

ZURICH MASTER SUPERANNUATION FUND

ABN 33 632 838 393

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2021**

ZURICH MASTER SUPERANNUATION FUND
CONTENTS

	Page(s)
Statement of Financial Position	1
Income Statement	2
Statement of Changes in Member Benefits	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 21
Trustee's Declaration to the Members	22
Auditor's Report to the Trustee	23

ZURICH MASTER SUPERANNUATION FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021 \$'000	2020 \$'000
Assets			
Investments			
Investment in life insurance policies	4(d)	996,618	932,007
Total assets		996,618	932,007
Liabilities		-	-
Total liabilities (excluding member benefits)		-	-
Net assets available for member benefits		996,618	932,007
Member benefits			
Defined contribution member liabilities	5	993,795	929,220
Total member liabilities		993,795	929,220
Total net assets		2,823	2,787
Equity			
Operational Risk Reserve (ORR)	6	2,823	2,787
Total equity		2,823	2,787

The Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

ZURICH MASTER SUPERANNUATION FUND
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$'000	2020 \$'000
Superannuation Activities			
Revenue			
Change in fair value of investments		167,043	(12,909)
Total revenue		167,043	(12,909)
Expenses			
Management fee expenses	10	(12,030)	(14,784)
Total expenses		(12,030)	(14,784)
Operating Result before income tax expense		155,013	(27,693)
Income tax expense	7	-	-
Operating Result after income tax expense		155,013	(27,693)
Net benefits allocated to defined contribution member accounts		(154,977)	28,052
Transfer to ORR	6	(36)	(359)
Operating Result		-	-

The Income Statement should be read in conjunction with the accompanying notes to the financial statements.

ZURICH MASTER SUPERANNUATION FUND
STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$'000	2020 \$'000
Opening balance of Member Benefits – as at 1 July		929,220	1,075,407
Contributions:			
Employer contributions		21,853	22,250
Member contributions		10,976	10,995
Government co-contributions		107	131
Transfers from other superannuation entities		3,651	5,181
Income tax on contributions	7	(2,876)	(3,096)
Net after tax contributions		33,711	35,461
Benefits to members		(122,683)	(154,390)
Insurance premiums charged to members account		(12,300)	(12,490)
Death and disability benefits paid to members		10,870	12,281
Reserve transfer to members account		-	1,003
Net benefits allocated, comprising:			
Net investment income attributable to members		167,007	(13,268)
Net management fee expenses	10	(12,030)	(14,784)
Net change in member defined contributions		154,977	(28,052)
Closing balance of Member Benefits – as at 30 June		993,795	929,220

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

ZURICH MASTER SUPERANNUATION FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$'000	2020 \$'000
Opening balance	6	2,787	3,431
Net transfers to/(from) ORR	6	36	(644)
Closing balance	6	2,823	2,787

The Statement of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements.

ZURICH MASTER SUPERANNUATION FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Management fee expenses paid		(12,030)	(14,784)
Insurance premiums charged to members		(12,300)	(12,490)
Proceeds from life risk insurance policies		10,870	12,281
Net cash outflow from operating activities	8	<u>(13,460)</u>	<u>(14,993)</u>
Cash flows from investing activities			
Payments for purchases of investments		(47,457)	(50,838)
Proceeds from sale of investments		149,888	184,760
Net cash inflow from investing activities		<u>102,431</u>	<u>133,922</u>
Cash flows from financing activities			
Employer contributions		21,853	22,250
Member contributions		10,976	10,995
Government Co-contributions received		107	131
Transfers from other superannuation entities		3,651	5,181
Benefits paid to members		(122,682)	(154,390)
Tax paid on contributions		(2,876)	(3,096)
Net cash outflow from financing activities		<u>(88,971)</u>	<u>(118,929)</u>
Net increase / (decrease) in cash		-	-
Cash at beginning of the financial year		<u>-</u>	<u>-</u>
Cash at end of the financial year		<u><u>-</u></u>	<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 Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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 Trustee of the Fund for the reporting period is Equity Trustees Superannuation Limited (ABN 50 055 641 757, AFSL No.229757 RSE License L0001458), domiciled in Australia and registered with the Australian Prudential Regulation Authority.

