2014
ANNUAL REPORT

Have you reached a
SUPER MILESTONE?

Super's in the news –
see what's been
happening

HEIDELBERG AUSTRALIA SUPERANNUATION FUND

What's inside

Features

Your *Annual Report*

This *Annual Report* has been prepared for members of the Heidelberg Australia Superannuation Fund (ABN 75 071 229 817). It reviews the Fund's performance and super developments for the past 12 months and covers how the Fund is managed.

The information in this document is general information only and does not take into account your particular objectives, financial circumstances or needs. It is not personal or tax advice. Any examples included are for illustration only and are not intended to be recommendations or preferred courses of action. You should consider obtaining professional advice about your particular circumstances before making any financial or investment decisions based on the information contained in this document.

Issued by Heidelberg Australia Superannuation Pty Ltd (ABN 94 068 569 193), as Trustee of the Heidelberg Australia Superannuation Fund (ABN 75 071 229 817). Preparation of this *Annual Report* was completed on 17 September 2014.

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FROM THE TRUSTEE

This *Annual Report* contains key information to help you understand how the Fund and your super is going. Focusing on the year to 30 June 2014, we provide you with:

- A review of how your super has performed;
- News about what's been happening in super; and
- Information about how the Fund is managed.

From time to time, it's worthwhile reflecting on your super arrangements to ensure the options you have chosen continue to meet your needs. Remember that, as you progress through life, your priorities and needs change. The feature articles on pages 2 to 4, look at some of life's key milestones and provides some pointers about what you could be doing now to maximise your super benefit in retirement.

As Trustee, our role is to manage the Fund for your ultimate benefit. We welcome any questions or feedback. See the inside front cover for our contact details.

The Trustee
Heidelberg Australia Superannuation Fund

2014 highlights

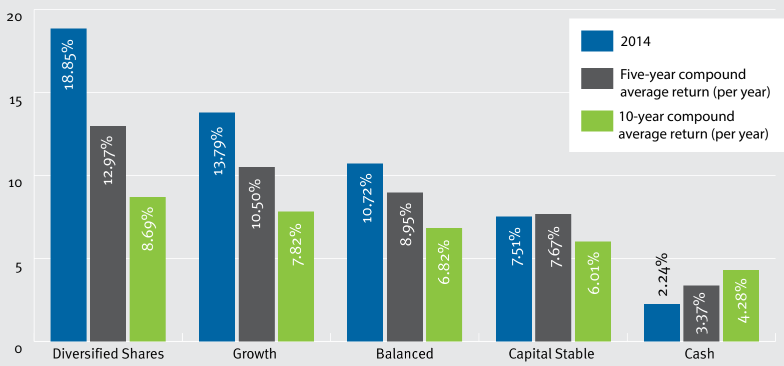
- Good investment performance has continued, resulting in solid investment results for all options. Options such as Diversified Shares and Growth, which have a higher proportion of their assets invested in shares, achieved returns of 18.85% and 13.79%, respectively. The Fund's longer-term returns have now returned to a more normal pattern as the effects of the global financial crisis fade.
- **See the graph below for the performance of each investment option. More details on the returns your super has achieved are on page 6. To learn more about how the Fund's assets are invested, see page 8 to 11.**
- With the implementation of the Government's Stronger Super reforms during the year, the Trustee decided to:
  - Continue the "choice" nature of the Fund and not offer a MySuper arrangement. New employees now need to elect to join the Fund and must select their investment option on joining.
  - Discontinue the age-based default investment options. As a member, this means that you now choose how you would like your super to be invested. You can also change your investment option when you need to.
- During the year, there was a slight change in the way that the super of Defined Benefit members who leave employment is handled. On leaving Heidelberg, a member's defined benefit is transferred to the Fund's Retained Benefits Division and invested in the Cash investment option, where it remains until alternative instructions are provided. Previously, Defined Benefit members were given 90 days to provide alternative payment instructions to the Fund Administrator, after which the member's defined benefit cycled into the default investment option which was age-based. Additional voluntary contributions and rollovers remain invested in the same option that applied at the date the member ceased employment.
- In March, the Fund revised its *Privacy Policy* due to changes in the Privacy legislation. Copies of the updated policy were circulated with the June 2014 issue of *Super Update*.
- After elections in March and June, Ashad Perera and Noel Renwick were reconfirmed as member-elected directors on the Trustee Board. On behalf of all members, congratulations to Ashad and Noel. We look forward to your continuing contribution to the management of the Fund.

Solid investment returns continue.

Year at a glance

How your Fund performed to 30 June

Past performance is not necessarily a reliable indicator of future performance.



Note: Investment returns are net of tax, investment fees and an allowance of 0.10% per year to build up the Operational Risk Financial Requirement (ORFR) reserve. No allowance for the ORFR reserve has been made from the investment returns applicable to defined benefit accounts. For more information on the ORFR reserve see page 9.

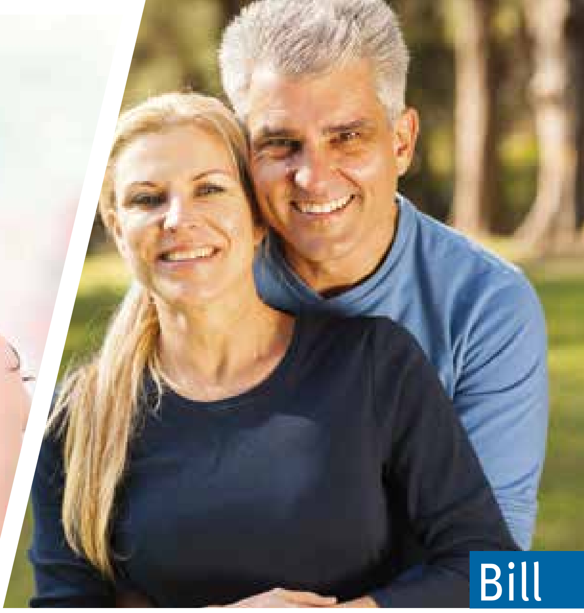
Total assets at 30 June

2014 $35,227,719
2013 $33,264,017

Membership at 30 June

2014 184
2013 209

Note: Includes Retained and Spouse members.



