

TAL Superannuation and Insurance Fund

Annual report

For the year ended 30 September 2020

Financial report

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INCOME STATEMENT

	Note	Year ended 30 September 2020 \$000	Year ended 30 September 2019 \$000
Superannuation activities			
Revenue			
Investment (loss) / income	3	(19,408)	100,119
Total revenue		(19,408)	100,119
Expenses			
Investment management fees		(5,069)	(6,451)
Administration fees		(20,617)	(22,793)
Other fees		(365)	(1,335)
Total expenses		(26,051)	(30,579)
(Loss) / Profit from operating activities		(45,459)	69,540
Less: net benefits allocated to members' accounts		29,230	(74,491)
Loss before income tax		(16,229)	(4,951)
Income tax benefit	5	11,941	4,951
Loss after income tax		(4,288)	-

The above Income Statement should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

	Note	Year ended 30 September 2020 \$'000	Year ended 30 September 2019 \$'000
Assets			
Cash and cash equivalents	6	3,021	3,881
Receivables	8	1	190
Investments in managed investment schemes		1,037,041	1,232,197
Current tax asset		2,757	8,906
Total assets		1,042,820	1,245,174
Liabilities			
Life insurance premiums payable	9	(8,785)	(7,843)
Facilities fees payable	10	(1,200)	(1,200)
Administration fees and other costs payable	10	(82)	(3,934)
Total liabilities excluding member benefits		(10,067)	(12,977)
Net assets available to pay member liabilities		1,032,753	1,232,197
Member liabilities			
Allocated to members		(1,037,041)	(1,232,197)
Total member liabilities	12	(1,037,041)	(1,232,197)
Total net assets		(4,288)	-

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN MEMBER BENEFITS

	Note	Year ended 30 September 2020 \$000	Year ended 30 September 2019 \$000
Member benefits opening balance		1,232,197	1,324,532
Employer contributions		29,444	36,391
Member contributions		42,682	43,323
Government co-contributions		1,302	1,523
Rollovers in		84,276	75,222
Pension received		1,015	1,003
No TFN charge / (refund)		-	(2)
Contribution taxes		(5,102)	(5,460)
Net after tax contributions		153,617	152,000
Benefits paid out			
Pension benefit paid out		(1,256)	(1,329)
Rollovers out		(148,323)	(164,022)
Lump-sum benefits paid out *		(152,500)	(113,752)
Insurance premium charged to members' accounts		(113,150)	(115,412)
Death and disability benefits credited to members' accounts		91,398	75,690
		(323,831)	(318,825)
Benefits allocated to members' accounts comprising:			
Net investment income		1,109	105,070
Investment management fees		(5,069)	(6,451)
Other fees		(365)	(1,335)
Administration fees		(20,617)	(22,793)
Member benefits closing balance	12	1,037,041	1,232,197

* Under the Australian Federal Government's economic response to the COVID-19 pandemic, eligible Australian and New Zealand citizens and permanent residents can apply to withdraw up to \$10,000 from their superannuation or retirement savings balance in the financial year ending 30 June 2020 and a further \$10,000 from 1 July 2020 to 31 December 2020. Eligible temporary visa holders may also apply for a single release of \$10,000 before 1 July 2020. During the financial year ended 30 September 2020, the Fund received 3,206 eligible requests and paid a total redemption of \$26m. Asset allocation policy enables sufficient liquidity to meet the early release initiative payments until 31 December 2020.

The above Statement of Changes in Member Benefits should be read in conjunction with the accompanying notes.

