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TAL Superannuation Limited

**General purpose financial report
For the year ended 31 March 2021**

TAL Superannuation Limited

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Directors' Report

The Directors of TAL Superannuation Limited ("the Company") present their report for the year ended 31 March 2021 ("the financial year").

1. Directors

The following persons were Directors of the Company during the financial year and up to the date of this report, unless otherwise stated:

Peter Lewinsky
Alex Homer (Appointed 1 October 2020)
Roslyn Ramwell (Resigned 1 October 2020)
Steven Helmich

2. Principal activities

The principal activity of the Company during the financial year was to act as trustee for the TAL Superannuation and Insurance Fund ("the Fund") which is a Registrable Superannuation Entity ("RSE") under Part 2B of the Superannuation Industry (Supervision) Act 1993.

All costs incurred by the Company in providing trustee services to the Fund are met either directly or indirectly by the Fund.

The Company created the 'Office of the Trustee' which is responsible for the operational management of the Company. The Office of the Trustee is governed by a Charter that sets out its activities, responsibilities and delegations of authority. The costs incurred by the Office of the Trustee are met either directly or indirectly by the Fund.

The Company as trustee holds cash at bank to meet potential future liabilities that may emerge if certain operational risks eventuate in the future. These liabilities are uncertain and defined under *Prudential Standard SPS 114 Operational Risk Financial Requirement*, effective 1 July 2013, as an Operational Risk Financial Reserve ("ORFR"). The ORFR may only be used in accordance with legislative requirements and has been determined to be \$5,000,000.

The Company earns investment income on cash held to back the ORFR. This income and associated tax are recognised in the Statement of Comprehensive Income.

The Company holds an Australian Financial Services Licence under the Corporations Act 2001 (licence number 237851) and a RSE Licence under the Superannuation Industry (Supervision) Act 1993 (licence number L0000642).

No significant changes in the nature of the Company's activities have occurred during the financial year.

Directors' Report (continued)

3. Related Party transactions

TAL Life Limited ("TAL Life") and TAL Services Limited ("TAL Services") are related parties of the Company with the ultimate Australian parent of all three companies being TAL Dai-ichi Life Australia Pty Limited ("TDA").

TAL Services provides the Company and TAL Life with the resources and corporate services they respectively need to be the trustee and administrator of the Fund. The cost of these services is directly invoiced by TAL Life to the Fund and the Fund pays for these costs monthly in arrears.

The Fund holds life insurance policies issued by TAL Life to support the death and disability benefits provided to certain members of the Fund. The Fund pays insurance premiums to TAL Life in accordance with the payment terms specified within the life insurance policies.

All material information required to be disclosed under AASB 124: Related Party Disclosures has been included in the financial statements as follows:

Tax sharing agreement	note 3
Remuneration of key management personnel	note 8
Related party transactions with key management personnel	note 8

4. Review of operations

The operating profit of the Company for the financial year after provision for income tax was \$19,085 (31 March 2020: \$49,546). Income for the financial year is attributable to interest income less consequential tax.

Having closely monitored liquidity and considered the results of liquidity stress testing as of 30 September 2020 by the Company's implemented asset consultant, the Directors are reasonably satisfied that the Fund's investment options will remain liquid.

5. Dividends

In respect of the financial year and the comparative financial year, no dividends have been paid or declared.

6. Changes in state of affairs

There were no significant changes in the state of affairs of the Company during the financial year.

7. Matters subsequent to the end of the financial year

It is expected that on 31 May 2021 the Trustee acting on behalf of the Fund will enter into a Deed of Trustee Arrangement with Mercer Superannuation Limited to transfer all members from the Fund to the Mercer Super Trust effective 31 May 2021.

On completion of this transfer the Fund will close and the Company will cease to act as Trustee for the Fund, and will cease to be a RSE in accordance with the Superannuation Industry (Supervision) Act 1993. At this time The Company will continue to hold cash but will cease all other operations. This will not impact the financial position or financial performance of the company.

8. Likely developments and expected results of operations

The Company is expected to be classified as a discontinued business by its sole shareholder.

9. Environmental regulation

The Company is not subject to any particular or significant environmental regulation.

