

Kaplan Pooled Superannuation Trust
RSE registration number: R1001228

Annual financial statements - 30 June 2021

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Statement of comprehensive income

	Notes	Year ended	
		30 June 2021	30 June 2020
		\$	\$
Income			
Interest income		40,448	62,294
Dividend income		724,328	1,007,348
Distribution income		466,065	525,780
Net gains/(losses) on financial instruments at fair value through profit or loss	6	3,086,848	(4,963,104)
Other operating income		<u>178</u>	<u>5,516</u>
Total net investment income		4,317,867	(3,362,166)
Expenses			
Manager's fees	16	312,462	329,604
Trustee fees		89,634	82,371
Custody fees		10,756	22,095
Auditor's remuneration	10	45,441	41,287
Other operating expenses	9	<u>62,788</u>	<u>46,907</u>
Total operating expenses		521,081	522,264
Operating profit before income tax expense/(benefit)		3,796,786	(3,884,430)
Income tax (benefit)	11	<u>(9,481)</u>	<u>(633,443)</u>
Operating profit for the year after income tax (benefit)		3,806,267	(3,250,987)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the financial year		3,806,267	(3,250,987)

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

Statement of financial position

	Notes	As at	
		30 June 2021	30 June 2020
		\$	\$
Assets			
Cash and cash equivalents	15	5,089,949	2,749,489
Due from brokers - receivable for securities sold		-	7,296
Receivables	7	423,059	313,483
Financial assets at fair value through profit or loss	4	32,412,872	32,098,265
Current year tax benefit	12	219,786	263,484
Deferred tax assets		-	106,261
Total assets		38,145,666	35,538,278
Liabilities			
Due to brokers - payable for securities purchased		77,731	-
Payables	8	1,388,211	74,713
Financial liabilities at fair value through profit or loss	5	494,874	858,815
Deferred tax liabilities	13	111,267	-
Total liabilities		2,072,083	933,528
Equity			
Unitholders' funds	14	36,073,583	34,604,750

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

Statement of changes in equity

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
Total equity at the beginning of the financial year	34,604,750	39,873,859
Comprehensive income for the reporting period		
Profit/(loss) for the financial year	<u>3,806,267</u>	<u>(3,250,987)</u>
Total comprehensive income for the financial year	3,806,267	(3,250,987)
Transactions with owners in their capacity as owners:		
Applications	19,000	635,500
Redemptions	<u>(2,356,434)</u>	<u>(2,653,622)</u>
	(2,337,434)	(2,018,122)
Total equity at the end of the financial year	<u>36,073,583</u>	<u>34,604,750</u>

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

Statement of cash flows

	Notes	Year ended	
		30 June 2021 \$	30 June 2020 \$
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		14,563,315	11,794,930
Purchase of financial instruments at fair value through profit or loss		(12,069,988)	(9,363,324)
Dividends received		686,514	1,090,993
Distributions received		480,534	537,418
Interest received		41,404	66,008
Other income paid		(85,822)	(64,984)
Manager's and trustee's fees paid		(397,461)	(417,943)
Payment of other expenses		(94,142)	(129,623)
Tax instalments received		270,707	345,207
Reduced input tax credit (paid)/received		<u>(1,187)</u>	<u>1,361</u>
Net cash inflow provided by operating activities	15(a)	3,393,874	3,860,043
Cash flows from financing activities			
Proceeds from applications by unitholders		19,000	635,500
Payments for redemptions by unitholders		<u>(1,072,414)</u>	<u>(2,641,622)</u>
Net cash outflow from financing activities		<u>(1,053,414)</u>	<u>(2,006,122)</u>
Net increase in cash and cash equivalents		2,340,460	1,853,921
Cash and cash equivalents at the beginning of the financial year		<u>2,749,489</u>	<u>895,568</u>
Cash and cash equivalents at the end of the financial year	15(b)	<u>5,089,949</u>	<u>2,749,489</u>

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

1 General information

These financial statements cover Kaplan Pooled Superannuation Trust (ABN 54 808 466 581) (“the Trust”) as an individual entity. The Trust provides an opportunity for Australian superannuation funds to invest in a diversified portfolio of investments. It was constituted by a Trust Deed dated 14 March 1996 as amended.