HAVE YOU REACHED A SUPER MILESTONE?

A special birthday, a new job, marriage, a new baby, or the kids growing up and leaving home... life is busy and circumstances change. It's easy to overlook your super when so much else is happening in your life.

Have you recently passed a major milestone? Here are a few things you may like to consider about your super at some important stages in your life.

New permanent job: Ben, 22 "I'm just enjoying each day!"

After all that hard work and study, it's understandable that you want to enjoy yourself. You are just starting your working life and retirement seems a long way off. As for super, well that's something to worry about when you're older.

When you're young, it's easy to dismiss super as not being that important. In reality though, the sooner young members like Ben start thinking about super, the greater the benefit they are likely to receive at retirement. So, if you're around Ben's age, or you have a young adult living at your house, here are three things you or they could be doing for their super right now!

1. **Are you currently paying administration fees to several superannuation funds?** If you've had a few odd jobs before joining Heidelberg, you may also have a handful of small superannuation accounts in your name. You may even have lost track of some of your super over the years.

   Consider merging all of your super balances into your account with the Heidelberg Australia Superannuation Fund. It's a lot more convenient and it can save you from paying fees to more than one super fund. However, before transferring your super from your other fund(s), it's worthwhile checking whether you will be charged exit fees for withdrawing your benefit or if you will lose any valuable benefits such as insurance cover. There are no fees for rolling amounts into the Heidelberg Fund. To find out more, contact the Fund Secretary – see the inside front cover for contact details.

2. **Have you checked how your super is invested?** See your latest *Benefit Statement* for details. Make sure the option your super is invested in is the most appropriate for your circumstances. Your super will be invested for a long time and you need to have the right mix of assets working for you to get the best returns. You are young, so investment options with a higher amount invested in shares and property may be more suitable for you, as you will have time to recover from periods of poor investment market performance. The Fund gives you several investment options to choose from; read pages 8 to 11 of this Report for information on each of the options available. If you are not sure which option is best for you, consider talking to a financial adviser. See page 3 to find out how.

3. **Can you put some extra money into super?** Even small amounts invested over a long timeframe build up due to compounding; that is, when you earn investment returns on investment returns. If you get into a regular savings routine now, you won't need to make as many sacrifices later on to try and catch up. You may also qualify for the Government co-contribution. To find out more about the co-contribution, contact the Fund Secretary – see the inside front cover for contact details.

Young family: Emily, 32
"My family time is precious"

Juggling a household, work and parenting can be difficult... and, with the added financial responsibilities of your children's schooling and a mortgage, it's important to know you are setting yourself up for the future and doing the best you can for your family.

If you're Emily's age, it's a comfort to know that your Fund provides financial protection for you and your family by providing you with free insurance cover for death and total and permanent disablement. However, there are also a couple of other simple things you can do to help improve your family's financial security.

1 **Review your family budget to see if you can contribute a little more to your super.** You should also check to see if you qualify for any Government tax concessions or rebates that can boost your super balance*. For more details about your contribution options, see page 3 of the booklet, *Additional Information*, which is part of the Fund's Product Disclosure Statement. For a copy, contact the Fund Secretary. (For contact details, see the inside front cover.)

2 **What would it mean for you and your family if you died unexpectedly?** The unthinkable can and does happen, and that's why it's important to make sure that your death benefit nomination is up to date. If you die, the Trustee is obliged to investigate your personal circumstances and pay your benefit to your dependants. Ensuring that your nomination is always up to date, particularly if your personal circumstances change, will assist the Trustee with their decision and prompt payment of your benefit. To nominate your preferred dependants or update your nomination, complete a *Nomination of Preferred Dependants form*, which is available on request from the Human Resources Department – see the inside front cover for contact details.

An empty nest: Bill, 57
"More time for me"

Well, the kids have finally left home and you and your partner now have some time to think solidly about your plans for the future. So far, you've both taken life as it's come, but you realise that you need to do a bit more to prepare for life after work.

If you're Bill's age, giving some thought to your super now can help you achieve financial security in retirement.

1 **Now that there's a bit less pressure on the household finances, think about increasing your contributions to super.** As a Fund member, you can contribute from your before-tax or after-tax salary. If you are planning retirement as a couple, you may wish to review your contribution decisions together to ensure you are optimising your super savings and any available tax concessions and rebates.*

2 **It may be helpful to do some formal retirement planning by discussing your situation with a licensed financial adviser.** They can review your circumstances and suggest strategies to help you reach your goals. If you don't already have a financial adviser, see below for information on how to find one near you.

* Remember that contribution caps apply. See page 5 for details.

How to get advice

You may benefit from discussing your situation with a licensed financial adviser. This can be helpful if you are not sure about how to invest your super, how much insurance you need or the level of contributions you should make. They can help you get on track to meet your personal goals and individual circumstances.

Towers Watson Australia Pty Ltd has arrangements in place to offer Fund members financial planning services through qualified financial advisers. You can take advantage of these arrangements at any time, including when you leave the Fund. To speak with a licensed financial adviser from Towers Watson, contact Susan Rio on **(03) 9655 5222**.