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

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

2. BASIS OF PREPARATION

(a) Statement of Compliance

The Financial Statements are a general purpose financial report which have been prepared in accordance with Australian Accounting Standards, Interpretations, the Superannuation Industry (Supervision) Act 1993 and provisions of the Trust Deed.

The financial statements were authorised for issue by the board and directors of Equity Trustees Superannuation Limited on 27 September 2021. For the purposes of the financial statements the Fund is a for profit entity.

(b) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of Accounting Standards that may have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Particular consideration has been given in the preparation of these financial statements, to areas that may be impacted by COVID-19.

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

2. BASIS OF PREPARATION (CONTINUED)

(c) Basis of Measurement

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.

(d) 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 2020 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

Certain new standards and interpretation have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the fund, none of these are expected to have a material effect on the financial statements of the fund

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and Cash Equivalents

Cash and short-term deposits 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.

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

(b) Financial Instruments

(i) Classification

The Fund's investments are classified as at fair value through profit or loss. 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 change in fair value, less benefit payments, administration expenses, life premiums, surcharge (if any) and income tax. Change in fair value for the current year has been credited at the declared base rate of 1.8% per annum (2020: 2.3%). 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.

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) **Financial Instruments(continued)**

(ii) Recognition/ De-recognition

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.

(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.

(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) **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.

(d) **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:

• **Movement in fair value of investments**

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.

(e) **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.

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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.

(g) 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.

(h) 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.

(i) Functional and Presentation Currency

The financial statements are presented in Australian dollars which is the functional and presentation currency of the Fund and have been rounded to the nearest thousand unless otherwise stated.

(j) 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.

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

4. 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 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 2021 and 2020.

(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) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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.

(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

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market Risk (continued)

(iv) Sensitivity Analysis - continued

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.

30 June 2021	Sensitivity Rate	Impact on net assets available to pay benefits	
		Increase	Decrease
	%	\$'000	\$'000
Insurance Policies	10	99,662	(99,662)
Total		99,662	(99,662)

30 June 2020	Sensitivity Rate	Impact on net assets available to pay benefits	
		Increase	Decrease
	%	\$'000	\$'000
Insurance Policies	11	102,395	(102,395)
Total		102,395	(102,395)

(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 3.

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 not rated by any credit rating agency.

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

(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.

	2021	2020
	\$'000	\$'000
At call	996,618	932,007
	996,618	932,007

(e) Capital risk management

The Trustee has established an Operational Risk Reserve ("ORR") to provide funding for incidents where material losses may arise from an operational risk event (as opposed to investment risk) relating to the Fund. The level of reserve is determined by the Trustee based on an assessment of the risks faced by the Fund. The Trustee has an operational risk financial requirement strategy to manage assets held in the ORR. According to Superannuation Prudential Standard 114: Operational Risk Financial Requirement, (SPS 114) which became effective 1 July 2013, the financial resources held to meet the ORR must be held either as;

- An operational risk reserve held within an RSE;
- Operation risk trustee capital held by the RSE licensee; or
- A combination of both an operational risk reserve held within an RSE and operational risk trustee capital held by the RSE Licensee.

The target amount has been met as at the reporting date.

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) 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.

30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets				
Insurance Policies	-	996,618	-	996,618
Total	-	996,618	-	996,618

30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets				
Insurance Policies	-	932,007	-	932,007
Total	-	932,007	-	932,007

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

5. MEMBER LIABILITIES AND FUNDING ARRANGEMENTS

(a) Recognition and measurement of member liabilities

The entitlements of members to benefit payments are recognised as liabilities. They are measured at the amount of the accrued benefits as at the reporting date, being the benefits that the Fund is presently obliged to transfer to members or their beneficiaries as a result of the membership up to the end of the reporting period.

