

**ZURICH MASTER SUPERANNUATION FUND**

**ABN 33 632 838 393**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2020**

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**ZURICH MASTER SUPERANNUATION FUND**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

	Notes	2020 \$	2019 \$
<b>Assets</b>			
<b>Financial assets</b>			
Investment in Capital Guaranteed Insurance policies	4	77,405,948	88,637,490
Investment in Investment Linked Insurance policies	4	854,600,566	990,212,379
<b>Total assets</b>		932,006,514	1,078,849,869
<b>Liabilities</b>			
Income tax payable	7	-	12,219
<b>Total liabilities excluding members benefits</b>		-	12,219
<b>Net assets available for member benefits</b>		932,006,514	1,078,837,650
Defined Contribution Member Liabilities		929,219,943	1,075,407,226
<b>Total net assets</b>		2,786,571	3,430,424
<b>Equity</b>			
Operational Risk Financial Requirement (ORFR) Reserve	5	2,786,571	3,430,424
<b>Total equity</b>		2,786,571	3,430,424

*The above Statement of Financial Position should be read in conjunction with the accompanying notes set out from pages 7 to 25*

**ZURICH MASTER SUPERANNUATION FUND**

**INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$	2019 \$
<b>Superannuation Activities</b>			
Interest on Capital Guaranteed Insurance policies		1,382,353	2,228,253
Net changes in fair value of financial instruments	6	(14,291,107)	80,392,836
<b>Total superannuation activities revenue</b>		<u>(12,908,754)</u>	<u>82,621,089</u>
Management fee expenses	10	(14,783,606)	(16,302,929)
Total expenses		<u>(14,783,606)</u>	<u>(16,302,929)</u>
<b>Results from superannuation activities before income tax expense</b>		<u>(27,692,360)</u>	66,318,160
Income tax expense	7	-	(12,219)
<b>Results from superannuation activities after income tax expense</b>		(27,692,360)	66,305,941
Net benefits allocated to defined contribution members		28,051,546	(65,873,752)
Transfer to ORFR Reserve	5	<u>(359,186)</u>	<u>(432,189)</u>
<b>Operating result after income tax</b>		<u><u>-</u></u>	<u><u>-</u></u>

*The above Income Statement should be read in conjunction with the accompanying notes set out from pages 7 to 25*

**ZURICH MASTER SUPERANNUATION FUND**

**STATEMENT OF CHANGES IN MEMBER BENEFITS  
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$
<b>Balance at 1 July 2019</b>		1,075,407,226
Contributions:		
Employer contributions		22,250,419
Member contributions		10,995,124
Transfers in from other superannuation funds		5,180,754
Government co-contributions		130,596
Income tax on contributions	7	(3,096,040)
		35,460,853
<b>Net after tax contributions</b>		
Benefits to members		(154,389,983)
Insurance premiums charged to members		(12,490,482)
Death and disability benefits paid to members		12,280,836
Reserve transfer to members		1,003,039
Benefits allocated to members' accounts, comprising:		
Net investment income attributable to members		(13,267,940)
Net management fee expenses	10	(14,783,606)
Net change in member defined contributions		(28,051,546)
		929,219,943
<b>Closing balance at 30 June 2020</b>		

*The above Statement of Changes in Member Benefits should be read in conjunction with the accompanying notes set out from pages 7 to 25*

**ZURICH MASTER SUPERANNUATION FUND**

**STATEMENT OF CHANGES IN MEMBER BENEFITS  
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2019 \$
<b>Balance at 1 July 2018</b>		1,136,070,997
Contributions:		
Employer contributions		24,228,352
Member contributions		15,184,127
Transfers in from other superannuation funds		4,629,511
Government co-contributions		196,563
Income tax on contributions	7	(3,692,776)
		40,545,777
<b>Net after tax contributions</b>		
Benefits to members		(166,440,949)
Insurance premiums charged to members		(13,396,145)
Death and disability benefits paid to members		12,753,794
Reserve transfer to members		-
Benefits allocated to members' accounts, comprising:		
Net investment income attributable to members		82,176,681
Net management fee expenses	10	(16,302,929)
Net change in member defined contributions		65,873,752
		1,075,407,226
<b>Closing balance at 30 June 2019</b>		

