

FIRST SUPER

A.B.N 56 286 625 181

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Statement of Financial Position

As at 30 June 2014

| | Notes | Jun-14 \$ | Jun-13 \$ |
|---|-------|----------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | | 5,024,145 | 5,845,045 |
| Investments | 5 | 2,132,610,911 | 1,897,008,570 |
| Plant and equipment | 6 | 39,783 | 25,405 |
| Trade and other receivables | 7 | 398,412 | 415,968 |
| Deferred tax asset | | - | 6,709,761 |
| TOTAL ASSETS | | 2,138,073,251 | 1,910,004,749 |
| LIABILITIES | | | |
| Trade and Other payables | 8 | (7,129,257) | (4,728,203) |
| Benefits payable | | (685,714) | (471,585) |
| Current tax liabilities | | (7,420,100) | (8,783,858) |
| Deferred tax liabilities | 18 | (4,294,997) | - |
| TOTAL LIABILITIES (excluding net assets available to pay benefits) | | (19,530,068) | (13,983,646) |
| NET ASSETS AVAILABLE TO PAY BENEFITS | | 2,118,543,183 | 1,896,021,103 |
| Represented By: | | | |
| LIABILITY FOR ACCRUED BENEFITS | | | |
| Members' funds | 9 | 2,090,414,734 | 1,878,272,911 |
| Reserves | | | |
| General Reserve | | - | 17,498,192 |
| Regulatory Reserve | | 250,000 | 250,000 |
| Administration Reserve | | 10,092,202 | - |
| Earnings Reserve | | 11,665,511 | - |
| Operational Risk Reserve | | 6,120,736 | - |
| Total Reserves | 14 | 28,128,449 | 17,748,192 |
| Members Funds and Reserves | | 2,118,543,183 | 1,896,021,103 |
| LIABILITY FOR ACCRUED BENEFITS | | 2,118,543,183 | 1,896,021,103 |

The statement of financial position is to be read in conjunction with the notes to the financial statements set out in pages 6 to 28.

Statement of Cash Flows

For the year ended 30 June 2014

| | Notes | Jun-14 \$ | Jun-13 \$ |
|---|-----------|--------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Employer contributions received | | 122,631,988 | 118,337,192 |
| Member contributions received | | 11,436,111 | 8,149,521 |
| Roll ins received | | 27,173,102 | 27,320,259 |
| Interest received | | 93,833 | 96,331 |
| Proceeds from group life policies | | 17,100,900 | 12,804,705 |
| Compensation received | | 44,459 | - |
| Group life premiums paid | | (18,735,022) | (17,598,396) |
| Administration expenses paid | | (9,154,905) | (10,865,545) |
| Direct investment expenses paid | | (2,409,411) | (2,119,875) |
| Benefits paid | | (119,637,402) | (124,204,334) |
| Income tax paid | | (20,049,087) | (16,605,532) |
| Group life proceeds paid to members | | (17,100,900) | (12,804,705) |
| Sundry income | | 1,928,959 | 1,097,426 |
| Net cash from operating activities | 19 | (6,677,375) | (16,392,953) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Net placement of cash on investment | | 5,880,198 | 18,509,845 |
| Payments for plant and equipment | | (23,723) | 35,538 |
| Net cash used in investing activities | | 5,856,475 | 18,545,383 |
| Net increase / (decrease) in cash and cash equivalents held | | (820,900) | 2,152,430 |
| Cash and cash equivalents at the beginning of the financial year | | 5,845,045 | 3,692,615 |
| Cash and cash equivalents at the end of the financial year | | 5,024,145 | 5,845,045 |

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out in pages 6 to 28.

Notes to the Financial Statements

For the year ended 30 June 2014

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Plant and Equipment

(i) Recognition and Measurement

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to First Super (the "Company") and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in statement of comprehensive income on a diminishing value over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

| | 2014 | 2013 |
|---------------------|---------|---------|
| Plant and Equipment | 8 years | 8 years |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(b) Investments and Derivatives

Net market values have been determined as follows:

(i) Fixed Interest Securities / Listed Shares - Australian and International

The value of these investments has been determined using the last sale price quoted at balance date.

All such investments are net of any realisation costs (i.e. brokerage and stamp duty) which may apply in the event of a disposal.

(ii) Pooled Superannuation Trusts / Unit Trusts / Property Trusts

These investments are valued at the redemption price at balance date as advised by the respective investment manager and reflects the Fund's interest in the underlying value of the assets.