You can find tips on locating a financial adviser in your area by downloading the Government's guide, *Financial advice and you*, from **www.moneysmart.gov.au**; click on the "Tools & resources" tab, select "Publications" and then scroll down to the "Investing" category. You can also contact the Financial Planning Association of Australia at **www.fpa.asn.au** or by phoning **1300 626 393**.

WHAT'S BEEN HAPPENING IN SUPER

Super has featured strongly in the media in recent months, fuelled by the debate around the May 2014 Federal Budget. Here we keep you in the loop with what's been happening.

Budget update

In the May 2014 Federal Budget, there were several changes related to superannuation and a number of planned changes to the age pension arrangements which may affect your retirement planning. Here is a summary of the key proposals. Most are not legislated yet – we will keep you updated as more details become available.

Superannuation Guarantee (SG) increases delayed

SG is the minimum amount of super the Government requires employers to pay on behalf of their employees. The SG rate increased from 9.25% of Ordinary Time Earnings to 9.5% from 1 July 2014 in keeping with existing legislation. It was initially proposed that the rate of future increases would be delayed and that the SG rate would remain at 9.5% for the next four years until 30 June 2018, before increasing to 12% by 2022/23. However, the future increases have been further delayed and the SG rate will now remain at 9.5% until 30 June 2021, before increasing to 12% by 2025/26.

Ability to withdraw excess non-concessional contributions

The Government has announced that if you exceed the non-concessional contribution cap, you will have the option to withdraw the excess amount (and associated investment earnings) and only pay tax at your marginal tax rate on any investment earnings from the excess amount. This will benefit anyone who accidentally exceeds the cap, and allows you the opportunity to avoid paying the penalty tax. Currently the overall tax on these amounts can be as high as 95%. Details of this proposal are still to be finalised.

Other superannuation changes

Other changes include:

- The new paid parental leave scheme will include superannuation payments.
- The First Home Saver Accounts scheme will be abolished. The Government contribution will cease from 1 July 2014, and the tax concessions and income and assets test exemptions will cease on 1 July 2015.
- The Temporary Budget Repair Levy of an extra 2% for those earning more than $180,000 p.a. will also apply to some superannuation taxes, for example, if you withdraw a taxable lump sum superannuation benefit before age 60. This Levy is now law.
- The previously announced abolition of the Low Income Superannuation Contribution has been delayed until 1 July 2017.

Changes to the age pension

The age at which you become eligible for the age pension will increase progressively to age 70 by 1 July 2035. However, if you were born before 1 July 1958, your pension eligibility age is unchanged.

See the table below for the proposed new ages. No corresponding changes to superannuation preservation ages (that is, the age at which you can access your super) were announced.

Date of birth	Eligibility age for age pension	
1 July 1952 to 31 December 1953	65.5	
1 January 1954 to 30 June 1955	66	
1 July 1955 to 31 December 1956	66.5	
1 January 1957 to 30 June 1958	67	
1 July 1958 to 31 December 1959	67.5	Change commences
1 January 1960 to 30 June 1961	68	
1 July 1961 to 31 December 1962	68.5	
1 January 1963 to 30 June 1964	69	
1 July 1964 to 31 December 1965	69.5	
1 January 1966 and later	70	

A variety of other measures were announced which will affect the amount and availability of the age pension and associated concessions:

- From 1 September 2017 the age pension will be indexed to increases in the Consumer Price Index (CPI), instead of the current arrangements under which it is linked to the greater of CPI, Total Male Average Weekly Earnings and the Pensioner and Beneficiary Cost of Living Index.
- The eligibility thresholds for the asset and income tests for pensions will be maintained for three years from 1 July 2017.
- From September 2017, the deeming thresholds (the amount you are allowed that is calculated at the lowest interest rate) for the income test will be reduced to $30,000 for singles and $50,000 for pensioner couples, which will tighten the income test. Deeming rules are used when calculating pension eligibility to assume your financial assets are earning a certain amount of income, regardless of the income they actually earn.
- It will be harder to qualify for the Seniors Health Card, with any untaxed payments you receive from superannuation counting in the definition of income when determining eligibility from 1 January 2015.

New income levels for co-contributions

Thresholds to qualify for the Government's co-contribution of up to $500 have increased for 2014/15. This means that, if you are eligible, the Government will contribute fifty cents for every dollar you make of after-tax contributions to super if you earn less than $34,488 per year. The $500 maximum reduces by 3.33 cents for every dollar of income above $34,488, with no co-contribution payable once your income reaches $49,488. If you qualify for the co-contribution, the ATO automatically pays it to your account in the Fund after processing your annual tax return.

Contribution caps for 2014/15

Contribution caps are limits the Government sets on the amount of super contributions each year which can receive concessional tax rates. Some of these caps increased from 1 July 2014. The new caps are shown in the table below.

Age on 30 June 2014	Concessional contributions	Non-concessional contributions
Under 49	$30,000	$180,000*
49 or over	$35,000	$180,000*

* If you are under age 65, you can generally bring forward two years of caps to make total non-concessional contributions of up to $540,000 over three years from 1 July 2014.

What are concessional and non-concessional contributions?

Concessional contributions include any contributions you make from your before-tax salary (by salary sacrifice) including the Company's compulsory contributions. If the Company pays any fees for you, these are also concessional contributions.

If you're a Defined Benefit member, concessional contributions include notional contributions in respect of your defined benefit (rather than the Company's actual contributions). These are the contributions reported to the ATO to calculate your concessional contributions. They also include any contributions you made from your before-tax salary (by salary sacrifice). If you have any questions about your notional contributions in respect of your defined benefit, contact the Fund Administrator on **1800 127 953**.