*The above Statement of Changes in Member Benefits should be read in conjunction with the accompanying notes set out from pages 7 to 25*

**ZURICH MASTER SUPERANNUATION FUND**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Management fee expenses paid		(14,783,606)	(16,302,929)
Insurance premiums charged to members		(12,490,482)	(13,396,145)
Proceeds from life risk insurance policies		<u>12,280,836</u>	<u>12,753,794</u>
<b>Net cash inflow / (outflow) from operating activities</b>	8	<u>(14,993,252)</u>	<u>(16,945,280)</u>
<b>Cash flows from investing activities</b>			
Investment in life policies		(50,837,729)	(56,992,347)
Withdrawals from life policies		<u>184,760,111</u>	<u>199,832,799</u>
<b>Net cash inflow / (outflow) from investing activities</b>		<u>133,922,382</u>	<u>142,840,452</u>
<b>Cash flows from financing activities</b>			
Employer contributions received		22,250,419	24,228,352
Member contributions received		10,995,124	15,184,127
Transfers from other superannuation entities		5,180,754	4,629,511
Government Co-contributions received		130,596	196,563
Benefits paid to members or beneficiaries		(154,389,983)	(166,440,949)
Tax paid on contributions		<u>(3,096,040)</u>	<u>(3,692,776)</u>
<b>Net cash inflows / (outflows) from financing activities</b>		<u>(118,929,130)</u>	<u>(125,895,172)</u>
<b>Net increase / (decrease) in cash</b>		-	-
Cash and cash equivalents at beginning of period		-	-
<b>Cash and cash equivalents at end of period</b>		<u>-</u>	<u>-</u>

*The Fund does not have its own bank account. All transactions of the Fund are non-cash as all its transactions are administered through life insurance policies held with Zurich Australia Limited. A Statement of Cash Flows has been presented to illustrate the cash flows of Fund transactions through the life insurance policies held with Zurich Australia Limited.*

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes set out from pages 7 to 25*

## ZURICH MASTER SUPERANNUATION FUND

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$	2019 \$
Opening balance	5	3,430,424	2,998,235
Net transfers to/(from) ORFR reserves	5	(643,853)	432,189
Closing balance	5	<u>2,786,571</u>	<u>3,430,424</u>

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes set out from pages 7 to 25*



# ZURICH MASTER SUPERANNUATION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 1. General Information

Zurich Master Superannuation Fund (“the Fund”) is domiciled in Australia and was established by a Trust Deed dated 2 November 1972 and is a public offer superannuation fund.

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

In accordance with amendments to the Superannuation Industry (Supervision) Act 1993 the Fund was registered with the Australian Prudential Regulation Authority on 28 June 2006 (registration number R1067651).

The address of the Fund’s registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000.

The trustee of the Fund for the reporting period is Equity Trustees Superannuation Limited ABN 50 055 641 757, part of Equity Trustees Group.

The administrator of the Fund is Zurich Australia Limited ABN 92 000 010 195.

For the purposes of the financial statements the Fund is a for profit entity.

The financial statements of the Fund were authorised for issue by the directors of the Trustee on 24 September 2020. The directors of the Trustee have the power to amend and re-issue the financial statements.

# ZURICH MASTER SUPERANNUATION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 2. Summary of Significant Accounting Policies

#### (a) Basis of Preparation

The financial statements of Zurich Master Superannuation Fund (the "Fund") are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, the Superannuation Industry (Supervision) Act 1993 and Regulations and the provisions of the Trust Deed dated 2 November 1972 and amendments thereto, and relevant legislative requirements.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All assets and liabilities are expected to be recovered or settled within twelve months, except for financial assets and net assets available for member benefits.