Notes to the Financial Statements

For the year ended 30 June 2014

3 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(d) Income Tax

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

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the statement of financial position date and any adjustment to tax payable in respect of previous years.

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

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

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

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

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

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

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

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

(e) Foreign Currency

Both the functional and presentation currency of the Fund is Australian dollars (\$).

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the rate of exchange ruling at that date.

Foreign exchange differences arising on the translation are recognised in the operating statement in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the Financial Statements

For the year ended 30 June 2014

3 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(l) Superannuation Contribution Surcharge

The *Superannuation Laws Amendment (abolition of Surcharge) Act 2005* (Cth) abolishes both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received on or after 1 July 2005. Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

Superannuation Contributions Surcharge is levied on surchargeable contributions for the relevant year on the basis of the individual members adjusted taxable income for that year. The liability for the Superannuation Contribution Surcharge is recognised when the assessment is received, as the Trustee considers this is when it can be reliably measured.

The superannuation surcharge liability recognised by the Fund has been charged to the relevant members' accounts

(m) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC). In circumstances where the GST is not recoverable, the GST is recognised as part of the cost of the 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 components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Derecognition of Financial Assets and Financial Liabilities

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Fund transfers substantially all the risks and rewards of ownership of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(o) Excess Contributions Tax

The ATO may issue release authorities to members of the Fund relating to the relevant member's excess contributions tax that is payable in respect of the member's concessional and/or non-concessional contributions for a particular year. Where a member receives an excess contributions tax release authority, the member:

- may give the release authority relating to the member's concessional contributions to a fund for payment; and
- must give the release authority relating to the member's non-concessional contributions to a fund for payment.

Release authorities may be issued by the ATO from 1 July 2007 in relation to transitional non-concessional contributions received by the Fund between 9 May 2006 and 30 June 2007. Release authorities in relation to concessional and/or non-concessional contributions received from 1 July 2007 may be issued from the ATO from 1 July 2008.

The liability for the excess contributions tax will be recognised when the relevant release authorities are received from the members, as the Trustee considers this is when it can be reliably measured.

The excess contributions tax liability recognised by the Fund will be charged to the relevant member's accounts.

(p) Comparatives Figure

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Notes to the Financial Statements

For the year ended 30 June 2014

5 INVESTMENTS

The investments and derivatives of the Fund (other than short term deposits) are managed on behalf of the Trustee by selected investment managers. The custodian holding the shares and fixed interest securities is National Asset Servicing. The Fund is invested in the following funds, managed investment schemes and trusts.

| | Jun-14 \$ | Jun-13 \$ |
|---|--------------------|--------------------|
| Australian Equities | | |
| <i>Listed Equities</i> | | |
| BT Australian Equity Mandate | - | 7 |
| Eley Griffiths Small Co Mandate | 35,900,084 | 30,023,062 |
| IFM Enhanced Index Fund | 153,788,110 | 131,447,122 |
| Invesco Small Caps Australian Equity Fund | 35,179,650 | 30,766,545 |
| Orbis/SM Australian Opportunity Fund | 103,159,965 | 82,774,697 |
| Perpetual Australian Equity Mandate | 155,571,947 | 129,396,533 |
| Total Listed Equities | <u>483,599,756</u> | <u>404,407,966</u> |
| <i>Unlisted/Private Equities</i> | | |
| Frontier (Direct Investment) | 337,000 | 309,355 |
| ING Private Equity Fund I | - | 21,000 |
| ISH/Members Equity (Direct) | 37,946,287 | 31,647,524 |
| Super Benefits Administration Pty Ltd (Direct Investment) | 1,565,237 | 1,565,237 |
| New Daily Pty Ltd | 1,000,000 | - |
| Macquarie Alternative Investment Trust III | 12,136,419 | 13,844,162 |
| Macquarie Alternative Investment Trust IV | 18,700,532 | 22,081,100 |
| Quay Australian 3 Fund | 4,059,581 | 4,981,016 |
| Quay Australian 4 Fund | 2,349,572 | 2,408,502 |
| Quay Partners First Trust | 56,029,450 | 28,173,200 |
| Total Unlisted Equities | <u>134,124,078</u> | <u>105,031,096</u> |
| International Equities | | |
| <i>International Share funds</i> | | |
| BlackRock Unhedged World Equity Fund | 31,475,350 | 3,571,491 |
| BlackRock Hedged World ex-Australia Equity Index Fund | 105,311,613 | 61,510,580 |
| Capital International Global Equity Fund (Unhedged) | 103,914,951 | 115,730,155 |
| Deutsche Global Thematic Fund | 71,861,512 | 59,181,338 |
| International Equity Transition | - | 5 |
| Orbis Global Equity Fund | 106,129,462 | 104,341,586 |
| Total International Share fund | <u>418,692,888</u> | <u>344,335,155</u> |
| <i>International Private Equity</i> | | |
| IFM Global Equities Trust | 2,317,796 | 3,116,248 |
| Wilshire Pooled Superannuation Trust | 10,429,913 | 11,524,011 |
| Total International Private Equity | <u>12,747,709</u> | <u>14,640,259</u> |
| Property | | |
| AMP Core Property Fund | - | - |
| AMP Property Income Fund | 2,484,957 | 5,814,632 |
| Franklin International Real Estate Fund 2 | 2,735,019 | 2,611,996 |
| ISPT Core Fund | 112,079,989 | 104,699,829 |
| QIC Property Fund | 68,857,934 | 63,147,110 |
| Total Property | <u>192,600,980</u> | <u>182,411,008</u> |
| Other | | |
| Forestry (Direct Investment) | - | 2 |
| Total Other | <u>-</u> | <u>2</u> |
| Australian Infrastructure | | |
| Hastings UTA | 12,403,966 | 10,938,566 |
| IFM Australian Infrastructure Fund | 82,838,053 | 74,248,878 |
| Total Australian Infrastructure | <u>95,242,019</u> | <u>85,187,444</u> |