10. Indemnification of the company

Professional indemnity insurance

Agreement to indemnify Directors and Officers

TDA, the ultimate Australian parent entity, has entered into agreements to indemnify Directors and Officers of TDA and related companies.

The indemnity relates to any liability:

- (i) to a third party (other than TDA or a related Company) unless the liability is a criminal liability or arises out of a breach of specific or fiduciary duties, and
- (ii) for legal costs incurred in successfully defending civil or criminal proceedings, or in connection with proceedings in which relief is granted under the Corporations Act 2001.

The Directors are not aware of any liability, or potential liability arising under these indemnities as at the date of this report.

Insurance of Directors and Officers

During the financial year, TAL Services, a related entity, paid a premium of \$2,895,262 (2020: \$1,941,403) to insure the Directors and Officers of the Company (as named above) against certain liabilities incurred as Directors and Officers of the Company to the extent permitted by the Corporations Act 2001.

Indemnity out of assets of the Fund

As the trustee of the Fund, the Company has a right to resort to and apply the Fund's assets for the discharge of liabilities it incurs in the authorised conduct of the trust set out in the Fund's trust deed.

At balance date, all liabilities of the Company in its personal capacity will be paid from cash and the Directors are not aware of any liabilities of the Company in its personal capacity that would be met from assets of the Fund.

At balance date, the Directors are not aware of any breaches of fiduciary duty by the Company, as trustee of the Fund.

11. Auditor's Independence Declaration


A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

12. Auditor

KPMG continues in office in accordance with section 327D of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors.

On behalf of the Directors



Director
Sydney
20 May 2021



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of TAL Superannuation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of TAL Superannuation Limited for the financial year ended 31 March 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

David Kells

Partner

Sydney

20 May 2021

Statement of Comprehensive Income

	Note	Year ended 31 March 2021 \$	Year ended 31 March 2020 \$
Revenue	2	27,264	70,780
Profit from continuing operations before income tax expense		27,264	70,780
Income tax expense	3	8,179	21,234
Profit from continuing operations after income tax expense		19,085	49,546
Profit attributable to shareholders of TAL Superannuation Limited		19,085	49,546
Total comprehensive income for the year attributable to shareholders of TAL Superannuation Limited		19,085	49,546

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

Statement of Financial Position

	Note	As at 31 March 2021 \$	As at 31 March 2020 \$
Assets			
Cash and cash equivalents	4	5,282,929	5,264,675
Total assets		5,282,929	5,264,675
Liabilities			
Payables		486	1,317
Total liabilities		486	1,317
Net assets		5,282,443	5,263,358
Equity			
Contributed equity	5	5,000,002	5,000,002
Retained earnings	6	282,441	263,356
Total equity attributable to shareholders of TAL Superannuation Limited		5,282,443	5,263,358

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

Statement of Changes in Equity

	Contributed equity \$	Retained earnings \$	Total \$
Year ended 31 March 2021			
Balance at beginning of year	5,000,002	263,356	5,263,358
Total comprehensive income for the year	-	19,085	19,085
Balance at end of year	5,000,002	282,441	5,282,443
Year ended 31 March 2020			
Balance at beginning of year	5,000,002	213,810	5,213,812
Total comprehensive income for the year	-	49,546	49,546
Balance at end of year	5,000,002	263,356	5,263,358

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

Statement of Cash Flows

	Note	Year ended 31 March 2021 \$	Year ended 31 March 2020 \$
Cash flows from operating activities			
Interest received		27,264	70,780
Intercompany payable		(9,010)	(22,076)
Net cash inflow from operating activities	4(b)	18,254	48,704
Net increase in cash and cash equivalents		18,254	48,704
Cash and cash equivalents at beginning of the financial year		5,264,675	5,215,971
Cash and cash equivalents at end of the financial year	4	5,282,929	5,264,675

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Summary of significant accounting policies

These financial statements were prepared for the Company for the financial year. The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The Company is a for-profit entity.

These financial statements were authorised for issue by the Directors on 20 May 2021. The Directors have the power to amend and reissue the financial report.

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The Company is a for-profit private sector entity which is not publicly accountable. Therefore, the financial statements for the Company are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs).