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

#### (b) Financial Instruments

##### *(i) Classification*

The Fund's investments are classified as at fair value through the income statement in accordance with AASB1056. These include financial assets comprising:

- a. Investment in capital guaranteed insurance policies - issued by Zurich Australia Limited (ZAL) and recorded at its capital guaranteed value, which consists of contributions, plus interest, less benefit payments, administration expenses, life premiums, surcharge (if any) and income tax. Interest for the current year has been credited at the declared base rate of 2.3% per annum (2019: 2.6%). The actual net interest credited to the policies is derived according to the base rate and the policy terms and conditions and varies between individual plans.
- b. Investment in investment linked insurance policies - issued by ZAL and recorded at fair value, based on the unit redemption price and the number of units held at balance date.

##### *(ii) Recognition/ Derecognition of Financial Assets and Financial Liabilities*

Financial assets and financial liabilities are recognised on the date the Fund becomes party to the contractual agreement (trade date) and changes in the fair value of the financial assets or financial liabilities are recognised from this date. Investments are derecognised when the right to receive cash flows from the investments has expired or the Fund has transferred substantially all of the risks and rewards of ownership.

## ZURICH MASTER SUPERANNUATION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### 2. Summary of Significant Accounting Policies (continued)

##### (b) Financial Instruments(continued)

###### *(iii) Measurement*

At initial recognition, the Fund measures a financial asset or liability at fair value.

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

For further details on the financial instruments refer to Note 4.

###### *(iv) Offsetting financial instruments*

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

##### (c) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- **Changes in fair values**

Changes in the fair value of investments are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point and recognised in the Income Statement.

- **Interest Revenue**

Interest revenue is recognised in profit and loss for Capital Guaranteed insurance policies that are held at fair value. The interest has been credited at the declared base rate of 2.3% per annum (2019: 2.6%). The actual net interest credited to the policies is derived according to the base rate and the policy terms and conditions and varies between individual plans.

## ZURICH MASTER SUPERANNUATION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### 2. Summary of Significant Accounting Policies (continued)

##### (d) Income tax expense

The Fund is a complying superannuation fund within the provisions of the Income Tax Assessment Act. Accordingly, the concessional tax rate of 15% has been applied on net investment earnings.

The Fund's investment in the insurance policies are managed by ZAL which is responsible for any income tax relating to it. Investment income from this investment is allocated to the Fund net of income tax and is disclosed as such in the Income Statement.

The income tax expense does not include taxes levied on assessable contributions, which are included in the Statement of Changes in Members Benefits. The liability for contributions tax, if any, is transferred to ZAL annually.

##### (e) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of GST.

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

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

##### (f) Functional and Presentation Currency

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

##### (g) Benefits Paid / Payable

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

##### (h) Cash and Cash Equivalents

Cash and short-term deposits in the Statement of Financial Position usually comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

The Fund itself does not have its own bank account as all operational cash flows of the fund are administered by ZAL. Refer Note 8 for further details.

## ZURICH MASTER SUPERANNUATION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### 2. Summary of Significant Accounting Policies (continued)

##### (h) Cash and Cash Equivalents (continued)

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

##### (i) Defined Contribution Member Liabilities

The liability for defined contribution members is the Fund's present obligation to pay benefits accrued to members or their beneficiaries in the future as a result of the membership up to the end of the reporting period. This has been calculated as the difference between the carrying amount of the assets and the carrying amounts of the sundry liabilities and income tax liabilities as at balance date.

##### (j) Contribution received and transfers from other funds

Contributions received and transfers from other funds are recognised in the Statement of Changes in Member Benefits when the control of the contribution or transfer has transferred to the Fund. They are recognised gross of any taxes.

##### (k) Comparative amounts

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, some line items in the notes to the financial statements have been amended. Comparative figures have been adjusted to conform to the current year's presentation.

##### (l) Use of estimates

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

##### (m) New and amended standards adopted by the Fund

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Fund. None of these are not expected to have a material effect on financial statements of the Fund.