Notes to the Financial Statements

For the year ended 30 June 2014

9 LIABILITY FOR ACCRUED BENEFITS AND FUNDING ARRANGEMENT - MEMBERS' BALANCE

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 reporting date. It is measured as the difference between the carrying amount of the assets and the sum of the sundry liabilities and income tax liabilities as at reporting date.

| (a) Changes in liability for accrued benefits | Jun-14 | Jun-13 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Opening balance for accrued benefits | 1,878,272,911 | 1,667,241,369 |
| Revenue | | |
| Contributions and member transfers | 161,241,201 | 153,806,972 |
| Earnings allocated to members | 213,459,699 | 224,773,572 |
| Proceeds on insurance | 17,100,900 | 12,804,705 |
| Expenditure | | |
| Insurance | (18,727,728) | (17,602,198) |
| Administration levies deducted from members' accounts | (5,900,914) | (5,159,295) |
| Adjustments | (3) | (3,019,711) |
| Cost of member protection | 6,759 | 141,762 |
| Forgone benefits | 397,969 | 466,608 |
| Tax expense | (18,483,628) | (18,008,597) |
| Benefits paid/payable | (136,952,431) | (137,172,276) |
| Closing balance for accrued benefits | 2,090,414,734 | 1,878,272,911 |

(b) Reserves

Under APRA Prudential Standards SPS 114; Operational Risk Financial Requirements, the fund is required to maintain an ORFR reserve of at least 0.25% of the funds assets. The ORFR reserve is part of the financial management of the fund and is operated in accordance with Operational Risk Reserve Policy which is reviewed annually. The ORFR may be used in certain circumstances to address operational risk events or claims against the fund arising from operational risk.

| | 2014 | 2013 |
|---|------------------|----------|
| Operational Risk Financial Requirement reserve | 6,120,736 | - |

(c) Funding arrangements

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

10 VESTED BENEFITS

| | Jun-14 | Jun-13 |
|---|----------------------|----------------------|
| Vested benefits as at the end of the financial year | 2,090,414,734 | 1,878,272,911 |

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

11 GUARANTEED BENEFITS

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

12 BENEFITS PAID/PAYABLE

| | Jun-14 | Jun-13 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Death | (6,655,500) | (5,974,477) |
| Disability | (249,702) | (1,564,336) |
| Hardship | (2,427,272) | (2,565,653) |
| Retirement | (30,046,497) | (27,625,161) |
| Pension | (6,556,020) | (4,121,385) |
| Rollovers to another Fund / Partial Withdrawal / Leaving Industry | (73,881,681) | (82,502,519) |
| Group Life Benefits | (17,100,900) | (12,804,705) |
| Excess Contributions Tax | (34,859) | (14,039) |
| Total benefits paid/payable | (136,952,431) | (137,172,275) |