TAL SUPERANNUATION AND INSURANCE FUND
For the year ended 30 September 2020

STATEMENT OF CASH FLOWS

		Year ended 30 September 2020	Year ended 30 September 2019
	Note	\$000	\$000
Cash flows from operating activities			
Fees received		1,893	1,107
Income tax received		22,490	5,460
Net cash inflow from operating activities	6	24,383	6,567
Cash flows from investing activities			
Payments for the purchases of investments *		(267,691)	(139,617)
Proceeds from sale of investments		412,920	300,553
Net cash inflow from investing activities		145,229	160,936
Cash flows from financing activities			
Employer contributions		29,444	36,391
Member contributions		42,682	43,323
Pension received		1,015	1,003
Rollovers in		84,276	75,222
Rollovers out		(148,323)	(164,022)
Government co-contributions		1,302	1,523
No TFN charge / (refund)		-	(2)
Contributions tax		(5,102)	(5,460)
Pension benefits paid out		(1,256)	(1,329)
Other insurance premium		(258)	(7,470)
Insurance premium charged to members' accounts		(113,150)	(115,412)
Death and disability benefits credited to members' accounts		91,398	75,690
Lump-sum benefits paid out		(152,500)	(113,752)
Net cash outflow from financing activities		(170,472)	(174,295)
Net cash and cash equivalents		(860)	(6,792)
Cash and cash equivalents at beginning of year		3,881	10,673
Cash and cash equivalents at end of year		3,021	3,881

* The Trustee has instructed its asset consultant to reinvest all earnings from investments. As a result, the Fund does not receive any investment income in the form of cash.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

TAL SUPERANNUATION AND INSURANCE FUND
Notes to the financial statements
For the year ended 30 September 2020

1. General information

The TAL Superannuation and Insurance Fund ABN 20 891 605 180 ("Fund") is a defined contribution fund domiciled in Australia that provides benefits to its members under a trust deed dated 1 June 1989, as amended by subsequent deeds.

The Trustee of the Fund is TAL Superannuation Limited ABN 69 003 059 407 ("Trustee"). The registered office of the Trustee is located at 363 George Street, Sydney, NSW 2000.

2. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards ("AASB"), other authoritative pronouncements of the Australian Accounting Standards Board, the *Superannuation Industry (Supervision) Act 1993* and the provisions of the Trust Deed dated 1 June 1989.

The financial statements have been prepared on a going concern basis, which assumes that the Fund will be able to meet its mandatory obligations as shown in these financial statements.

As at 30 September 2020, the Fund had net assets available to pay member liabilities of \$1,037 million (30 September 2019: \$1,232 million). Further, the Fund holds its ORFR of \$5 million through its Trustee. Excluding investments in managed investment schemes, the Fund's current net negative assets are \$4.3 million (30 September 2019: nil).

The Fund's current liabilities (excluding member benefits) include payments for life insurance policies, facilities fees and administration fees to a related entity, TAL Dai-ichi Life Australia Pty Limited (TDA). The Fund has received a signed commitment from TDA confirming that TDA will not seek to recover payment of the Outstanding Fees and Premiums payable (as defined in the signed commitment) in a manner or at a time that would place the Trustee or the Fund in a position of insolvency. TDA will require the Trustee directors to direct payment to TDA of such portion of the Outstanding Fees and Premiums payable at a time when the Trustee directors, acting reasonably and in accordance with their regulatory and fiduciary duties, can release funds from the assets held by the Fund.

As at the date of these financial statements, management cash flow forecasts and budgets up to December 2021 illustrate that the Fund is expected to be able to continue to pay its debts as and when they are due. On this basis, the Directors consider it is appropriate for the going concern basis to be adopted in preparing the financial statements.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been applied throughout the year, unless otherwise stated.

The financial report is presented in Australian dollars ("AUD") which is the functional currency of the Fund. All values are rounded to the nearest thousand except where otherwise stated.

The financial report was authorised for issue by the Directors of the Trustee on 1 December 2020.

2. Summary of significant accounting policies (continued)

Early adoption of standards

The Trustee has not elected to early adopt any accounting standards during the year ended 30 September 2020.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Trustee's accounting policies for the Fund. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 11: *Financial risk management and disclosure*.

Rounding off of amounts

The Trustee of the Fund is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off in accordance with that Instrument to the nearest thousand dollars, unless otherwise stated.