In accordance with amendments to the *Superannuation Industry (Supervision) Act 1993* the Trust is registered with the Australian Prudential Regulation Authority (“APRA”) as a Registrable Superannuation Entity (“RSE”) (R1001228).

The Trust is an Australian registered Trust.

The manager of the Trust is Kaplan Funds Management Pty Limited (ABN 98 079 218 643) (AFSL 240815).

The Trustee of the Trust during the financial year was Diversa Trustees Limited (ABN 49 006 421 638) (RSE No L0000635).

The address of the Trust's registered office is Level 9, Podium, 530 Collins Street, Melbourne.

2 Basis of preparation

a) Statement of compliance

The Trust is a for-profit entity for the purposes of preparing the financial statements. The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other applicable Australian Accounting Standards, the provisions of the Trust Deed and the requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations.

International Financial Reporting Standards (“IFRS”) form the basis of Australian Accounting Standards adopted by the Australian Accounting Standards Board. The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements were authorised by the Trustee on 15 September 2021.

New/Amended standards and Interpretations adopted by the Trust

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 periods or will affect the current or future periods.

b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Trust.

Amounts are reported in whole dollars except where otherwise noted.

c) Comparatives

Where necessary, comparative figures have been reclassified and re-presented for consistency with current year disclosures.

d) 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 asset and liabilities, income and expenses. Actual results may differ from these estimates.

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

3 Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

(a) Financial instruments

Classification

Classification and measurement of debt securities is driven by the Trust's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest ("SPPI").

A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell.

All other debt instruments must be recognised at fair value through profit or loss. A Trust may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

Assets

The Trust classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Trust's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Trust's documented investment strategy. The Registrable Superannuation Entity evaluates the information about these financial assets on a fair value basis together with other related financial information.

Equity securities and derivatives are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Trust's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

For other receivables and payables, including amounts due to/from brokers, these balances are classified at amortised cost as they are deemed to be held in a business model with the objective to collect contractual cash flows through to maturity, and whose terms meet the SPPI criterion by virtue of the fact that payments pertain to only principal and/or simple interest and have a maturity of less than 12 months.

Liabilities

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

Impairment

AASB 9 requires the Trust to record an allowance for expected credit losses (ECLs) for all financial assets held at amortised cost.

The ECL approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Trust expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For receivables, due from brokers, margin accounts and applications receivable, the Trust has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Trust has established a provision matrix that is based on the Trust's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3 Significant accounting policies (continued)

(a) Financial instruments (continued)

Impairment(continued)

The Trust considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Trust may also consider a financial asset to be in default when internal or external information indicates that the Trust is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Trust.

Recognition/derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Trust has transferred substantially all of the risks and rewards of ownership.

Measurement

Financial assets and liabilities held at fair value through profit or loss

At initial recognition, the Trust measures a financial asset or liability at its fair value. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in the Statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(b) Unitholders' funds

The Trust issues redeemable units, which are redeemable at the holder's option and are classified as equity in accordance with AASB 132 *Financial Instruments: Presentation*.

Should the terms or conditions of the redeemable units change such that they no longer comply with the criteria for classification as equity in AASB 132, the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability at the date of reclassification would be recognised in equity.

Redeemable units can be sold back to the Trust at any time for cash equal to a proportionate share of the Trust's net asset value.

The consideration received or paid for units is based on the value of the Trust's net assets value per redeemable unit at the date of the transaction. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price, net of transaction costs, for the purpose of determining the Trust's net asset value for unit pricing purposes. The Trust's net asset value per unit is calculated by dividing the Trust's net assets by the total number of outstanding units.

(c) Cash and cash equivalents

Cash comprises cash on hand and cash at bank.

Cash equivalents are short term, highly liquid investments that are readily convertible to known cash amounts which are subject to an insignificant risk of changes in value.

3 Significant accounting policies (continued)

(d) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and consequently measured at amortised cost.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from the broker at an amount equal to the lifetime expected credit losses if the credit risk had increased significantly since the initial recognition. If, at the reporting date, the credit risk has not increased significantly since the initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by the management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(e) Receivables

Receivable amounts are generally received within 60 days of being recorded as receivable.

(f) Payables

Other payables are payable on demand or over short time frames of less than 60 days.