# ZURICH MASTER SUPERANNUATION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 3. Financial Risk Management

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

#### (a) Market Risk

##### *(i) Price Risk*

Price risk is the risk of diminution in value of the Fund's investment portfolio arising from adverse movements in the levels and volatility of equity prices. The risk is controlled by ensuring that all activities are transacted in accordance with approved strategies and limits. Market risk analysis is conducted on a regular basis and risk management controls ensure that positions are monitored against the portfolio risk limits. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments as at 30 June 2020 and 2019.

##### *(ii) Foreign Currency Risk*

Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuates due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk.

The direct investments held by the Fund do not have any direct exposure to foreign exchange risk. This disclosure has not been made on a look through basis for investments held indirectly through underlying investments. As a result, the disclosure of foreign exchange risk may not present the true foreign exchange risk profile of the Fund where the underlying investments have significant exposure to foreign exchange risk.

##### *(iii) Cash Flows and Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of all types of assets.

The Fund does not have any direct exposure to interest rate risk. This disclosure has not been made on a look through basis for investments held indirectly through underlying investments. As a result, the disclosure of interest rate risk may not present the true interest rate risk profile of the Fund where the underlying investments have significant exposure to interest rate risk. Any interest rate risk from these investments is reported as a component of price risk for the purposes of the sensitivity analysis.

## ZURICH MASTER SUPERANNUATION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### 3. Financial Risk Management (continued)

##### (a) Market Risk (continued)

###### *(iv) Sensitivity Analysis*

The investment assets of the Fund are represented by insurance policies whilst members' benefits are set out in the Fund's Trust Deed.

The following table summarises the sensitivity of the Fund's net assets available to pay benefits to price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to several factors, including historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

In determining the impact of an increase/decrease in net assets available to pay benefits arising from market risk, management have considered prior period and expected future movements of the investment information in order to determine a reasonably possible shift in assumptions.

The capital guaranteed insurance policies are issued by the insurer, ZAL. Whilst the capital guaranteed insurance policies are subject to both increases and decreases in value as a result of price risk, the downside risk is limited as the invested capital is guaranteed by ZAL.

The following summarised sensitivity analysis is not intended to be an accurate indication of the sensitivity of each individual member's balances due to price risk, as the performance of each member's balance may vary significantly dependent of their elected portfolio allocations and exposures to the various underlying investment strategies.

**ZURICH MASTER SUPERANNUATION FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**3. Financial Risk Management (continued)**

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

<b>30 June 2020</b>	<b>Reasonable Possible Movement (Weighted Average)</b>	<b>Impact on net assets available to pay benefits</b>	
		<b>Increase</b>	<b>Decrease</b>
		<b>\$</b>	<b>\$</b>
Insurance Policies:			
Capital guaranteed	5.4%	4,197,557	(4,197,557)
Investment linked	11.5%	98,197,011	(98,197,011)
<b>Total</b>		<u>102,394,568</u>	<u>(102,394,568)</u>
<b>30 June 2019</b>	<b>Reasonable Possible Movement (Weighted Average)</b>	<b>Impact on net assets available to pay benefits</b>	
		<b>Increase</b>	<b>Decrease</b>
		<b>\$</b>	<b>\$</b>
Insurance Policies:			
Capital guaranteed	3.8%	3,368,225	(3,368,225)
Investment linked	10.5%	103,972,300	(103,972,300)
<b>Total</b>		<u>107,340,525</u>	<u>(107,340,525)</u>



## ZURICH MASTER SUPERANNUATION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### **3. Financial Risk Management (continued)**

##### **(b) Fair Value of Financial Assets**

The aggregate carrying values of financial assets approximate their fair values. The methods used to determine the fair value of financial assets and liabilities are included in the summary of significant accounting policies in Note 2(b).

##### **(c) Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund invests all member funds into insurance policies issued by ZAL. Accordingly, there is a counterparty risk as all funds are held by ZAL. However, this risk is mitigated as ZAL is an APRA regulated entity which is required to maintain adequate prudential measures to safeguard policyholder funds. ZAL management monitors the capital adequacy of ZAL in accordance with its Prudential Capital Requirements.