Comparatives

Comparatives are adjusted from time to time for changes in accounting policies or for disclosures to improve comparability of information. The accounting policies adopted are consistent with those of the previous financial year.

Changes in significant accounting policies

a) AASB 16 - Leases

AASB 16 Leases is effective for the financial year commencing 1 October 2019. The Fund did not hold any financing and operating leases as assessed under the previous standard, AASB 117 Leases. The Fund has also assessed and concluded that AASB 16 does not have a material impact on the Fund's Financial Statements.

2. Summary of significant accounting policies (continued)

Specific Accounting Policies

a) Investment income

Investment income is recognised as follows:

Dividends and distributions

Income is recognised when the right to receive payment is established. Managed investment scheme distributions are recognised on an entitlements basis.

Fair value gains and losses

Fair value gains and losses on financial assets held at FVTPL are recognised through the Income Statement as they occur.

b) Taxation

Current tax

The Fund meets the definition of a complying superannuation fund under section 995(1) of the *Income Tax Assessment Act 1997*. Accordingly, a concessional tax rate of 15% is applied to the Fund's taxable income.

Income tax in the Income Statement for the year comprises current and deferred tax.

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the Australian Taxation Office. The tax rates and tax laws used to compute these amounts are those that are enacted by the balance date.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not affect the Fund's accounting profit, taxable profit or taxable loss.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised, except where the deferred tax asset relates to deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not affect the Fund's accounting profit, taxable profit or taxable loss.

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

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

2. Summary of significant accounting policies (continued)

Deferred tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax laws that have been enacted at the balance date. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

c) Financial Assets

Classification

Under AASB 9, on initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. Investments in managed investment schemes and trade receivables are initially measured at FVTPL.

Recognition and derecognition

Receivables are initially recognised when services are transferred to a customer. A trade receivable without a significant financing component is initially measured at the transaction price. Receivables are normally settled within 30 days.

Regular purchases and sales of financial assets are recognised on trade date, the date on which the Trustee commits to purchase or sell the asset. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in the Income Statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred, and the Fund has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Investments in managed investment schemes and trade receivables are subsequently measured at FVTPL.

Financial assets at FVTPL are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at FVTPL' category are presented in the Income Statement within investment income in the year in which they arise. Distribution income from financial assets at FVTPL is recognised in the Income Statement as part of revenue from continuing operations when the Fund's right to receive payments is established.

2. Summary of significant accounting policies (continued)

d) Payables

Payables are carried at nominal amounts which approximate fair value. These amounts represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services. Payables are normally settled within 90 days.

e) Member liabilities

Member liabilities comprise of the Fund's present obligation to pay benefits to members. The value of member liabilities is measured at the carrying amount (using the last unit price) of the managed investment scheme units that support member benefits at the end of the reporting period.

f) Revenue recognition

Changes in fair value

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

g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank.

h) New Accounting Standards

The Australian Accounting Standards Board ("AASB") has issued the following amendments to Australian Accounting Standards:

AASB No.	Title	Financial years commencing on or after
AASB 2018-6	Amendments to Australian Accounting Standards –Definition of a Business	1 January 2020
AASB 2018-7	Amendments to Australian Accounting Standards –Definition of Material	1 January 2020
AASB 1059	Concession Arrangements: Grantors	1 January 2020
AASB 2018-5	Amendments to Australian Accounting Standard – Deferral of AASB 1059	1 January 2020
AASB 17	Insurance contracts	1 January 2023
AASB 2014-10	Amendments to Australian Accounting Standards –Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2022
AASB 2015-10	Amendments to Australian Accounting Standards –Effective Date of Amendments to AASB 10 and AASB 128	1 January 2022
AASB 2017-5	Amendments to Australian Accounting Standards	1 January 2022

2. Summary of significant accounting policies (continued)

h) New Accounting Standards

These amendments are not effective at balance date and have not been applied in preparing the Fund's financial statements. The Trustee expects to adopt these Standards where applicable for the annual reporting years beginning on or after the operative dates set out above. The Trustee has not yet determined the full impact of the application of the above Standards, but at this point the Trustee does not expect there to be any significant measurement adjustments upon application of the above Standards.