Notes to the Financial Statements

For the year ended 30 June 2014

| 15 REVENUE - INVESTMENTS | Jun-14 | Jun-13 |
|--|--------------------|--------------------|
| | \$ | \$ |
| IFM Alternative Fixed Income Fund | 2,262,565 | 2,598,142 |
| AMP Capital Investors | 224,085 | 1,064,834 |
| AMP Core Property Fund | 181,905 | 217,856 |
| Barclays International Fund (Unhedged) | 22,776,397 | 5,571,612 |
| BlackRock Unhedged World Equity Fund | 3,286,538 | 8,838,965 |
| BlackRock Hedged World ex-Australia Equity Index Fund | 16,800,725 | 1,960,443 |
| BlackRock Indexed Australian Bond Fund | 6,135,759 | 2,742,710 |
| BlackRock Overseas Bond Index Fund | 934,892 | 1,400,546 |
| BT Australian Equities Mandate | (28,757) | 12,488,171 |
| Capital International Global Equity Fund (Unhedged) | 21,130,487 | 30,697,216 |
| Deutsche Global Thematic Fund | 12,680,174 | 13,736,404 |
| Eley Griffiths Mandate | 6,023,437 | 2,851,603 |
| First Trust | 7,494,818 | - |
| Forestry (Direct Investment) | 768 | (350,062) |
| Fortius Opportunistic Property Fund I | 855,878 | 673,438 |
| Franklin International Real Estate Fund 2 | 60,233 | 331,664 |
| Frontier (Direct Investment) | 64,044 | 1,645 |
| Hastings UTA | 1,465,400 | 1,020,154 |
| IFBT/Members Equity | 2,648,891 | 3,942,684 |
| IFM Trans CF Realised | (5,231) | - |
| IFM Australian Credit Opportunities Mandate | 4,769,402 | 7,061,267 |
| IFM Enhanced Index Fund | 187,110 | 18,702,281 |
| IFM Global Equities Trust | 570,198 | 270,448 |
| IFM International Infrastructure Fund | 2,687,516 | 6,806,173 |
| IFM Trans CF | (908,547) | 307,481 |
| IFM Australian Infrastructure Fund | 8,589,175 | 8,039,160 |
| ISPT Core Fund | 9,280,439 | 7,920,511 |
| ING Private Equity Fund I | (12,298) | (16,998) |
| Invesco Small Caps Australian Equity Fund | 4,413,106 | 1,969,884 |
| ISPT | 215,849 | (394,729) |
| Macquarie Alternative Investment Trust III | 2,041,492 | (434,221) |
| Macquarie Alternative Investment Trust IV | 5,999,666 | 227,511 |
| Macquarie Alternative Investment Trust | 195 | (1,823) |
| Orbis Global Equity Fund | 22,787,876 | 33,627,384 |
| Orbis/SM Australian Opportunity Fund Allan Gray Australian Equity Fund | 20,385,268 | 12,005,890 |
| PIMCO Fixed Interest Fund | 11,130,336 | 9,755,375 |
| QIC Property Fund | 5,605,527 | 4,959,045 |
| Quay Australian 3 Fund | 1,100,682 | 604,743 |
| Quay Australian 4 Fund | 775,433 | 252,861 |
| Quay Partners First Trust | 617,620 | 451,900 |
| Short term Cash | 6,471,685 | 5,938,664 |
| Super Loans Trust (Members Equity) | 761,898 | 905,458 |
| Wilshire Pooled Superannuation Trust | 1,083,047 | 1,957,261 |
| Westbourne YF 1 | 2,886,158 | 3,235,553 |
| Investment Manager Fees | (1,921,619) | (1,479,467) |
| | 241,096,641 | 246,825,703 |