(b) Defined Contribution Member Liabilities

Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.

Defined contribution members bear the investment risk relating to the underlying assets of the Fund. Unit prices are updated on a daily basis for movements in investment markets.

Defined contribution members' liabilities are fully vested as at 30 June 2021 and 30 June 2020.

	2021	2020
	\$'000	\$'000
Defined Contribution Member Liabilities	993,795	929,220
	<u>993,795</u>	<u>929,220</u>

(c) Funding arrangements

The funding policy adopted in respect of the Fund is directed at ensuring that benefits accruing to members and beneficiaries are fully funded. The employers and the members contributed to the Fund at variable rates.

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

6. OPERATIONAL RISK RESERVE

	2021	2020
	\$'000	\$'000
Balance at beginning of year	2,787	3,431
Investment income during the year	36	50
Transfer to the reserve during the year	-	309
Transfer from the reserve during the year	-	(1,003)
Balance at end of the year	<u>2,823</u>	<u>2,787</u>

The Fund maintains an Operational Risk Reserve (“ORR”) for costs pertaining to the member component of operational risk events. The ORR 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 ORR 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 ORR Target Amount of at least 0.25% (2020: 0.25%) of Fund’s Net Assets available for members benefits on a continuous basis. As at 30 June 2021, the ORR has met the target.

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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:

	2021 \$'000	2020 \$'000
Operating result for the year before income tax	155,013	(27,693)
Prima Facie income tax at 15%	23,252	(4,154)
Tax Effect of permanent differences:		
Non-taxable changes in fair value of investment	(25,057)	1,937
Management fees	1,805	2,218
Total adjustments for permanent differences	(23,252)	4,154
Income tax adjusted for permanent differences	-	-
Income tax expense	-	-

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.

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 2021 and 2020, 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, \$2,875,668 (2020: \$3,096,040) was deducted from individual member accounts on account of Contributions Tax. The tax liabilities of the Fund for 2021 were \$nil (2020: \$nil).

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 \$2,875,668 (2020: \$3,096,040) was shared between the Fund and ZAL in line with the allocation outlined in the agreement and the master policies.

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

7. INCOME TAX (CONTINUED)

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 ORR requirements are met. After transferring an amount of \$nil (2020:\$309,604) to the ORR for the year. ZAL received benefits of \$2,875,668 (2020: \$2,786,436) through its administration of the Fund's tax affairs.

8. CASH FLOW RECONCILIATION

Reconciliation of cash flows from operating activities

	2021	2020
	\$'000	\$'000
Operating Result	-	-
<i>Adjustments for:</i>		
Change in fair value of investments	(167,007)	13,268
Net benefits allocated to defined contribution members	154,977	(28,052)
Death and disability proceeds received from insurer	10,870	12,281
Insurance premiums paid	(12,300)	(12,490)
Net cash outflows from operating activities	<u>(13,460)</u>	<u>(14,993)</u>

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

9. RELATED PARTIES DISCLOSURES

(a) Trustee

The Trustee of the Fund is Equity Trustees Superannuation Limited (ABN 50 055 641 757, RSE Licensee L0001458).

(b) Directors

Key management personnel include persons who were directors of Equity Trustees Superannuation Limited at any time during the reporting period, or since the end of the reporting period, as follows:

	Title	Appointed /Resigned
Mr Anthony Jude Lally	Non-Executive Director and Chairman	
Mr Michael O'Brien	Managing Director and Executive Director	
Mr Ellis Varejes	Non-Executive Director	
Mr Mark Blair	Executive Director	
Ms Susan Granville Everingham	Non-Executive Director	
Mr Paul Douglas Rogan	Non-Executive Director	
Mr Jezy (George) Zielinski	Non-Executive Director	Appointed 6-Jul-20

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

(c) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the period

(d) Remuneration to directors of the Trustee

No amounts were paid by the Fund to the directors of the Trustee (2020 \$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.