3. Investment income

	Year ended 30 September 2020 \$000	Year ended 30 September 2019 \$000
Managed investment scheme distributions	35,855	50,525
Net changes in fair value of investments	(55,263)	49,594
Total investment (loss) / income	(19,408)	100,119

Due to the impact of the global COVID-19 pandemic, from February 2020 equity prices and yields on fixed interest securities have significantly declined which has led to a fall in unit prices across the investment core funds. These declines in investment valuations together with a net outflow of funds under management ("FUM") have resulted in the total FUM to fall from approximately \$1.3b to approximately \$1.0b.

4. Auditor's remuneration

	Year ended 30 September 2020 \$	Year ended 30 September 2019 \$
Audit of financial reports and regulatory returns	144,200	141,206
Total auditor remuneration	144,200	141,206

All of the auditor's remuneration was paid by TAL Services Limited ABN 60 076 105 130 ("TAL Services"), which is a related body corporate of the Trustee.

TAL SUPERANNUATION AND INSURANCE FUND
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5. Taxation

AASB 1056 – *Superannuation Entities*, requires taxes on contributions of \$5.1 million (2019: \$5.5 million) to be disclosed on the Statement of Changes in Member Benefits.

Unrecognised temporary differences and tax losses

The Fund's outstanding temporary differences in respect of Australian revenue losses are \$61.4 million (2019: \$205.2 million), which equal to a net tax benefit amount of \$9.2 million (2019: \$30.8 million).

The \$9.2 million balance in respect of the net tax benefit amount is impaired and not recognised as an asset in the Statement of Financial Position.

	Year ended 30 September 2020 \$000	Year ended 30 September 2019 \$000
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(a) Major components of income tax expense for the years ended 30 September 2020 and 2019:

Income Statement

Current tax expense

Current tax benefit	11,941	9,890
Deferred tax in respect of temporary differences	-	(4,939)
Total tax benefit as reported in the Income Statement	11,941	4,951

	Year ended 30 September 2020 \$000	Year ended 30 September 2019 \$000
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(b) Reconciliation between income tax expenses and the accounting profit before income tax:

Loss from operating activities	(45,459)	(4,951)
Income tax at 15%	6,819	743
Net benefit allocated to member accounts	2,320	(4,730)
Exempt pension income	45	32
Net imputation and foreign tax credits	7,045	8,906
Tax losses not recognised	(4,288)	-
	11,941	4,951

TAL SUPERANNUATION AND INSURANCE FUND
Notes to the financial statements
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5. Taxation (continued)

(c) Deferred Tax

Type of temporary difference	2020			2019		
	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
Deferred tax assets						
Tax losses	6,171	(6,171)	-	7,782	(1,611)	6,171
	<u>6,171</u>	<u>(6,171)</u>	<u>-</u>	<u>7,782</u>	<u>(1,611)</u>	<u>6,171</u>
Deferred tax liabilities						
Unrealised gains on investments	(6,171)	6,171	-	(2,843)	(3,328)	(6,171)
	<u>(6,171)</u>	<u>6,171</u>	<u>-</u>	<u>(2,843)</u>	<u>(3,328)</u>	<u>(6,171)</u>
Net deferred tax asset/(liability)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,939</u>	<u>(4,939)</u>	<u>-</u>

The Fund offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. The Fund has tax losses carried forward. These losses relate to the Fund having a history of losses which generated taxable losses carried forward which do not expire, and may be used to offset future taxable income. The Fund neither has any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Fund has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

6. Cash and cash equivalents

	Year ended 30 September 2020 \$'000	Year ended 30 September 2019 \$'000
Cash at bank	3,021	3,881
Total cash and cash equivalents	3,021	3,881

The effective interest rate for cash at bank is 0.55% (2019: 1.35%). All cash and cash equivalents are classified as current.