Notes to the Financial Statements

For the year ended 30 June 2014

16 CHANGES IN NET MARKET VALUES OF INVESTMENT ASSETS (cont.)

(b) INVESTMENTS HELD AT BALANCE DATE

| | Jun-14 \$ | Jun-13 \$ |
|--|--------------------|--------------------|
| Cash and Capital Guaranteed | | |
| AMP Capital Guaranteed | - | 392,943 |
| IFM Trans Fund | (1,362,977) | - |
| National Bank 11am | (4) | (89,918) |
| Total - Cash | (1,362,981) | 303,025 |
| Property | | |
| AMP Core Property Fund | (338,830) | (690,077) |
| Fortius Opportunistic Property Fund I | 305,640 | (145,425) |
| Franklin International Real Estate Fund 2 | 53,189 | 96,537 |
| ISPT Core Fund | 2,563,550 | 1,332,988 |
| QIC Property | 2,401,678 | 1,536,758 |
| Total - Property | 4,985,227 | 2,130,781 |
| Fixed Interest Securities | | |
| IFM Alternative Fixed Income Fund | 768,743 | 1,170,739 |
| BlackRock Indexed Australian Bond Fund | 1,652,259 | (2,894,502) |
| BlackRock Overseas Bond Index Fund | 886,086 | 1,364,605 |
| IFM Australian Credit Opportunities Mandate | (101,637) | 2,135,755 |
| PIMCO Fixed Interest Fund | 5,992,044 | (4,523,701) |
| Westbourne YF | (3,656,563) | (359,198) |
| Super Loans Trust (Members Equity) | (36,712) | (191,460) |
| Total - Fixed Interest Securities | 5,504,220 | (3,297,762) |
| Development Capital | | |
| AMP Capital Investors | (439,723) | - |
| Hastings UTA | 889,836 | 653,657 |
| IFBT | 2,648,891 | 3,942,684 |
| IFM International Infrastructure Fund | (559,392) | 5,956,379 |
| IFM Australian Infrastructure Fund | 6,923,360 | 5,907,576 |
| Total - Unit Trusts | 9,462,972 | 16,460,296 |
| Shares (Australian) | | |
| BT Australian Equity Mandate | - | (8,816) |
| Domestic Equity | 12,443 | (32,384) |
| Eley Griffiths Mandate | 3,841,957 | 2,652,957 |
| Frontier | (156,200) | - |
| Forestry (Direct Investment) | - | (350,062) |
| IFM Enhanced Index Fund | 69,101 | 18,702,281 |
| ING Private Equity Fund I | - | (17,000) |
| Invesco Small Caps Australian Equity Fund | 2,939,685 | 1,106,931 |
| Macquarie Alternative Investment Trust III | (1,421,185) | 4,042,120 |
| Macquarie Alternative Investment Trust IV | (3,593,404) | (250,974) |
| Orbis/SM Australian Opportunity Fund | 15,904,153 | 9,240,919 |
| Perpetual Australian Equity Mandate | 14,296,814 | 13,544,327 |
| Quay Australian Fund | (789,676) | (2,203,977) |
| Quay Partners First Trust | 617,800 | 451,900 |
| Total - Shares (Australian) | 31,721,488 | 46,878,222 |
| Shares (International) | | |
| Blackrock Unhedged World Equity Fund | 833,550 | 823,346 |
| BlackRock Hedged World ex-Australia Equity Index Fund | 16,499,025 | 1,959,143 |
| Capital International Global Equity Fund (Unhedged) | 14,199,402 | 28,945,185 |
| Deutsche Global Thematic Fund | 11,558,548 | 12,903,344 |
| IFM Global Equities Trust | 426,515 | 282,920 |
| Orbis Global Equity Fund | 15,722,174 | 33,515,667 |
| Wilshire Pooled Superannuation Trust | (1,030,915) | 420,998 |
| Total - Shares (International) | 58,208,299 | 78,850,603 |
| TOTAL CHANGE IN NET MARKET VALUE - INVESTMENTS HELD | 108,519,225 | 141,325,165 |
| TOTAL CHANGE IN NET MARKET VALUE OF INVESTMENT ASSETS | 146,104,854 | 178,627,057 |