(e) Trustee Fees

	2021	2020
	\$	\$
Trustee Fees to Equity Trustees Superannuation Limited paid by Zurich Australia Limited outside of the fund	500,000	514,890
Total	500,000	514,890

There were no transactions between the Fund and the Trustee during the year (2020: \$nil)

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

9. RELATED PARTIES DISCLOSURES (CONTINUED)

(f) Expenses paid by and reimbursed to the Trustee

Along with Trustee fees already disclosed there are also Fund related expenses totaling \$62,355 which will be reimbursed to the Trustee by the Fund Administrator, Zurich Australia Limited.

10. MANAGEMENT FEE EXPENSES

During the year, ZAL charged management fee expenses under insurance policies held by the Fund. The fees totaled \$12,030,292 (2020: \$14,783,606) 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.

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.

12. COMMITMENTS AND CONTINGENT LIABILITIES

There are no commitments or contingent liabilities in respect of the Fund as at 30 June 2021 (2020: \$nil).

13. EXTERNAL AUDITORS REMUNERATION

	2021	2020
	<u>\$'000</u>	<u>\$'000</u>
Audit and review of financial statements and compliance		
Deloitte – RMF & Compliance fees	8,420	9,800
PricewaterhouseCoopers	<u>134,724</u>	<u>126,482</u>
Total Audit and review services	<u>143,144</u>	<u>136,282</u>
Other services		
PricewaterhouseCoopers	<u>129,441</u>	<u>122,286</u>
Total Other services	<u>129,441</u>	<u>122,286</u>
Total Auditor's Remuneration	<u><u>272,585</u></u>	<u><u>258,568</u></u>

Included in the auditors' remuneration above \$272,585 (2020: \$258,568) as disclosed in the Related Party Note 9(f) was paid and reimbursed to the Trustee in relation to the audit and review of the risk management framework

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

14. CORONAVIRUS (COVID-19) PANDEMIC

a) Background

The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020. Since that time, the pandemic has had a significant impact on the community, the economy, investment markets, and the operations of businesses across the country and world.

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 2021, the Fund paid out \$6,485,817 (2020: \$5,774,139) in benefits to members seeking early access to their super.

The Trustee has considered the impact of the government's response to COVID 19 and other market volatility in preparing its financial statements. The financial report has been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business and whilst the situation remains uncertain, the Trustee remains confident that the Fund will be able to continue as a going concern and has sufficient liquidity to meet its debts as and when they fall due.

b) Significant estimates and judgements

In preparing these Financial Statements, the Trustee has taken into account the impacts of the Federal Government's response to 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.

c) 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.

d) 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.

ZURICH MASTER SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

15. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial period 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.

ZURICH MASTER SUPERANNUATION FUND
TRUSTEE'S DECLARATION TO THE MEMBERS

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

1. The accompanying financial statements and notes set out on pages 6 to 21 are in accordance with:
 - Australian Accounting Standards and other mandatory professional reporting requirements and;
 - present fairly the Fund's financial position as at 30 June 2021 and of its performance for the financial year ended on that date.
2. The Fund has been conducted in accordance with its constituent Trustee Deed and the requirements of the *Superannuation Industry (Supervision) Act 1993* and its accompanying Regulations; the relevant requirements 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 2021.
3. 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 Equity Trustees Superannuation Limited (ABN 50 055 641 757) as Trustee for Zurich Master Superannuation Fund.



.....
Director

Melbourne
27 September 2021



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 2021 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 2021 and the results of its operations, cash flows, changes in equity and changes in members' benefits for the year ended 30 June 2021.

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.

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000, GPO BOX 2650 Sydney NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



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

Paul Collins

Paul Collins
Partner

Sydney
27 September 2021