The carrying amounts of financial assets included in the Statement of Financial Position represent the Fund's exposure to credit risk in relation to these assets.

These investments are disclosed in Note 4 and are not rated by any credit rating agency.

The Fund does not have any financial assets that are past due or impaired at year end.

## ZURICH MASTER SUPERANNUATION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### 3. Financial Risk Management (continued)

##### (d) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through the ability to close-out market positions.

To control liquidity risk, the Fund invests in insurance policies, which under normal conditions are readily convertible to cash.

The table shows expected future policies maturities values.

	<b>2020</b>	<b>2019</b>
	\$	\$
0-5 Years	416,675,473	445,433,968
6-10 Years	229,175,148	269,967,817
11-15 Years	146,324,488	178,325,828
16-20 Years	81,358,514	109,670,181
Over 20 Years	58,472,891	75,452,075
	<u>932,006,514</u>	<u>1,078,849,869</u>

## ZURICH MASTER SUPERANNUATION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### 3. Financial Risk Management (continued)

##### (e) Fair value hierarchy

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

- Level 1 fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those investments valued based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The table below sets out the Fund's financial instruments fair value according to the fair value hierarchy.

<b>30 June 2020</b>	<b>Level 1</b> \$	<b>Level 2</b> \$	<b>Level 3</b> \$	<b>Total</b> \$
Financial Assets				
Insurance Policies	-	932,006,514	-	932,006,514
Total	-	932,006,514	-	932,006,514
<b>30 June 2019</b>	<b>Level 1</b> \$	<b>Level 2</b> \$	<b>Level 3</b> \$	<b>Total</b> \$
Financial Assets				
Insurance Policies	-	1,078,849,869	-	1,078,849,869
Total	-	1,078,849,869	-	1,078,849,869

## ZURICH MASTER SUPERANNUATION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### 4. Financial Assets

The underlying investments of the Fund are managed on behalf of the Trustee by selected investment managers. The insurance policies are owned directly by Equity Trustees Superannuation Limited.

	2020	2019
	\$	\$
Insurance policies comprise:		
Investment linked Insurance Policies	854,600,566	990,212,379
Capital Guaranteed Insurance Policies	<u>77,405,948</u>	<u>88,637,490</u>
<b>Total financial assets</b>	<u>932,006,514</u>	<u>1,078,849,869</u>

#### 5. Operational Risk Financial Requirement Reserve

	2020	2019
	\$	\$
Balance at beginning of year	3,430,424	2,998,235
Investment income during the year	49,582	62,911
Transfer to the reserve during the year	309,604	369,278
Transfer from the reserve during the year	<u>(1,003,039)</u>	<u>-</u>
Balance at end of the year	<u>2,786,571</u>	<u>3,430,424</u>

The Fund maintains an Operational Risk Financial Requirement Reserve (“ORFR Reserve”) for costs pertaining to the member component of operational risk events. The ORFR Reserve ensures that the Fund has adequate resources to address losses arising from operational risks within business operations, where such costs are not met by third parties, or are recoverable from third parties or insurance only at a later stage.

The ORFR Reserve is implemented, managed and maintained in accordance with the *Superannuation Industry (Supervision) Act 1993* and the requirements of APRA Prudential Standard SPS 114 - Operational Risk Financial Requirement.

The ORFR Strategy has set the ORFR Target Amount of 0.25% (2019: 0.25%) of Fund’s Net Assets available for members benefits on a continuous basis. As at 30 June 2020, the ORFR Reserve has met the target.