Notes to the Financial Statements

For the year ended 30 June 2014

| 18 INCOME TAX EXPENSE | Jun-14 \$ | Jun-13 \$ |
|---|--------------------|---------------------|
| Recognised in the operating Statement | | |
| Current Tax Expense | | |
| Current year | 20,609,540 | 17,313,774 |
| Adjustments for prior periods | (1,924,211) | (1,424,479) |
| Deferred Tax Expense | | |
| Movement in temporary differences | 11,004,758 | 14,694,058 |
| Total income tax expense | 29,690,087 | 30,583,353 |
| Numerical reconciliation between tax expense and benefits accrued as a result of operations before income tax | | |
| Benefits accrued as a result of operations | 389,120,861 | 385,318,345 |
| Prima facie tax at the complying superannuation fund tax rate of 15% (2013:15%) | 58,368,129 | 57,797,752 |
| Increase in tax expense due to: | | |
| Non Deductible administration expenses | 145 | - |
| Differences between Tax and Accounting arising in Prior Periods | (1,924,211) | (1,424,479) |
| No-TFN Contributions Tax | - | 79,540 |
| Decrease in tax expense due to: | | |
| Group Life proceeds | (2,565,135) | (1,920,706) |
| Imputation and foreign tax credits | (2,928,644) | (3,548,099) |
| Non Assessable Member contributions | (1,715,417) | (1,222,428) |
| Non Assessable Transfers in | (4,075,965) | (4,098,039) |
| Non Assessable Government co-contribution | (355,479) | (167,101) |
| Non Assessable Investment Income | (15,113,336) | (14,913,087) |
| Income tax expense on benefits accrued as a result of operations | 29,690,087 | 30,583,353 |
| Deferred tax assets and liabilities | | |
| <i>Deferred tax benefit relates to the following:</i> | | |
| Accrued expenses | 76,460 | 81,679 |
| Annual and long service leave | 17,014 | 11,767 |
| Insurance premiums | 212,383 | 219,036 |
| Net unrealised and realised capital losses | (5,073,507) | 6,892,763 |
| Unrealised income/non CGT | 472,654 | (505,519) |
| Net Deferred asset/(liabilities) | (4,294,996) | 6,699,726 |
| 19 Reconciliation of Cash flows Provided by Operating Activities to Benefits Accrued from Ordinary Activities after Income Tax | | |
| | Jun-14 \$ | Jun-13 \$ |
| Benefits accrued from ordinary activities after tax | 359,430,774 | 354,734,992 |
| Benefits paid and payable | (136,952,431) | (137,172,276) |
| Depreciation expense | (9,345) | (12,657) |
| (Increase)/decrease in assets | | |
| Trade and other receivables | 17,556 | 246,149 |
| Investments | (241,482,537) | (248,032,612) |
| Future Income Tax Benefit | 6,709,761 | 14,694,058 |
| Increase/(decrease) in liabilities | | |
| Benefits payable | 214,129 | 163,238 |
| Trade and Other payables | 2,464,921 | (297,606) |
| Provision for deferred tax or GST | 4,294,996 | - |
| Net cash flow provided by operating activities | (6,675,935) | (16,392,953) |

Notes to the Financial Statements

For the year ended 30 June 2014

21 INSURANCE

The Fund provides death and disability benefits to members. These benefits are greater than the members' vested benefit. The Trustee has taken out insurance to cover the part of the benefit in excess of the vested benefit.

22 SEGMENT INFORMATION

The Fund operates solely in one reportable business segment, being the provision of benefits to members. The Fund also operates from one reportable geographic segment, being Australia, from where its activities are managed. Revenue is derived from interest, dividends, property rentals, gains on the sale of investments, unrealised changes in the value of investments, and contributions revenue.

23 RISK MANAGEMENT

Financial Risk Management Objectives, Policies and Processes

The Fund's assets principally consists of financial instruments which comprise shares in listed companies, units in collective investment vehicles such as pooled superannuation trusts and other unitised investments. The Trustee has determined that this type of investment is appropriate for the Fund and is in accordance with the Fund's published investment strategy.

The main risks arising from the Fund's financial instruments are interest rate risk, credit risk, market price risk and foreign currency risk. The nature and extent of the financial instruments employed by the Fund are discussed below. This note represents information about the fund's exposure to each of the risks, the Fund's objectives, policies and processes for measuring and managing the risk.

The Board of Directors of the Trustee has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Trustee's risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund's Investment Manager, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

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

The Trustee has the overall responsibility for the establishment and oversight of the funds risk management framework. The Trustee's risk management policies are established to identify and analyse the risks faced by the Fund, including those risks contained within the Funds investment portfolio, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the funds activities.

The Trustee acknowledges that an integral part of its good governance practice is a sound and prudent risk management framework. The risk framework is documented in the Fund's Risk Management Plan and Strategy which is subject to regular review both by management and the Board and an annual audit of compliance.

The Board has established an Investment committee consisting of selected Board Members with appropriate Investment experience. The Investment Committee which is responsible for developing and monitoring the Fund's risk management policies related to investment activities. This includes oversight of the allocation of investments to fund mangers, evaluating their performance and providing recommendations to the Board who has ultimate responsibility for the appointment of fund managers.