6. Cash and cash equivalents (continued)

Statement of cash flows reconciliation

Reconciliation of profit / loss for the year to net cash flows from operating activities:

	Year ended 30 September 2020 \$000	Year ended 30 September 2019 \$000
Profit / (loss) after income tax	(4,288)	-
Add / (less) movements in working capital relating to operating activities		
Changes in investments	58,150	29,492
Allocation to members' accounts	(26,051)	(30,579)
Changes in deferred tax assets	-	4,939
Changes in payables	2,910	2,248
Changes in current tax assets	(6,149)	521
Changes in receivables	(189)	(55)
Net cash inflow from operating activities	24,383	6,567

7. Non-cash investing and financing activities

There were no non-cash transactions occurring for investing and financing activities during the financial year ended 30 September 2020 (30 September 2019: nil).

8. Receivables

	Year ended 30 September 2020 \$000	Year ended 30 September 2019 \$000
Recoverable within 12 months		
Contributions receivables	-	126
Other receivables	1	64
Total receivables	1	190

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

TAL SUPERANNUATION AND INSURANCE FUND
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9. Life insurance premiums payable

	Year ended 30 September 2020 \$000	Year ended 30 September 2019 \$000
Cost of premium rebate	8,785	7,843
Total life insurance premiums payable	8,785	7,843

These life insurance premiums will be paid to TAL Life Limited ABN 70 050 109 450 ("TAL Life") in accordance with the payment terms agreed between the Trustee and TAL Life. See Related Party note 15 regarding Letter of Comfort.

10. Administration fees and other costs payable

	Year ended 30 September 2020 \$000	Year ended 30 September 2019 \$000
Administration fees and other costs payable	82	3,934
Facilities fees payable	1,200	1,200
Total administration fees and other costs payable	1,282	5,134

This represents the administration fees and costs payable to TAL Life under the Administration Agreement for the month of September 2020. See Related Party note 15 regarding Letter of Comfort.

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. All payables are expected to be paid in 12 months or less.

11. Financial risk management and disclosure

Risk management structure

All material risks that have the potential to significantly impact business operations, capital or member entitlements are identified and managed to an acceptable level within the Trustee's risk appetite.

The Trustee operates a Risk Management Framework in accordance with Prudential Standard SPS 220 - *Risk Management*. The Risk Management Framework is designed to assist the Trustee achieve its overall goals for the Fund by:

- establishing a structure for the effective management of risk;
- establishing a process for the identification, analysis, evaluation, treatment, monitoring and review of risk;
- developing a risk-aware culture that has an understanding of risk tolerance in terms of downside risk and upside risk; and
- managing its risks through the operation of appropriate controls.

11. Financial risk management and disclosure (continued)

The Trustee's Risk Management Framework includes the following key components:

- Risk Management Strategy ("RMS");
- Risk Appetite Statement ("RAS");
- Investment Strategy
- Liquidity Management Plan; and
- Board-approved governance policies.

Board-approved governance policies are reviewed on a periodic basis based on a pre-determined schedule which, in most cases, occurs biennially.

The Fund is exposed to material risks from its operations which could result in a material damage if the Trustee failed to have adequate controls or risk treatments in place to mitigate those risks. Through the execution of the Risk Management Framework, the Trustee ensures that appropriate measures are in place to effectively manage these risks.

The Fund's material risks include:

Risk class	Definition:
Financial risks	Risks that threaten the Trustee's ability to manage the Fund's investments to adequately protect the interests and meet the reasonable expectations of Members. This includes the risk of a significant decrease in the value of the Fund's investments due to changes in the general level of market prices.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes the risk associated with any outsourcing and offshoring of material business activities.

11. Financial risk management and disclosure (continued)

The material risks are formally reviewed on an annual basis to ensure they remain relevant, current and are considered in the Trustee's RAS.

The Trustee's Board oversees the management of all material risks and receives reports from a second line risk management and a third line internal audit function on quarterly basis, or as otherwise deemed appropriate, which address the management of the material risks. The Board also reviews the Trustee's Risk Management Framework on an annual basis.