Contributions you make from your after-tax salary are an example of **non-concessional contributions**, along with any contributions made for you by your spouse, amounts you transfer from overseas funds (except to the extent an election applies for them to be taxed in the fund), excess concessional contributions (except if they are refunded to you) and certain other less common amounts.

HOW YOUR SUPER IS PERFORMING

The table below shows the Fund's investment returns. When looking at how your super is performing, remember:

- Your super performance varies depending on the activity in investment markets; and
- Generally, super is a long-term investment, so returns over a longer timeframe are a better indicator of performance than a shorter period such as one or two years.

You can also see the investment returns that have been applied to your super on your *Benefit Statement*.

A history of your returns

Past performance is not necessarily a reliable indicator of future performance.

Investment option	2014	2013	2012	2011	2010	Five-year compound average net return (per year)	10-year compound average net return (per year)
Diversified Shares	18.85%	26.41%	-2.96%	12.86%	11.8%	12.97%	8.69%
Growth	13.79%	18.07%	0.87%	9.93%	10.6%	10.50%	7.82%
Balanced	10.72%	12.60%	3.72%	8.35%	9.6%	8.95%	6.82%
Capital Stable	7.51%	9.40%	5.55%	6.84%	9.1%	7.67%	6.01%
Cash	2.24%	2.88%	4.14%	4.31%	3.3%	3.37%	4.28%
Defined Benefit	13.91%	18.07%	0.87%	9.93%	10.6%	10.52%	7.83%
Consumer Price Index (CPI)	3.0%	2.4%	1.2%	3.6%	3.1%	2.7%	2.8%

Note: Investment returns are net of tax, investment fees and an allowance of 0.10% per year to build up the ORFR reserve. No allowance for the ORFR reserve has been made from the investment returns applicable to defined benefit accounts. For more information see pages 7 and 9.

Returns are for periods to 30 June.

A recap on investments for 2013/14

Growth assets, such as shares, again produced strong positive returns over the financial year as the global economy continues on its bumpy path to slow recovery. Globally, central banks have continued with accommodative monetary policy on an unprecedented scale, which continues to push investors searching for higher returns into growth-orientated assets. This has been a significant contributor to the strong performance of growth assets over the year.

The Australian economy strengthened over the course of the financial year, with GDP growth reported as 3.5% for the twelve months to 31 March 2014. This was largely attributed to increased resource exports as the mining industry began to lower investment and increase production. In addition, there are signs that other industries are beginning to compensate for falling mining investment, although many companies are waiting for additional signs of favourable conditions before expanding further.

The Reserve Bank of Australia (RBA) made only one cut to the cash rate over the financial year, from 2.75% to 2.50% at its August 2013 meeting.

At each subsequent meeting, the RBA expressed its expectation that the inflation rate will remain within the 2% to 3% target band over the short to medium-term and therefore the cash rate could stay at the current level for some time. The seasonally adjusted unemployment rate, however, rose over the course of the year from 5.7% to 6.0% in June 2014.

The recovery story in the US continued over the course of the year, with the unemployment rate decreasing by 1.4% – an encouraging sign for the US labour market. US GDP growth for the year was fairly subdued, although this was impacted by severe winter conditions in early 2014. For the first half of October 2013, the US Government was unable to fund itself and shut down temporarily. Despite the media attention, the effect of the shutdown on financial markets was relatively muted. In January 2014, the US Federal Reserve commenced tapering of its quantitative easing program in recognition of growth in the underlying strength of the overall economy and improving labour market conditions.

Economic and business conditions in Europe improved overall over the course of the financial year, with the European Central Bank announcing further monetary easing measures. Geopolitical risks remain, in particular the possibility of further escalation of conflict in Ukraine as a result of the Russian occupation of Crimea.

Another worrying element in the Euro-area is the persistently high unemployment rate, which was reported at 11.6% in May 2014 (slightly lower than the rate of 12.0% at the start of the financial year). Youth unemployment remains particularly high with a reading of 23.3% in May 2014.

For the time being at least, China appears to be successfully avoiding the "hard-landing" that many feared, with annual GDP growth coming in at 7.4% in March 2014. Year-on-year inflation was reported at 2.3% in June 2014, whilst the HSBC China Manufacturing PMI (a composite indicator of operating conditions in manufacturing) finished the year in expansion territory at 50.7 in June. November 2013 saw the Third Plenum of the 18th Central Committee of the Communist Party of China (a major meeting of China's top leaders), which resulted in a number of planned new reforms that have the potential to bolster economic growth into the medium term if fully implemented.

The Australian share market performed strongly for the financial year as the S&P/ASX 300 Accumulation Index returned 17.3%. Australia lagged the global share market over the year, with the MSCI World ex Australia Accumulation Index returning 20.4% in unhedged Australian dollar (A$) terms (and 24.6% in hedged A$ terms).

The Australian dollar rose modestly over the course of the financial year after falling sharply at the end of the previous year, ending at 94.20 US cents from 92.75 US cents. The Australian dollar also rose against the currencies of Australia's major trading partners, as measured by the Trade Weighted Index, closing the year at 72.0 (up slightly from 71.4).

The Australian property market, as measured by the S&P/ASX 300 A-REIT Accumulation Index, returned 11.1% for the year (underperforming the broader share index by 6.2%).

Fixed interest investments were buoyed by falling government bond yields in most of the major developed economies over the financial year (decreasing bond yields are positive for bond returns), despite yields already being at or near record low levels.