**ZURICH MASTER SUPERANNUATION FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**6. Net Changes in Fair Value of Financial Assets**

	<b>2020</b>	<b>2019</b>
	\$	\$
Designated at fair value through profit or loss:		
Investment Linked Insurance policies	(14,291,107)	80,392,836
	(14,291,107)	80,392,836

**7. Income Tax**

Income tax is assessable at 15% of employer contributions with deductions allowable for life risk premiums paid. A reconciliation of income tax expense with revenues and expenses for the year before income tax expense is set out below:

	<b>2020</b>	<b>2019</b>
	\$	\$
Operating result for the year before income tax	(27,692,360)	66,318,160
Prima Facie income tax at 15%	(4,153,854)	9,947,724
Tax Effect of permanent differences:		
Interest on capital guaranteed insurance policy	(207,353)	(334,238)
Non-taxable changes in fair value of investment	2,143,666	(12,058,925)
Management fees	2,217,541	2,445,439
Non-TFN contribution tax	-	12,219
Total adjustments for permanent differences	4,153,854	(9,935,505)
Income tax adjusted for permanent differences	-	12,219
Income tax expense	-	12,219

The Fund deducts from individual member accounts an amount for Contributions Tax. This charge is only made against member accounts receiving assessable contributions and is levied at 15% after allowing for any payments made on that individual account for the cost of providing death and disablement cover. No adjustment is made to individual member accounts that do not have assessable contributions. These deductions are made pursuant to the master policies between the Fund and ZAL, the financial impact of which is disclosed to Fund members in the Product Disclosure Statement and their periodic statements.

## ZURICH MASTER SUPERANNUATION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### 7. Income Tax (continued)

The actual tax liability of the Fund, if any, is transferred by the Trustee to ZAL under the mechanism authorized by section 295-260 of the Income Tax Assessment Act 1997. However, a difference arises between the aggregate amounts deducted from individual member accounts, and what the actual tax liability of the Fund would have been had the transfer not taken place, as more deductions are available on a pooled basis than on an individual member basis.

During the years 2020 and 2019, the Fund has net accumulated losses so no section 295-260 of the Income Tax Assessment Act 1997 transfer was required. During the current year \$3,096,040 (2019: \$3,692,776) was deducted from individual member accounts on account of Contributions Tax. An amount of \$309,604 (2019: \$369,278) was applied to the Fund and transferred to the ORFR Reserve (Note 5). The tax liabilities of the Fund for 2020 were \$nil (2019: \$12,219) as other deductions arose from activities related to individual members who did not have contributions subject to tax.

Under the tax administration agreement and the master policies the Trustee has in place with ZAL, the current year difference between contributions tax deducted from individual member accounts and the tax liabilities of the Fund of \$3,096,040 (2019: \$3,692,776) was shared between the Fund and ZAL in line with the allocation outlined in the agreement and the master policies.

These arrangements set out ZAL's entitlement to any excess of the total amounts of tax deducted from member's accounts over ZAL's obligations arising under Section 295-260 of the Income Tax Assessment Act 1997. ZAL guarantee administration fees will not increase until 2025 (except for those that can increase in line with CPI) in exchange for the Fund participating with ZAL in a tax agreement authorised under Section 295-260 of the 1997 Tax Act. Pursuant to these policies ZAL is entitled to 90% of any excess, provided the Fund's ORFR Reserve requirements are met. After transferring an amount of \$309,604 (2019: \$369,278) to the ORFR Reserve for the year. ZAL received benefits of \$2,786,436 (2019: \$3,323,498) through its administration of the Fund's tax affairs.

**ZURICH MASTER SUPERANNUATION FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

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

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Operating result after tax	-	-
<i>Adjustments for:</i>		
Net investment income attributable to members	13,267,940	(82,176,681)
Net benefits allocated to defined contribution members	(28,051,546)	65,873,752
Death and disability proceeds received from insurer	12,280,836	12,753,794
Insurance premiums paid	(12,490,482)	(13,396,145)
Net cash inflows/(outflows) from operating activities	<u>(14,993,252)</u>	<u>(16,945,280)</u>

## ZURICH MASTER SUPERANNUATION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### 9. Related Parties

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

The Trustee of the Fund is Equity Trustees Superannuation Limited, the specified directors of which are:

Michael Joseph O'Brien	Managing Director	
Catherine Robson	Non-Executive Director	resigned 5 May 2020
Anthony Jude Lally	Non-Executive Director, Chairman	
Ellis Varejes	Non-Executive Director	
Mark Andrew Blair	Executive Director	
Susan Granville Everingham	Non-Executive Director	
Paul Douglas Rogan	Non-Executive Director	appointed 27 August 2019
Jezy (George) Zielinski	Non-Executive Director	appointed 6 July 2020

There are no other key management personnel other than the directors disclosed above and the Trustee of the Fund.