Financial risk disclosure

The Fund's financial assets and liabilities are exposed to a variety of financial risks, which can be categorised as follows:

- market risk
- credit risk; and
- liquidity risk.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund invests in managed investment schemes. The Fund's interests in these schemes are valued each business day to reflect market fluctuations. The movement in valuation is directly recognised in the Income Statement.

The Trustee manages market risk through appropriate diversification and limits on asset classes in its Investment Strategy, and by measuring investment performance against their peer and market indexes. For the diversified investment options, investment performance is measured against a composite index which comprises appropriate market indexes weighted in accordance with the Trustee's Investment Strategy. Investment performance of the single-sector investment options is measured against an appropriate market index. Collectively, these market and composite indexes are "Performance Indexes".

The following table summarises the impact of increases/decreases in market values in the following scenarios:

Ideal Growth	The global economy enjoys a period of above average growth as economies return to the long-term trend growth line. Equities experience strong earnings growth, while interest rates rise only modestly.
Financial Crisis	Global markets are affected by a financial crisis similar to 2008/09 with sharp losses from equities and other risky assets in a short period of time.

11. Financial risk management and disclosure (continued)

The increase/decrease in the market price against the investments of the Fund at 30 September 2020 would have increased / (decreased) the Benefits accrued as a result of operations before tax by the amounts shown below.

Scenario	2020	2020	2019	2019
	Impact on profit after tax	Impact on net assets available to pay member	Impact on profit after tax	Impact on net assets available to pay member
	\$000	\$000	\$000	\$000
Ideal growth (+10%)	-	103,704	-	123,220
Financial crisis (-10%)	-	(103,704)	-	(123,220)

COVID-19

In the opinion of the board directors of the Trustee and TDA, the widespread outbreak of COVID-19 (coronavirus) in Australia presented a material impact to the normal course of operations during the financial year.

Due to the impact of the global COVID-19 pandemic, from February 2020 equity prices and yields on fixed interest securities significantly declined which led to a fall in unit prices across the investment core funds. These declines in investment valuations together with a net outflow of funds under management ("FUM") have resulted in the total FUM to fall from approximately \$1.3b to approximately \$1.0b.

(b) Credit risk

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

At 30 September 2020 the Fund had deposits on call with the Commonwealth Bank of Australia which has a credit rating of AA.

(c) Liquidity risk

Liquidity risk is the risk that the Fund cannot meet its financial obligations to members, as they fall due and in a timely manner, through the conversion of asset exposures into cash, without a drop in the realisable value of the asset in addition to market movements.

The following table summarises the maturity profile of the Fund's financial liabilities. The figures disclosed are based on undiscounted repayment obligations.

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11. Financial risk management and disclosure (continued)

2020	Less than 1 month \$'000	1 to 3 months \$'000	3 to 6 months \$'000	6 to 12 months \$'000	Greater than 12 months \$'000	Total \$'000
Member liabilities	1,037,041	-	-	-	-	1,037,041
Life insurance premiums payable	553	2,446	2,612	3,174	-	8,785
Facilities fees payable	1,200	-	-	-	-	1,200
Other payables	82	-	-	-	-	82
Total financial liabilities	1,038,876	2,446	2,612	3,174	-	1,047,108

2019	Less than 1 month \$'000	1 to 3 months \$'000	3 to 6 months \$'000	6 to 12 months \$'000	Greater than 12 months \$'000	Total \$'000
Member liabilities	1,232,197	-	-	-	-	1,232,197
Life insurance premiums payable	579	2,450	2,585	2,229	-	7,843
Facilities fees payable	1,200	-	-	-	-	1,200
Other payables	3,934	-	-	-	-	3,934
Total financial liabilities	1,237,910	2,450	2,585	2,229	-	1,245,174

(d) Fair value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The value of the Fund's assets is determined based on the fair value of managed investment schemes, the underlying assets of which are generally traded in active markets. The fair value is based on quoted redemption prices at the reporting date, in accordance with the Trustee's Unit Pricing Policy.