(g) Revenue recognition

Interest

Interest income is recognised on the Statement of comprehensive income as it accrues, taking into account the effective yield on the financial asset. Interest income not received at reporting date is reflected on the balance sheet as a receivable.

Distributions

Distributions from managed investment schemes are recognised on the date the unit value is quoted ex-distribution and if not received at reporting date, are reflected on the balance sheet as a receivable.

Dividends

Income from dividends is recognised on the date the shares are quoted ex-dividend and if not received at reporting date, are reflected on the balance sheet as a receivable.

(h) Income tax

Income tax expense or benefit accrued for the year comprises of current and deferred tax.

Current tax

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

Deferred tax

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

The measure of deferred tax reflects the tax consequences that would follow the manner in which the Trust expects, at the end of the financial year, to recover or settle the carrying amount of its assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Further, the Trust applies a deferred tax asset cap in line with its current deferred tax asset capping policy, whereby any deferred tax asset is capped at 3% of the Trust's net assets.

3 Significant accounting policies (continued)

(i) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of amounts of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC). In circumstances where GST is not recoverable, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability on the balance sheet.

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

(j) New standards, interpretations and other authoritative pronouncements

There are no new accounting standards and other authoritative pronouncements that are expected to have a material impact on the Trust.

(k) Other legislative/government developments

Climate related and other emerging risk disclosure

Australian financial regulators have been focusing on the impacts and risks of climate change to the economy and on entities' future financial prospects. As such, the Task Force for Climate-related Financial Disclosures (TCFD) developed a set of framework and voluntary climate-related financial risk disclosures to help organisations evaluate and disclose, as part of their financial statement preparation and reporting processes, the climate-related risks and opportunities that are most pertinent to their business activities.

Financial regulators have agreed that climate-related risks are a potential source of systemic financial risk that need to be addressed to ensure the future stability and resilience of the financial system. This is leading to changes in supervisory expectations of financial services entities and to regulatory change.

(l) Rounding of amounts

Amounts in the financial statements have been rounded to the nearest dollar, unless otherwise indicated.

4 Financial assets at fair value through profit or loss

	30 June 2021 \$	30 June 2020 \$
Financial assets at fair value through profit or loss		
Listed equities	14,120,345	12,747,269
Listed infrastructure trusts	1,964,605	1,268,041
Listed property trusts	6,357,227	6,973,017
Preference shares - redeemable	8,978,845	10,100,932
Floating rate notes	<u>991,850</u>	<u>1,009,006</u>
Total financial assets at fair value through profit or loss	<u>32,412,872</u>	<u>32,098,265</u>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 17.

5 Financial liabilities at fair value through profit or loss

	30 June 2021 \$	30 June 2020 \$
Financial liabilities at fair value through profit or loss		
Exchange traded options	<u>494,874</u>	<u>858,815</u>
Total financial liabilities at fair value through profit or loss	<u>494,874</u>	<u>858,815</u>

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in note 17.

Information regarding the composition of options held for trading by the Trust is set out in note 17.

6 Net gains/(losses) on financial instruments at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	30 June 2021 \$	30 June 2020 \$
Financial assets		
Net gains/(losses) on financial assets at fair value through profit or loss	3,113,909	(5,653,734)
Financial liabilities		
Net gains/(losses) on financial liabilities at fair value through profit or loss	<u>(27,061)</u>	<u>690,630</u>
Net gains/(losses) on financial instruments at fair value through profit and loss	<u>3,086,848</u>	<u>(4,963,104)</u>

7 Receivables

	30 June 2021	30 June 2020
	\$	\$
Interest receivable	9,366	10,322
Dividends receivable	59,316	21,502
Distributions receivable	128,755	143,224
GST receivable	12,622	11,435
Other receivables	<u>213,000</u>	<u>127,000</u>
	<u>423,059</u>	<u>313,483</u>

Due to the short term nature of these receivables, their carrying value is assumed to approximate their net market value. The maximum exposure to credit risk is the net market value of receivables. Information regarding credit risk exposure is set out in note 17.