The Company's financial statements are presented in Australian dollars, which is also the company's functional currency.

Early adoption of standards

The Company has elected not to early adopt any accounting standards during the annual reporting year that commenced on 1 April 2020.

Historical cost convention

These financial statements have been prepared in accordance with the historical cost convention with any exceptions noted in accounting policies below.

Significant judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Assumptions made at each reporting date are based on best estimates at that date.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

The accounting policies adopted are consistent with those of the previous financial year.

Notes to the Financial Statements (continued)

1. Summary of significant accounting policies (continued)

a) Revenue

Interest income is recognised as it accrues at the end of each month.

b) Taxation

Current tax liability

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

Current tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Income tax expense

The income tax expense is the tax payable on taxable income for the current financial year, based on the income tax rate for each jurisdiction and adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Tax consolidation

The Company is part of a tax consolidated group of which TDA is the head entity. Under tax consolidation the head entity assumes the following balances from controlled entities within the tax consolidated group:

- current tax balances arising from external transactions recognised by entities in the tax-consolidated group which occurred after implementation date; and
- deferred tax assets arising from unused tax losses and unused tax credits recognised by entities in the tax-consolidated group which occurred after implementation date.

Assets and liabilities which arise as a result of balances transferred from entities within the tax consolidated group to the head entity are recognised as related party balances receivable and payable in the Statement of Financial Position. The recoverability of balances arising from tax funding agreements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions.

d) Contributed equity

Ordinary shares issued by the Company are classified as equity and are recognised at fair value less direct issue costs.

Notes to the Financial Statements (continued)

2. Revenue

	Year ended 31 March 2021 \$	Year ended 31 March 2020 \$
Interest income	27,264	70,780
Total revenue	27,264	70,780

3. Taxation

	Year ended 31 March 2021 \$	Year ended 31 March 2020 \$
Current income tax	8,179	21,234
Income tax expense	8,179	21,234
Profit before income tax expense	27,264	70,780
Income tax at current rate 30%	8,179	21,234
Income tax expense	8,179	21,234

TDA is the head entity of the tax consolidated group, comprised of TDA and its wholly-owned entities. The accounting policy in relation to this legislation is set out in note 1(b).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement where the assets and liabilities which arise as a result of balances transferred from entities within the tax consolidated group to the head entity are recognised as payable balances in the Statement of Financial Position.

The Company has entered into a tax funding agreement under which it compensates TDA for any current income tax payable which is attributable to the Company. Under this agreement, the Company is also entitled to compensation from TDA for any tax losses or credits used by TDA which are attributable to the Company.

Notes to the Financial Statements (continued)

4. Cash and cash equivalents

	As at 31 March 2021 \$	As at 31 March 2020 \$
Cash at bank	5,282,929	5,264,675
Total cash and cash equivalents	5,282,929	5,264,675

Total effective interest rate for cash at bank is 0.49% (2020: 0.80%). All cash and cash equivalents are classified as current of three months or less.

(a) Reconciliation to cash at the end of the financial year

The above figures are reconciled to cash at the end of the financial period as shown in the Statement of Cash Flows:

	As at 31 March 2021 \$	As at 31 March 2020 \$
Balance as above	5,282,929	5,264,675
Balance per Statement of Cash Flows	5,282,929	5,264,675

(b) Reconciliation of profit for the financial year to net cash flows from operating activities

	31 March 2021 \$	31 March 2020 \$
Profit attributable to shareholders	19,085	49,546
(Less) / add movements relating to operating activities		
Change in tax payable	(831)	(842)
Net cash inflows from operating activities	18,254	48,704

Notes to the Financial Statements (continued)

5. Contributed equity

	As at 31 March 2021 \$	As at 31 March 2020 \$
10,000,005 ordinary shares at \$0.50 each	5,000,002	5,000,002
Total issued capital	5,000,002	5,000,002

Fully paid ordinary shares carry one vote per share and carry the right to dividends. All issued shares are fully paid.