All assets shown on the Statement of Financial Position are at fair value unless otherwise noted.

TAL SUPERANNUATION AND INSURANCE FUND
Notes to the financial statements
For the year ended 30 September 2020

11. Financial risk management and disclosure (continued)

The following tables present the Fund's assets and liabilities measured and recognised at fair value at the year end.

	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
As at 30 September 2020				
Financial assets				
Investments in managed investment schemes	-	1,037,041	-	1,037,041
	-	1,037,041	-	1,037,041

	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
As at 30 September 2019				
Financial assets				
Investments in managed investment schemes	-	1,232,197	-	1,232,197
	-	1,232,197	-	1,232,197

Transfers between levels

The Trustee's policy is to recognise transfers in and out between fair value hierarchy levels at the end of the year. There have been no transfers between level 1 and 2 during the year.

The table below summarises the impact of increases/decreases of the effect of a market value movement used when valuing the level 2 and level 3 financial instruments. The analysis is based on the assumption that the market values are increased/decreased by 10% with all other variables held constant.

	2020	2020	2019	2019
	Carrying value	Effect of reasonably possible alternative assumptions (+/-)	Carrying value	Effect of reasonably possible alternative assumptions (+/-)
	\$000	\$000	\$000	\$000
Investments in managed investment schemes	1,037,041	103,704	1,232,197	123,220

TAL SUPERANNUATION AND INSURANCE FUND
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For the year ended 30 September 2020

12. Member liabilities

Member liabilities represent members' account balances with the Fund. They are directly linked to the market value movement of the investments held.

While members have no direct access to the specific assets, they bear the risks and rewards of the investment performance of these assets.

Unit prices are updated daily following the investment market movement.

	2020 \$000	2019 \$000
Allocated to members	1,037,041	1,232,197
Unallocated amount	-	-
Total member liabilities	1,037,041	1,232,197

The member liabilities balance represents the sum total of the account balance that appears on individual member statements as at the reporting date. This balance is fully vested in accordance with the superannuation law.

Further details of fees deducted from members accounts are disclosed in note 15.

13. Funding arrangements

During the financial year, the employer contribution rate was at least 9.5% (2019: 9.5%) of the gross salaries of employees who were members of the Fund. Members also have the option to make voluntary contributions.

14. Reserves

Prudential Standard SPS 114 - *Operational Risk Financial Requirement* ("ORFR") requires the Trustee to maintain adequate financial resources to address the risk of possible losses arising from its operations.

The Trustee holds cash at bank in an interest bearing account as the ORFR, to meet potential future liabilities that may emerge if certain operational risks eventuate in the future. The ORFR may only be used in accordance with the Prudential Standard and has been quantified as \$5.0 million at the minimum.

The table below shows the ORFR balance (inclusive of interest) held by the Trustee at the end of the financial year:

	Year ended 30 September 2020 \$000	Year ended 30 September 2019 \$000
ORFR reserve	5,274	5,243
Total reserves	5,274	5,243

15. Related parties

(a) Trustee

The Trustee is a wholly owned subsidiary of TAL Distribution Holdings Limited (ABN 26 095 839 179). The ultimate Australian parent entity is TAL Dai-ichi Life Australia Pty Limited (ABN 97 150 070 483). All entities above are domiciled in Australia. The ultimate parent entity is Dai-ichi Life Holdings, Inc. ("Dai-ichi Holdings"). Dai-ichi Life Holdings is domiciled in Japan.

(b) Transaction with related parties

The Trustee did not receive any remuneration during the year (2019: nil) in relation to the services it provides to the Fund.

The Trustee, TAL Life and TAL Services are wholly owned subsidiaries of TAL Dai-ichi Life Australia Pty Limited, the ultimate Australian parent company.