Australian cash, as measured by the UBSA Bank Bill Index, returned 2.7% for the year, while the UBSA Composite Bond Index (All Maturities) returned 6.1%. Global fixed interest, as measured by the Barclays Global Aggregate Index (hedged to A$) returned 7.8%, outperforming the Australian fixed interest market.

Note: This investment commentary does not constitute advice. All investment figures quoted relate to before-tax performance of the relevant industry benchmark.

Longer-term investment returns are a better indicator of super performance than short-term returns.

What return do I receive?

Accumulation members

Your accounts receive the actual investment return for your chosen investment option after allowing for tax and investment fees, and a small deduction to build up the Operational Risk Financial Reserve.

The rates apply to accumulation accounts, which include the voluntary contributions and rollover accounts of Defined Benefit members.

Defined Benefit members

Your retirement benefit is generally not affected by investment returns. This benefit is instead linked to your salary.

For some Defined Benefit members who joined the Fund before 1 April 1997, your benefit is subject to a minimum based on contributions accumulated with the investment earnings of the Fund's Defined Benefit investments. This is effectively the Fund's Growth option but without the allowance for the build up of the Operational Risk Financial Requirement reserve. If these earnings are positive, your benefit will increase. If earnings are negative, it is possible that your benefit may fall. See the table on page 6 for investment returns for your defined benefit.

Investment returns are applied to your additional voluntary contribution and rollover accounts. Your accounts receive the actual investment return for your chosen option after allowing for tax, investment fees and a small deduction to build up the Operational Risk Financial Reserve.

If you leave during the year

Investment returns are calculated each month. If your super needs to be paid out or transferred to another super fund before investment returns have been applied, an interim earning rate will be used. This will cover the period until the date your benefit is paid from the Fund.

The interim earning rate is based on an estimate of the option's net investment returns for the month.

For Defined Benefit members, the "defined" portion of your benefit will be invested in the Fund's Cash option after you leave Heidelberg Australia. It will remain in this option until you instruct the Trustee, via the Fund Administrator, to switch your defined benefit to another of the Fund's investment options. Your additional accumulation accounts will continue to be invested in your chosen investment option after you leave Heidelberg Australia.

YOUR FUND'S INVESTMENTS

One of the most significant roles of the Trustee is to determine how the Fund's assets are invested. The Trustee has established five investment options, each with different investment objectives and a different strategy for you to choose from. The five investment options are **Diversified Shares**, **Growth**, **Balanced**, **Capital Stable** and **Cash**.

If you are **Accumulation member,** you have a choice of how your entire super balance is invested. The option in which your super is invested is printed on the front page of your *Benefit Statement*.

If you are a **Defined Benefit member**, you have investment choice for your additional voluntary contributions and rollover accounts only.

As a member, choosing how to invest your super is one of the most important financial decisions you can make. If you wish to change how your super is invested, you should complete an *Application and Change Request form*, and return it to the Human Resources Department.

Read pages 8 to 11 to find out about the investment objectives and strategy of each investment option. Details of the Fund's investment managers are on pages 10 and 11.

Investment objectives

Investment objectives are specific goals that the Trustee sets for the performance of the Fund and each investment option. They are not intended as forecasts or guarantees of future investment returns.

Generally, the Trustee aims to:

- Invest the Fund's assets prudently as permitted by the Trust Deed and by superannuation law;
- Invest across a diverse range of assets;
- Ensure that the Fund is able to make benefit payments to members when they are due; and
- Monitor the performance of the Fund's investment managers to ensure they exercise integrity, prudence and professional skill in fulfilling the investment tasks delegated to them.

Investment strategy

An investment strategy is the plan the Trustee follows to achieve the objectives of an investment option. Each investment option has its own investment strategy.

Investment managers

The Trustee appoints professional investment managers to manage the Fund's investments. These managers and their products may be changed from time to time without prior notice to, or consent from, members.

The Fund's investment managers at 30 June 2014 are shown in the tables on pages 10 and 11.

Asset allocation

Each of the Fund's investment options are invested in various asset classes. The Trustee places limits or ranges on the Fund's exposure to each asset class and nominates a neutral or benchmark position for each option. The asset allocation ranges for each investment option are shown below.

The Fund's defined benefit assets are invested in the Growth option.

Diversified Shares

Australian shares	48% to 52%
International shares	48% to 52%

Growth

Australian shares	30% to 34%
International shares	30% to 34%
Australian property	6% to 10%
Australian fixed interest	8% to 12%
International fixed interest	8% to 12%
Cash	6% to 10%

Balanced

Australian shares	19% to 23%
International shares	19% to 23%
Australian property	8% to 12%
Australian fixed interest	15% to 20%
International fixed interest	15% to 20%
Cash	12% to 16%

Capital Stable

Australian shares	11% to 15%
International shares	9% to 13%
Australian property	4% to 8%
Australian fixed interest	13% to 17%
International fixed interest	13% to 17%
Cash	38% to 42%

Cash

Cash	100%

Other investment information

Derivatives

The Trustee does not invest directly in derivatives. The Fund's investment managers may use derivatives for risk control purposes or to more efficiently change asset allocations. Derivatives are not used in a speculative manner.

Investment managers are required to have risk management processes in place in relation to the use of derivatives and the purposes for which they are used. Each year, the Trustee obtains confirmation from the managers that they have complied with their processes.

Deferred tax assets

Super funds normally pay tax on any capital gains. If the Fund experiences capital losses (which can arise, for example, due to falls on share markets), super funds are allowed to accumulate the tax benefits associated with those losses and use them to offset the tax on future capital gains.

Australian Accounting Standards require that future tax benefits will be recognised only to the extent that it is likely that future taxable gains will be available to utilise the capital losses.