Further, the Fund undertakes extensive due diligence to ensure Fund Managers have appropriate skills and expertise to manage the Fund's allocated investments prior to their appointment. The Trustee office tracks the Fund's investment value on a daily basis through appropriate monitoring of the market conditions and benchmark analysis. Frontier Investment Advisors has been appointed to provide expert advice regarding the management of the Fund's investment portfolio in accordance with the investment strategy.

The Trustee's Audit and compliance committee oversees how management monitors compliance with the Fund and its controlled entities' risk management policies an procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The Trustee's Audit and Compliance Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit and Compliance Committee.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, foreign currency risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimising through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

To mitigate market risk, the Fund undertake extensive due diligence prior to the appointment of Fund Managers to ensure they have appropriate expertise and skill for monitoring of the market conditions and benchmark analysis. Further Frontier Investment Advisors have been appointed to provide expert investment advice.

Notes to the Financial Statements

For the year ended 30 June 2014

23 RISK MANAGEMENT (Cont.)

Equity Price Risk

Equity price risk is the risk that the fair value of investments in equities decreases or increases as a result of changes in market prices, whether those changes are caused by factors specific to the individual share price or factors affecting all equity instruments in the market. equity price risk exposure arises from the Funds investment portfolio.

To limit equity price risk the Trustee diversifies its investment portfolios in line with the Fund's various investment options asset allocations. The majority of equity investments are of a high quality and are publicly traded on recognised, reputable exchanges. the Trustee monitors the Fund's exposure to various indices on an ongoing basis throughout the year ensuring the mandates and asset allocations are maintained.

Following review of the deviation on relevant indices over the past 10 years and expected investment rate movements in 2014 the following movements in other price risks are considered reasonably possible for the 2014 reporting period.

| Asset Class | Up | Down | Carrying Value | Increase on Net Assets | Decrease on Net Assets |
|-------------------------------|-----|------|----------------------|------------------------|------------------------|
| 2014 | | | | | |
| Australian Listed Equities | 10% | -10% | 483,599,756 | 48,359,976 | (48,359,976) |
| Australian Unlisted equities | 10% | -10% | 134,124,078 | 13,412,408 | (13,412,408) |
| International Listed equities | 10% | -10% | 418,692,888 | 41,869,289 | (41,869,289) |
| Property | 10% | -10% | 192,600,980 | 19,260,098 | (19,260,098) |
| International Private Equity | 10% | -10% | 12,747,709 | 1,274,771 | (1,274,771) |
| Other | 10% | -10% | - | - | - |
| Australian Infrastructure | 10% | -10% | 95,242,019 | 9,524,202 | (9,524,202) |
| International Infrastructure | 10% | -10% | 74,022,552 | 7,402,255 | (7,402,255) |
| Total | | | 1,411,029,982 | 141,102,998 | (141,102,998) |
| 2013 | | | | | |
| Australian Listed Equities | 10% | -10% | 404,407,966 | 40,440,797 | (40,440,797) |
| Australian Unlisted equities | 10% | -10% | 105,031,096 | 10,503,110 | (10,503,110) |
| International Listed equities | 10% | -10% | 344,335,154 | 34,433,515 | (34,433,515) |
| Property | 10% | -10% | 182,411,008 | 18,241,101 | (18,241,101) |
| International Private Equity | 10% | -10% | 61,542,641 | 6,154,264 | (6,154,264) |
| Other | 10% | -10% | 2 | 0.22 | - |
| Australian Infrastructure | 10% | -10% | 94,135,174 | 9,413,517 | (9,413,517) |
| International Infrastructure | 10% | -10% | 62,262,794 | 6,226,279 | (6,226,279) |
| Total | | | 1,254,125,838 | 125,412,584 | (125,412,583) |

The Fund's financial assets and liabilities adopted in the Statement of Financial Position are carried at their net market value which approximates their fair values.

Credit Risk

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

With respect to credit risk arising from the financial assets of the Fund, other than derivatives, the Fund's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these investments as disclosed in the Statement of Financial Position.

The Fund holds no collateral as security or any other credit enhancements. There are no significant financial assets that are past due or impaired. Credit risk is managed by the individual managers and monitored by the Trustee.

The credit quality of financial assets is managed by individual investment managers in accordance with investment mandates and regularly monitored.

Concentration of credit risk is managed by counterparty, by geographical region and by industry sector. There is no significant credit risk by geographical region.