None of the above directors of the Trustee are members of the Fund.

##### (b) Compensation of Key Management Personnel

There was no compensation paid directly by the Fund to any of the key management personnel (2019 \$nil).

*Loans to key management personnel:*

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel, its directors or their personally-related entities at any time during the reporting period.

##### (c) Related Party Transactions with Trustee

The Trustee fees of \$514,890 (2019: \$150,485) was paid to Equity Trustees Superannuation Limited by Zurich Australia Limited. There were no transactions between the Fund and the Trustee during the year (2019: \$nil).

#### 10. Management fee expenses

During the year, ZAL charged management fee expenses under insurance policies held by the Fund. The fees totaled \$14,783,606 (2019: \$16,302,929) and are disclosed in the Income Statement. The Fund discloses management fee expenses that include expenses charged to members at members' level as well as the indirect expenses charged to members embedded in the unit price of the investments in the various asset pools of the investment linked insurance policies.



## ZURICH MASTER SUPERANNUATION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### 11. Insurance arrangements

The Fund's assets are wholly invested in investment linked and capital guaranteed insurance policies issued by ZAL. The Fund provides death and disability benefits to members and these benefits are greater than the members' vested benefit. The Trustee has therefore taken out insurance with ZAL to cover the part of the benefit in excess of the vested benefit.

Life risk premiums paid to ZAL during the year amounted to \$12,490,482 (2019: \$13,396,145).

Insurance proceeds of \$12,280,836 (2019: \$12,753,794) were received from life risk policies held with ZAL.

The Fund recognises premiums paid by members to ZAL. Insurance claim amounts are recognised where ZAL has agreed to pay the claim. Therefore, insurance premiums are not revenues or expenses of the Fund and do not give rise to insurance contract liabilities or reinsurance assets. Insurance premiums charged to members accounts are recognised in the Statement of Changes in Members Benefits.

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

- members (or their beneficiaries) will only receive insurance benefits if the external insurer pays the claim
- insurance premiums are effectively set directly by reference to premiums set by the insurer.

#### 12. Commitments and Contingent Liabilities

There are no commitments or contingent liabilities in respect of the Fund as at 30 June 2020 (2019: \$nil).

## ZURICH MASTER SUPERANNUATION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### 13. Auditor's Remuneration

	2020	2019
	\$	\$
Amounts received or due and receivable by PricewaterhouseCoopers for:		
Audit of the financial statements of the Fund	126,482	124,002
Other assurance services	122,286	163,968
	<u>248,768</u>	<u>287,970</u>
Amounts received or due and receivable by Deloitte for:		
Other assurance services	9,800	7,000
	<u>9,800</u>	<u>7,000</u>

Auditor's remuneration is paid by the Trustee on behalf of the Fund. The auditor did not perform any non-audit services for the Fund in the current or prior year.

#### 14. Impact on the Fund due to the Federal Government's Response to the Coronavirus (Covid-19) Pandemic

##### Background

On 22 March 2020, the Federal Government announced a temporary relief measure due to the impact of COVID-19 on the economy. The new rule permits individuals to access up to \$10,000 of their superannuation in tax year 2019/20 and a further \$10,000 in tax year 2020/21.

For the year ended 30 June 2020, the Fund paid out \$5,784,139 in benefits to members seeking early access to their super.

The Trustee has considered the impact of the Federal Government's response to COVID-19 and other market volatility on the Fund's significant estimates and judgements, the carrying values of its investments and financial risk management framework. Key considerations are as follows:

##### Significant estimates and judgements

In preparing these financial statements, the Directors have taken into account the impacts of COVID-19 in making judgements, estimates and assumptions that affect the amounts reported in the financial statements. The estimates and judgements are continually evaluated and are based on historical experience and various other factors, including reasonable expectations of future events. As such, actual results could differ from those estimates.