In order to prudently manage the Fund's tax position, the Trustee has imposed a limit on the level of taxation benefits arising from these capital losses. At 30 June 2014, the level of the Fund's tax losses was within the limit set by the Trustee. The Trustee is therefore recognising the whole of the Fund's tax losses as a Fund asset.

Actuarial review

The Fund's financial position is reviewed by the actuary at least every three years. The actuary then makes a recommendation to the Company on the appropriate level of future contributions needed to maintain members' benefits.

The most recent review, as at 30 June 2013, showed that the Fund was in a satisfactory financial position. The Company continues to contribute in line with the actuary's recommendations.

Reserves

The Trustee does not maintain investment reserves. However, from 1 July 2013, super funds have been required to set aside financial resources to address the Fund's operational risks. This is known as the Operational Risk Financial Requirement (ORFR) reserve.

A reserve of 0.30% of the aggregate of members' vested benefits will be built up systematically over the three years to 30 June 2016. The reserve will be funded in two ways. For accumulation-based benefits, the reserve will be funded by setting aside a small portion of the Fund's investment earnings at a rate of 0.10% per year. For defined benefits, the reserve will be funded by setting aside amounts from the Fund's defined benefit assets.

The Trustee has decided that the ORFR reserve will be invested in the Fund's Growth option. The Trustee will update members on the status of the reserve in the *Annual Report* each year. Once the reserve reaches its desired level of 0.30%, it will then be monitored periodically by the Trustee to ensure that it remains close to this level.

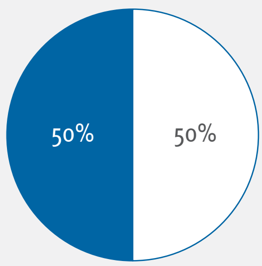
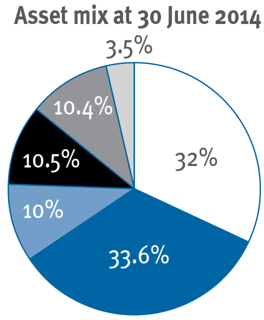
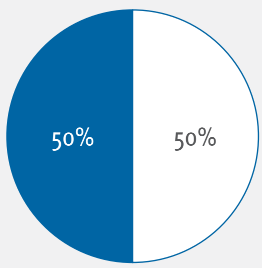
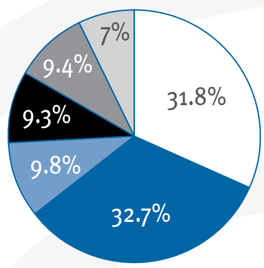
Details of the reserve are provided in the table below.

Level of reserves

As at 30 June	ORFR reserve % of vested benefits
2014	0.05% ($16,405)
2013	0.0% ($0)

Choosing how to invest your super is one of the most important financial decisions you can make.

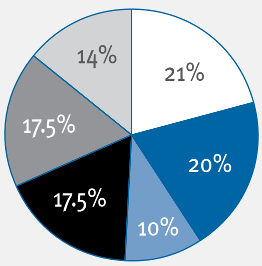
Your investment options

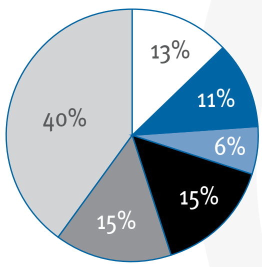
	Diversified Shares	Growth
What are the investment objectives for this option?	› To achieve a return (after tax and investment fees) that exceeds the increase in the Consumer Price Index (CPI) by at least 5.5% over moving five-year periods. › To limit the probability of achieving a negative return over moving one-year periods to approximately 1 year in 4.	› To achieve a return (after tax and investment fees) that exceeds the increase in the Consumer Price Index (CPI) by at least 4.5% over moving five-year periods. › To limit the probability of achieving a negative return over moving one-year periods to approximately 1 year in 5.
What investment strategy does this option use?	To invest totally in shares with 50% in Australian shares and 50% in international shares.	To invest largely in shares and property (about 70%), with the remainder (about 30%) in fixed interest and cash investments.
Who managed the option's assets at 30 June 2014?	› Macquarie Investment Management Limited (through the Macquarie Australian Enhanced Plus Equities Fund) › Schroder Investment Management (through the Schroder Pooled Superannuation Trust) › BNP Paribas Investment Partners (Australia) Limited (through the MFS Global Equity Trust) › Colonial First State Investments Limited (through the Real Index Global Share Hedged Fund – Class A)	› Macquarie Investment Management Limited (through the Macquarie Australian Enhanced Plus Equities Fund) › Schroder Investment Management (through the Schroder Pooled Superannuation Trust) › BNP Paribas Investment Partners (Australia) Limited (through the MFS Global Equity Trust) › Colonial First State Investments Limited (through the Real Index Global Share Hedged Fund – Class A) › DEXUS Wholesale Property Limited (through the DEXUS Wholesale Property Fund) › State Street Global Advisors (through the SSgA Australian Cash Trust; SSgA Australian Fixed Income Index Trust; SSgA Australian Listed Property Index Trust; and SSgA Global Broad Investment Grade Fixed Income Trust)
How is this option invested?	**Asset mix at 30 June 2014** 	**Asset mix at 30 June 2014** 
	Asset mix at 30 June 2013 	**Asset mix at 30 June 2013** 

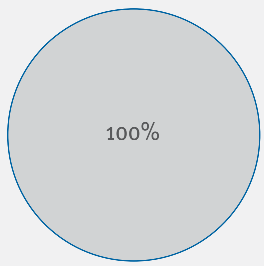
Australian shares | International shares | Australian property | Australian fixed interest | International fixed interest | Cash

