities	9,342	9,920
Tax at complying superannuation fund tax rate of 15%	1,401	1,488
Non-assessable investment income	(7,801)	(9,209)
Net imputation and foreign tax credits	(9,962)	(9,126)
Other	25,703	23,384
<b>Income tax expense on benefits accrued as a result of operations</b>	<b>9,341</b>	<b>6,537</b>

**ING SUPERANNUATION FUND**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**10. Income Tax (continued)**

**(iv) Deferred tax assets and liabilities**

<i>in thousands of dollars</i>	2018	2017
<b>Deferred tax asset</b>		
Unrealised losses on investments	-	-
<b>Deferred tax liabilities</b>		
Unrealised gains on investments	9,261	658
<b>Net deferred tax asset/(liability)</b>	<b>9,261</b>	<b>658</b>

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

Contributions and transfers in recognised in the statement of changes in member benefits	26,492	341,692
Tax at the complying superannuation fund rate of 15%	3,974	51,254
Non-assessable contributions	(38,739)	(78,309)
Group Life proceeds	(498)	(288)
Anti detriment deduction	(68)	(457)
Non deductible benefit payments	61,672	54,146
Other	353	154
<b>Total</b>	<b>26,694</b>	<b>26,500</b>

**11. Other operating expenses**

<i>in thousands of dollars</i>	2018	2017
Promoter fees	12,656	3,299
Adviser fees	2,107	2,881
	<b>14,763</b>	<b>6,180</b>

**ING SUPERANNUATION FUND**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**12. Cash flows reconciliation**

**(a) Reconciliation of cash and cash equivalents**

<i>in thousands of dollars</i>	2018	2017
Cash at bank	356,905	368,181
	<u>356,905</u>	<u>368,181</u>

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

Profit/(loss) after income tax	1	3,383
<b>Adjustments for:</b>		
(Increase)/decrease in assets measured at fair value	(164,181)	(139,750)
(Increase)/decrease in trade and other receivables	1,972	(375)
(Increase)/decrease in deferred tax assets	(0)	5,082
Increase/(decrease) in trade and other payables	102	1,293
Increase/(decrease) in income tax payable	10,957	(1,570)
Allocation to member's accounts	176,596	157,426
General administration expenses	(14,763)	(6,180)
Group Life insurance proceeds	3,317	1,918
Group Life insurance premiums	(12,290)	(11,414)
<b>Net cash provided by operating activities</b>	<b>1,711</b>	<b>9,813</b>

**13. Commitments**

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

**14. Contingent liabilities and contingent assets**

There are no outstanding contingent assets or liabilities at at 30 June 2018 and 30 June 2017.

**15. Events occurring after the reporting period**

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund as at 30 June 2018 or on the results and cash flows of the Fund for the year ended on that date.

**16. Auditor's Remuneration**

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

<i>in thousands of dollars</i>	2018	2017
<b>KPMG</b>		
Audit and review of the financial statements and regulatory audit services	100	100
	<u>100</u>	<u>100</u>
<b>Ernst &amp; Young</b>		
Tax agent services	68	75
Consulting fees	-	97
	<u>68</u>	<u>172</u>
<b>Grant Thornton</b>		
Audit and review of the risk management framework	3	3
	<u>3</u>	<u>3</u>

Auditor's remuneration is paid by the Fund Promoter.

**ING SUPERANNUATION FUND**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**17. Related Parties**

**(a) Trustee and Key Management Personnel**

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

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

The directors of Diversa Trustees Limited were as follows:

V. Plant (Chairperson), appointed 4 May 2017

R. FitzRoy, appointed 21 December 2017

M. Jones, appointed 1 September 2014

V. Parrott, appointed 1 September 2014, resigned 13 June 2018

G. Wayling, appointed 4 May 2017

\* K. Gibson, appointed 4 May 2017, resigned 20 December 2017

None of the directors were members of the Fund.

**(b) Other Key Management Personnel**

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

**(c) Remuneration of directors of the Trustee**

The compensation received or due and receivable by the Trustee from the Promoter in connection with the trusteeship of the Fund was \$1,000,969 (2017:\$1,811,948).

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

**(d) Other entities with significant influence over the Fund**

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

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

**Remuneration of the Promoter**

There have been no transactions between the Promoter and the Fund other than promoter fees disclosed in the income statement. The compensation received or due and receivable by the Promoter from the Fund in connection with services provided to the Fund was \$12,773,292 (2017: \$4,660,193).

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 2018.

**ING SUPERANNUATION FUND**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**18. Involvement with unconsolidated investment entities**

The table below sets out interests held by the fund in the unconsolidated investment entities that the Fund does not consolidate but holds an interest, set out by investment strategy. The maximum exposure to each investment strategy is limited to the fair value of the investment strategy as at 30 June 2018.

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

Investment strategy	Fair Value as at 30 June 2018	Fair Value as at 30 June 2017	Exposure % (2018)	Exposure % (2017)	Financial Statement Caption
	\$'000	\$'000			
Balanced	1,117,896	1,063,295	63%	69%	Unlisted unit trusts
Growth	146,450	82,485	8%	5%	Unlisted unit trusts
High Growth	238,905	142,674	13%	9%	Unlisted unit trusts
Cash Fund	78,782	92,702	4%	6%	Unlisted unit trusts
Australian Shares	64,610	53,041	4%	3%	Unlisted unit trusts
International Shares	62,342	49,021	3%	3%	Unlisted unit trusts
Australian Fixed Income	17,714	15,911	1%	1%	Unlisted unit trusts
Australian Listed Property	31,140	28,367	2%	2%	Unlisted unit trusts
International Shares (Hedged)	21,559	15,735	1%	1%	Unlisted unit trusts
International Fixed Income (Hedged)	7,588	7,250	1%	1%	Unlisted unit trusts
	<b>1,786,986</b>	<b>1,550,481</b>	<b>100%</b>	<b>100%</b>	

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

Unconsolidated Investment Entities	Domicile	Percentage Ownership (2018)	Percentage Ownership (2017)
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 2018, 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 (2017: Nil).

As at 30 June 2018, 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 (2017: Nil).

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

## Trustees' declaration

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

- (a) the accompanying financial statements and notes set out on pages 1 to 19 are in accordance with:
  - (i) Australian Accounting Standards and other mandatory professional reporting requirements, and
  - (ii) present fairly the Fund's financial position as at 30 June 2018 and its performance for the financial year ended on that date.
- (b) the Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and its accompanying Regulations; the relevant requirements of the Corporations Act 2001 and Regulations; the requirements under Section 13 of the Financial Sector (Collection of Data) Act 2001, during the year ended 30 June 2018, and
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable

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



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Director

Melbourne  
4 September 2018