On 2 November 2020 a Letter of Comfort was signed whereby TAL Life confirmed to the Trustee directors, for the benefit of the members of the Fund, that it will not seek to recover payment of the outstanding fees and premiums in a manner or at a time that would place the Trustee or the Fund in a position of insolvency. In relation to the Fund, insolvency means that the Fund does not have sufficient assets to pay all members' minimum benefits under SIS regulation 5.04 as and when they become due to be paid.

TAL Life Limited

The Trustee has appointed TAL Life as the Fund's administrator and risk insurance provider. The contracts for the provision of these services have been priced at an arms-length basis on terms and conditions no more favourable than those that would have been adopted if dealing with external providers. The administration costs and insurance premiums incurred relating to TAL Life for the financial year was \$20,617k and \$113,150k (2019: \$22,793k and \$115,412k) respectively. The outstanding balances of administration costs and insurance premiums to TAL Life amount to \$82k and \$8,785k (2019: \$3,934k and \$7,843k) respectively.

TAL Services Limited

TAL Services provides seconded employees, facilities and corporate services to the Trustee in order to enable it to perform its duties as trustee of the Fund.

TAL Services charges the Trustee a fixed fee of \$1,200,000 per annum for the seconded employees, facilities and corporate services it provides.

Other than the above, no fees are paid directly by the Fund to the Trustee, TAL Life or other related parties.

TAL SUPERANNUATION AND INSURANCE FUND
Notes to the financial statements
For the year ended 30 September 2020

15. Related parties (continued)

(c) Key management personnel

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

The Directors of the Trustee during the financial year ended 30 September 2020 and up to date of this report are:

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

The remuneration of directors during the year in whole dollars was as follows:

	Year ended 30 September 2020	Year ended 30 September 2019
	\$	\$
Salaries and other short-term employee benefits	616,280	1,642,385
Post-employment benefits	37,310	73,467
Other long term benefits	127,338	862,450
	780,928	2,578,302

As some of the Directors were appointed to a number of boards of TAL Dai-ichi Life Australia Pty Limited and its controlled entities, including the Trustee, it is not possible to allocate the compensation on a reasonable basis to any one controlled entity as the compensation paid is in connection to the management of the affairs of a number of controlled entities. Therefore compensation disclosed equates to the total compensation received by the Directors.

Termination benefits relate to amounts that have been paid or provided for in respect of key management personnel who resigned or whose resignation was announced during the current and prior years.

Total compensation of key management personnel is paid by TAL Services, a related party of the Trustee. Consequently, no remuneration expenses have been directly incurred by the Fund during the year (2019: nil).

TAL SUPERANNUATION AND INSURANCE FUND
Notes to the financial statements
For the year ended 30 September 2020

16. Subsequent events

Subsequent to year end, the Trustee entered into a Successor Fund Transfer agreement with the trustee of the Mercer Super Trust (MST) to transfer certain risk-only members of the Fund on a successor fund basis (SFT).

The agreement was signed on 27 October 2020 to effect the SFT and the SFT occurred on 30 November 2020. The Trustee is investigating undertaking a successor fund transfer for the remaining members of the Fund within the next 12 months.

TAL SUPERANNUATION AND INSURANCE FUND
Trustee's Statement
For the year ended 30 September 2020

In the opinion of the Trustee:

1. The accompanying financial report set out on pages 1 to 25 is drawn up so as to present fairly the result of the Fund's operations for the financial year ended 30 September 2020 in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Trust Deed dated 1 June 1989 and the requirements of the Superannuation Industry (Supervision) Act 1993 (SIS Act) and the Superannuation Industry (Supervision) Regulation 1994 (SIS Regulations), and
2. During the year ended 30 September 2020, the Fund complied with the Trust Deed dated 1 June 1989, the relevant requirements of the SIS Act and SIS Regulations, the Corporations Act 2001 and Corporations Regulations 2001.

This statement is made in accordance with a resolution of the directors of the trustee company, TAL Superannuation Limited.


Director
Director

Sydney, 1 December 2020