Balanced	Capital Stable	Cash
› To achieve a return (after tax and investment fees) that exceeds the increase in the Consumer Price Index (CPI) by at least 3.5% over moving five-year periods. › To limit the probability of achieving a negative return over moving one-year periods to approximately 1 year in 7.	› To achieve a return (after tax and investment fees) that exceeds the increase in the Consumer Price Index (CPI) by at least 3.0% over moving three-year periods. › To limit the probability of achieving a negative return over moving one-year periods to approximately 1 year in 12.	› To achieve a return (after tax and investment fees) that exceeds the increase in the Consumer Price Index (CPI) by at least 1.0% over moving three-year periods. › To prevent any negative returns over moving one-year periods.
To invest about 50% in shares and property, and 50% in fixed interest investments.	To invest largely in fixed interest investments (about 70%), with the balance (about 30%) in shares and property.	To avoid negative annual returns.
› Macquarie Investment Management Limited (through the Macquarie Australian Enhanced Plus Equities Fund) › Schroder Investment Management (through the Schroder Pooled Superannuation Trust) › BNP Paribas Investment Partners (Australia) Limited (through the MFS Global Equity Trust) › Colonial First State Investments Limited (through the Real Index Global Share Hedged Fund – Class A) › DEXUS Wholesale Property Limited (through the DEXUS Wholesale Property Fund) › State Street Global Advisors (through the SSgA Australian Cash Trust; SSgA Australian Fixed Income Index Trust; SSgA Australian Listed Property Index Trust; and SSgA Global Broad Investment Grade Fixed Income Trust)	› Macquarie Investment Management Limited (through the Macquarie Australian Enhanced Plus Equities Fund) › Schroder Investment Management (through the Schroder Pooled Superannuation Trust) › BNP Paribas Investment Partners (Australia) Limited (through the MFS Global Equity Trust) › Colonial First State Investments Limited (through the Real Index Global Share Hedged Fund – Class A) › DEXUS Wholesale Property Limited (through the DEXUS Wholesale Property Fund) › State Street Global Advisors (through the SSgA Australian Cash Trust; SSgA Australian Fixed Income Index Trust; SSgA Australian Listed Property Index Trust; and SSgA Global Broad Investment Grade Fixed Income Trust)	› State Street Global Advisors (through the SSgA Australian Cash Trust)

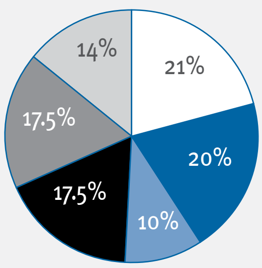
Balanced	Capital Stable	Cash
Asset mix at 30 June 2014	**Asset mix at 30 June 2014**	**Asset mix at 30 June 2014**

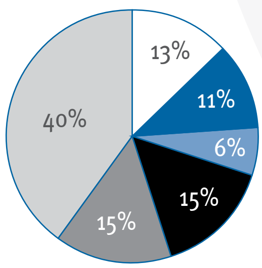


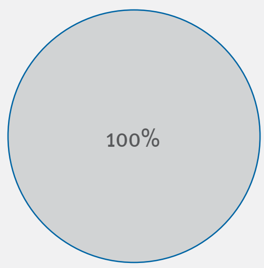




Balanced	Capital Stable	Cash
Asset mix at 30 June 2013	**Asset mix at 30 June 2013**	**Asset mix at 30 June 2013**







HOW WE MANAGE THE FUND

Your Trustee

A Trustee company, Heidelberg Australia Superannuation Pty Ltd (ABN 94 068 569 193) is responsible for managing the Fund. The sole purpose of this company is to be Trustee of the Fund.

The Trustee's responsibilities are carried out by a Board of four directors; half are appointed by the Company and half are elected periodically by Fund members. At 30 June 2014, the Trustee directors were:

Company-appointed	Member-elected
Guy Williamson	Noel Renwick
Con Xanthos	Ashad Perera

Following elections during the year, Noel Renwick and Ashad Perera were reappointed as member-elected directors.

The next full election for member-elected directors is scheduled for March 2017. Details of the Trustee's election policy can be obtained from the Fund Secretary (see below for contact details).

Members are represented on the Fund's Trustee Board.

Indemnity insurance

The Trustee is currently covered by a Trustee Professional Indemnity insurance policy that protects the Fund's assets from a legal liability to the extent allowed by law and the policy conditions.

Advisers to the Fund

The following organisations provide specialist services to the Trustee.

Consultant and actuary	Towers Watson Australia Pty Ltd (ABN 45 002 415 349)
Administrator	Towers Watson Australia Pty Ltd [outsourced to Link Super Pty Limited (ABN 68 146 993 660), a Corporate Authorised Representative (No. 401938) of Pacific Custodians Pty Limited (ABN 66 009 682 866, AFSL 295142)]
Investment consultant	Towers Watson Australia Pty Ltd
External auditor	Crowe Horwath
Insurer	AXA Australia

How to contact the Trustee

Fund Secretary

Ashad Perera
Heidelberg Australia Superannuation Fund

2 Acacia Place
Notting Hill VIC 3168

(03) 9263 3374

ashad.perera@heidelberg.com

OTHER FUND INFORMATION

If you have a problem or concern

We try to ensure that the Fund's level of service meets your expectations. Sometimes however, problems may arise. When you first have an enquiry or complaint, including privacy-related enquiries, you should contact the Fund Administrator (see the inside front cover for contact details).