The Funds' financial assets are managed by individual investment managers according to the Investment Strategy which includes strategic asset allocations which are reviewed and monitored on a frequent basis. There is no significant industry sector exposure.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. No financial assets are considered past due as all payments are considered recoverable when contractually due. The Fund's financial assets exposed to credit risk amounted to the following:

Notes to the Financial Statements

For the year ended 30 June 2014

23 RISK MANAGEMENT (Cont.)

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------|--------------------|----------------------|-------------------|----------------------|
| | \$ | \$ | \$ | \$ |
| 30 June 2014 | | | | |
| Cash & Cash Deposits | 222,505,156 | - | - | 222,505,156 |
| Listed Equities | 299,239,759 | - | - | 299,239,759 |
| Listed Property Trusts | 24,581,525 | - | - | 24,581,525 |
| Listed Unit Trusts | 4,416,862 | - | - | 4,416,862 |
| Outstanding settlements | 3,352,114 | - | - | 3,352,114 |
| Fixed Interest Bonds | - | - | - | - |
| Floating Rate Notes | 1,080,002 | 22,149,745 | 8,986,251 | 32,215,998 |
| Life Insurance Policies | - | - | - | - |
| Mortgage Back Securities | - | 23,143,621 | - | 23,143,621 |
| Preference Shares | 2,123,478 | - | - | 2,123,478 |
| Unlisted Equities | - | - | 40,848,524 | 40,848,524 |
| Unlisted Managed Invest Scheme | - | 1,477,161,095 | 3,022,780 | 1,480,183,875 |
| | 557,298,896 | 1,522,454,461 | 52,857,555 | 2,132,610,912 |

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------|--------------------|----------------------|-------------------|----------------------|
| | \$ | \$ | \$ | \$ |
| 30 June 2013 | | | | |
| Cash & Cash Deposits | 175,046,819 | - | - | 175,046,819 |
| Futures | 149,146,979 | - | - | 149,146,979 |
| Listed Equities | 4,794,448 | - | - | 4,794,448 |
| Listed Property Trusts | - | - | - | - |
| Listed Unit Trusts | - | - | - | - |
| Outstanding settlements | 4,581,978 | - | - | 4,581,978 |
| Preference Shares | - | - | - | - |
| Fixed Interest Bonds | - | 1,033,966 | - | 1,033,966 |
| Floating Rate Notes | 1,030,002 | 28,306,630 | 8,987,744 | 38,324,376 |
| Life Insurance Policies | - | 27,073,848 | - | 27,073,848 |
| Listed Equities | - | - | - | - |
| Mortgage Back Securities | - | - | - | - |
| Preference Shares | 2,037,600 | - | 35,000 | 2,072,600 |
| Unlisted Equities | - | 31,647,524 | 1,839,592 | 33,487,116 |
| Unlisted Managed Invest Scheme | - | 1,462,958,871 | - | 1,462,958,871 |
| | 336,637,826 | 1,551,020,839 | 10,862,335 | 1,898,521,000 |

Reconciliation of level 3 net market value measurements of financial assets

| | Net market value | |
|---|-------------------|-------------------|
| | 2014 | 2013 |
| Opening Balance | 10,862,335 | 7,421,785 |
| Total Gains or losses in profit or loss | (68,951) | 30,000 |
| Reclassification from Level 2 | 42,064,170 | 3,410,550 |
| Closing Balance | 52,857,554 | 10,862,335 |

Trustees' declaration to the members

1. The accompanying financial statements of First Super are drawn up so as to present fairly the financial position of the Fund as at 30
2. The operations of First Super Superannuation Fund has been carried out in accordance with its Trust deed dated 25 March 1985, as amended and in compliance with
 - * The requirements of the *Superannuation Industry (Supervision) Act 1993* (Cth) and Regulations;
 - * Applicable sections of the *Corporations Act 2001* (Cth) and Regulations;
 - * The requirements under Section 13 of the *Financial Sector (Collection of Data) Act 2001* (Cth); and
 - * The Guidelines issued by The Australian Prudential Regulation Authority on Derivative Risk Statements for Superannuation Entities Investing in Derivatives, during the year ended 30 June 2014; and
3. The financial statements have been prepared in accordance with Accounting Standards, other mandatory reporting requirements and the provisions of the Trust Deed dated (25 March 1985), as amended.

Dated in Melbourne this

9 day of

Sept

,2014

Director

Director