6. Retained earnings

	Year ended 31 March 2021 \$	Year ended 31 March 2020 \$
Opening balance	263,356	213,810
Net profit for the financial year	19,085	49,546
Closing balance	282,441	263,356

7. Capital management

The Company holds an ORFR of \$5,000,000 (2020: \$5,000,000) to absorb the costs, charges and expenses arising from potential operational risk. The ORFR may not be used for any other purpose, and is held in an interest bearing bank account.

8. Key management personnel disclosures

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

a) Directors

The following persons were Directors of the Company during the financial year:

Peter Lewinsky

Roslyn Ramwell (Resigned 1 October 2020)

Steven Helmich

Alex Homer (Appointed 1 October 2020)

Notes to the Financial Statements (continued)

8. Key management personnel disclosures (continued)

b) Other key management personnel

As the Trustee Advocate, Paul Cleary is a delegate of the Board of the Company and is responsible for delivering, on behalf of the Board, the strategic, governance and operational functions of the Company that have not been outsourced to TAL Life. These functions include: Board support; customer advocacy; developing and implementing strategic initiatives; discretionary decision-making; financial stewardship; governance, risk and compliance; and service provider oversight.

c) Key management personnel compensation

The remuneration of Directors and other members of key management during the financial year was as follows:	Year ended 31 March 2021	Year ended 31 March 2020
	\$	\$
Salaries and other short term benefits	938,591	872,706
Termination benefits	127,338	-
Post employment benefit, including superannuation	35,334	46,630
Other long term benefit	8,347	51,506
Total key management personnel compensation	1,109,609	970,842

d) Loans to key management personnel

There have been no loans made to Directors and other key management personnel of the Company, including their personally related parties.

e) Other transactions with key management personnel

Key management personnel also hold various policies and accounts with TAL Life. These are operated in the normal course of business on normal customer terms.

9. Dividends

No dividends were paid or proposed during the financial year (31 March 2020: \$nil).

Notes to the Financial Statements **(continued)**

10. Related Parties

The immediate Australian parent entity is TAL Distribution Holdings Limited. The ultimate Australian parent entity is TDA. The Company's ultimate parent entity is Dai-ichi Holdings, Inc., which is domiciled in Japan.

Trade amounts owing between related parties are payable under normal commercial terms. All material information required to be disclosed under AASB 124: Related Party Disclosures has been included in the financial statements.

As at 31 March 2021 the related party payables were \$nil (31 March 2020: \$nil).

11. Subsequent Events

It is expected that on 31 May 2021 the Trustee acting on behalf of the Fund will enter into a Deed of Trustee Arrangement with Mercer Superannuation Limited to transfer all members from the Fund to the Mercer Super Trust effective 31 May 2021.

On completion of this transfer the Fund will close and the Company will cease to act as Trustee for the Fund, and will cease to be a RSE in accordance with the Superannuation Industry (Supervision) Act 1993. At this time The Company will continue to hold cash but will cease all other operations. This will not impact the financial position or financial performance of the company.

12. Additional company information

TAL Superannuation Limited is a public company incorporated and operating in Australia.

Principal Registered Office and Principal Place of Business
Level 16, 363 George Street
Sydney NSW 2000
Tel: (02) 9448 9000

Directors' Declaration

In the Directors' opinion:

- a) the financial statements and notes set out on pages 8 to 18 are in accordance with the Corporations Act 2001, including:
 - i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, the Corporations Regulations 2001; and
 - ii) giving a true and fair view of the Company's financial position as at 31 March 2021 and of its performance for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Directors



Director
Sydney
20 May 2021



Independent Auditor's Report

To the Shareholder of TAL Superannuation Limited

Opinion

We have audited the **Financial Report** of TAL Superannuation Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 31 March 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- *Statement of financial position* as at 31 March 2021;
- *Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows* for the year then ended;
- Notes including a summary of significant accounting policies; and
- *Directors' Declaration*.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical 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 our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



Other Information

Other Information is financial and non-financial information in TAL Superannuation Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.



A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

A handwritten signature in blue ink, appearing to be 'KPMG', written over a horizontal line.

KPMG

A handwritten signature in blue ink, appearing to be 'David Kells', written over a horizontal line.

David Kells

Partner

Sydney

20 May 2021