The Trustee has a formal process for reviewing enquiries and complaints if you are not satisfied with the response you receive. To make a formal enquiry or complaint, please obtain an *Enquiry or Complaint form* from the Fund Secretary. The Trustee will respond to you within 90 days. In certain circumstances, you may be able to request the Trustee's reasons for its decision on your complaint. A copy of the Trustee's *Enquiries and Complaints Policy* is also available from the Fund Secretary (for contact details, see the inside front cover) and from the Fund's website at **www.heidaustsf.com**.

If you are not happy with the Trustee's handling of your enquiry or complaint, you may then contact the Superannuation Complaints Tribunal. The Tribunal is an independent body set up by the Federal Government to deal with certain enquiries or complaints that the Trustee has not dealt with to your satisfaction. You can contact the Tribunal on **1300 884 114** or by email to **info@sct.gov.au**.

There are some complaints that the Tribunal cannot consider, such as those relating to the management of the Fund as a whole. Time limits also apply to certain complaints relating to total and permanent disability claims and to complaints about objections to the payment of death benefits. If your complaint is in relation to one of these areas, please contact the Fund Administrator or refer to the Tribunal's website on **www.sct.gov.au** as soon as possible for further information.

Complaints about your privacy that have not been resolved to your satisfaction can be directed to the Office of the Australian Information Commissioner (OAIC). You can contact the OAIC on **1300 363 992** or by email to **enquiries@oaic.gov.au**.

What happens if you leave

If you leave employment with Heidelberg Australia or choose another super fund for Heidelberg's contributions and you have more than $2,000 in your super account, you will automatically become a member of the Fund's Retained Benefits Division. Your super will remain in the Retained Benefits Division until you provide the Fund's Administrator with payment or transfer instructions.

If you're a Defined Benefit member and you leave Heidelberg Australia, your super will also be transferred to the Retained Benefits Division where it will become an accumulation benefit. The "defined" portion of your benefit will be invested in the Cash investment option until you provide the Fund Administrator with alternative investment instructions.

If you have less than $2,000 in your account when you leave Heidelberg and you do not provide the Fund Administrator with instructions within 90 days of receiving details of your benefit, the Trustee may roll over your benefit to an Eligible Rollover Fund (ERF). The ERF nominated by the Trustee to receive member benefits is:

AMP Eligible Rollover Fund
PO Box 300
Parramatta NSW 2124
Phone: 131 267
Website: www.amp.com.au/erf
Contact: The Administrator

Once your benefit is transferred to the ERF, your membership of the Fund ceases along with your membership rights. You will then need to contact the ERF directly about your benefit. You can also obtain the ERF's Product Disclosure Statement using the contact details above.

The investment and crediting rate policy of the ERF will be different to those that applied in the Fund. Further, the ERF may not offer any insurance cover. You should seek advice from a licensed financial adviser about whether the ERF is a suitable investment for you.

Establishing proof of identity

Before you withdraw a benefit from the Fund, you may need to establish your identity by providing certified copies of certain documents. The Trustee may also need to obtain additional identification information and to verify your identity from time to time.

In some cases, the Trustee may have to disclose information about you to the Australian Transaction Reports and Analysis Centre (AUSTRAC), the regulator of this legislation. Due to the sensitive nature of the information, the Trustee is not permitted to inform you if this happens.

To learn more

A range of other information is available to keep you informed. This includes information about your benefits, such as your choices for contributions and investments, and your insurance. Refer to your Product Disclosure Statement, *Guide to your super*. Members, former members and their dependants are also able to request copies of the Trust Deed, the actuarial review summary, audited accounts and various Trustee policies by visiting the website at **www.heidaustsf.com** or contacting the Fund Administrator on **1800 127 953**.

If you have a problem, contact the Fund Administrator on **1800 127 953.**

THE FUND'S FINANCIAL SUMMARY

Here is a summary of the Fund's unaudited financial accounts for the year to 30 June 2014. The audit is expected to be finalised by 31 October 2014. The audited financial accounts and auditor's report will be available on request from the Fund Secretary after that date.

Change in net assets during the year

		$
Net assets at the start of the year		**33,246,017**
Plus income	Contributions	1,435,700
	Rollovers	246,450
	Investment income and interest	4,275,114
	Other	102,201
Less outgoings	Benefits paid	3,314,928
	Insurance premiums	82,000
	Income tax expense	356,207
	Expenses and charges	340,785
	Other	1,843
Net assets at the end of the year		**35,227,719**

Statement of net assets

Net assets at the end of the year		2014	2013
		$	$
Investments	Schroder Pooled Superannuation Trust	5,842,436	5,225,842
	Macquarie Australian Enhanced Plus Equities Fund	4,127,401	3,659,915
	Real Index Global Share Hedge Fund – Class A	5,034,205	–
	Zurich Hedged Global Thematic Fund	–	4,358,615
	MFS Global Equity Trust	5,201,805	4,713,224
	DEXUS Wholesale Property Fund	2,245,912	2,053,707
	SSgA Australian Fixed Income Index Trust	3,503,191	2,689,756
	SSgA Global Broad Investment Grade Fixed Income Trust	3,284,093	2,658,840
	SSgA Australian Listed Property Index Trust	685,383	536,211
	SSgA Australian Cash Trust	4,355,316	6,771,362
Current assets		1,312,893	1,146,978
Current liabilities	Benefits payable	(18,917)	(396,841)
	Taxation payable	(277,956)	(59,180)
	Other	(68,043)	(94,412)
Net assets at the end of the year		**35,227,719**	**33,264,017**

Current assets include amounts in the Fund's bank account. All contributions due at 30 June 2014 have been paid to the Fund.