## ZURICH MASTER SUPERANNUATION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### **14. Impact on the Fund due to the Federal Government's Response to the Coronavirus (COVID-19) Pandemic (continued)**

##### *Investments*

The Fund has invested in the insurance policies issued by ZAL, which are measured at fair value through profit or loss in accordance with the Fund's accounting policies. The insurance policy is underpinned by investments in bonds and unlisted unit trusts which are classified as level 2 investments with limited uncertainty over their fair value.

All valuations contain some element of uncertainty. The impact of Federal Government's response to COVID-19 on the markets in which the underlying investment are made, is not fully known due to limited transactional evidence since the outbreak of the pandemic.

##### *Risk management*

The Trustee's robust risk management framework continues to be applied across the Fund's operations and the Trustee continues to monitor the impact of the Federal Government's response to COVID-19 on the Fund's risk profile. Non-financial risks emerging from global movement restrictions, and remote working by our staff, counterparties, clients and suppliers, are being identified, assessed, managed and governed through timely application of the Trustee's risk management framework.

The management of liquidity risk is a key element of the investment process. The risk is controlled as the insurance policy comprises of cash and cash equivalents and highly liquid investments.

#### **15. Events Occurring after Balance Sheet date**

There has not arisen in the interval between the end of the financial year and the date of this financial report any item, transaction or event of an unusual nature likely to affect significantly the operations of the Fund, the result of the operations, or the state of affairs of the Fund. Accordingly, no adjustment has been made to the net assets of the Fund. In the event that COVID-19 impacts are more severe or prolonged than anticipated, the future fair value of the Fund's investments may be adversely impacted.

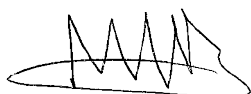
## ZURICH MASTER SUPERANNUATION FUND

### TRUSTEE'S DECLARATION TO THE MEMBERS

In the opinion of the directors of the Trustee of Zurich Master Superannuation Fund:

- (a) the accompanying financial statements and notes set out on pages 7 to 25 are in accordance with:
- (i) Australian Accounting Standards and other mandatory professional reporting requirements and
  - (ii) present fairly the Fund's financial position as at 30 June 2020 and of its performance for the financial year ended on that date,
- (b) the Fund has been conducted in accordance with its constituent Trust Deed dated 2 November 1972, as amended and in compliance with:
- the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations;
  - applicable sections of the Corporations Act 2001 and Regulations;
  - the requirements under Section 13 of the Financial Sector (Collection of Data) Act 2001;
- during the year ended 30 June 2020, and
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of the Trustee Company Equity Trustees Superannuation Limited ABN 50 055 641 757.



Director

Melbourne

24 September 2020



## ***Independent Auditor's report on financial statements***

### **Independent Auditor's report approved form for an RSE which is a reporting entity**

*Report by the RSE Auditor to the trustee of the Zurich Master Superannuation Fund (the RSE) (ABN: 33 632 838 393)*

#### ***Opinion***

I have audited the financial statements of the Zurich Master Superannuation for the year ended 30 June 2020 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of the Zurich Master Superannuation Fund as at 30 June 2020 and the results of its operations, cash flows, changes in equity and changes in members' benefits for the year ended 30 June 2020.

#### ***Basis for Opinion***

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities* section of my report. I am independent of the entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial statements in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### ***Responsibilities of the trustee for the Financial Statements***

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the RSE or to cease operations, or has no realistic alternative but to do so.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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### *Auditor's Responsibilities for the Audit of the Financial Statements*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Australian Auditing Standards, I exercised professional judgment and maintained professional scepticism throughout the audit. I also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RSE's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Concluded on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RSE's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my audit opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Paul Collins', written in a cursive style.

Paul Collins  
Partner

Sydney  
24 September 2020