8 Payables

	30 June 2021	30 June 2020
	\$	\$
Redemption payable	1,296,020	12,000
Custody fees payable	7,897	7,879
Audit fees payable	45,798	20,973
Investment manager's fees payable	29,540	27,013
Trustee's fees payable	<u>8,956</u>	<u>6,848</u>
	<u>1,388,211</u>	<u>74,713</u>

Due to the short term nature of these payables, their carrying value is assumed to approximate their net market value. Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 17.

9 Other operating expenses

	30 June 2021	30 June 2020
	\$	\$
Transaction costs	47,584	33,664
Registry fees	<u>15,204</u>	<u>13,243</u>
	<u>62,788</u>	<u>46,907</u>

10 Auditor's remuneration

During the financial year the following fees were paid or payable for services provided by the auditor of the Trust:

	30 June 2021	30 June 2020
	\$	\$
Remuneration for audit services:		
- PwC	42,364	38,372
- Other	<u>3,077</u>	<u>2,915</u>
	<u>45,441</u>	<u>41,287</u>

11 Income tax (benefit)/expense

	30 June 2021	30 June 2020
	\$	\$
(a) Income tax (benefit)		
Current tax	(219,786)	(263,484)
Movement in deferred tax	217,528	(367,512)
Adjustment for current tax of prior periods	<u>(7,223)</u>	<u>(2,447)</u>
	<u>(9,481)</u>	<u>(633,443)</u>
Deferred income tax (revenue)/expense included in tax expense comprises:		
Decrease/(Increase) in deferred tax assets	106,261	(106,261)
Increase/(Decrease) in deferred tax liabilities	<u>111,267</u>	<u>(261,251)</u>
	<u>217,528</u>	<u>(367,512)</u>
(b) Reconciliation between income tax (benefit)/expense to prima facie tax payable		
Operating profit for the year before income tax (benefit)/expense	<u>3,796,786</u>	<u>(3,884,430)</u>
Tax at the complying superannuation fund tax rate of 15% (2020 - 15%)	569,518	(582,665)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Imputation/foreign tax credits	(245,465)	(388,047)
Other	<u>(326,311)</u>	<u>338,359</u>
	<u>(571,776)</u>	<u>(49,688)</u>
Adjustment for current tax of prior periods	<u>(7,223)</u>	<u>(1,090)</u>
Income tax (benefit)	<u>(9,481)</u>	<u>(633,443)</u>

12 Current tax assets and liabilities

The current tax asset for the Trust of \$219,786 (2020: \$263,484) represents the amount of income taxes refundable in respect of the current and prior financial year.

13 Deferred tax assets/(liabilities)

	30 June 2021	30 June 2020
	\$	\$
The balance comprises temporary differences attributable to:		
Net unrealised (gains)/losses on financial instruments at fair value through profit or loss	<u>(111,267)</u>	<u>106,261</u>
Total deferred tax (liabilities)/assets	<u>(111,267)</u>	<u>106,261</u>

The deferred tax liabilities as at 30 June 2021: \$111,267 (30 June 2020: deferred tax assets of \$106,261) relates to the taxable realised and unrealised capital gains on investments that have been recognised.

14 Unitholders' funds

Movements in number of units and unitholders' funds during the financial year were as follows:

	Year ended			
	30 June 2021 Units	30 June 2020 Units	30 June 2021 \$	30 June 2020 \$
Net assets attributable to unitholders				
Opening balance	6,106,718	6,472,036	34,604,750	39,873,859
Applications	207,941	109,642	19,000	635,500
Redemptions	(590,820)	(474,960)	(2,356,434)	(2,653,622)
Increase/(decrease) in net assets attributable to unitholders	-	-	<u>3,806,267</u>	<u>(3,250,987)</u>
Closing balance	<u>5,723,839</u>	<u>6,106,718</u>	<u>36,073,583</u>	<u>34,604,750</u>

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Trust and does not extend to a right in the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights attaching to it as other units of the Trust.

15 Notes to the statement of cash flows

For the purpose of the Statement of cash flows, cash includes cash on hand and cash at bank. Cash at end of financial year as shown on the Statement of cash flows is reconciled to the related items on the balance sheet as follows:

	30 June 2021 \$	30 June 2020 \$
(a) Reconciliation of profit to net cash inflow from operating activities		
Profit/(loss) for the year	3,806,267	(3,250,987)
Proceeds from sale of financial instruments at fair value through profit or loss	14,563,315	11,794,930
Purchase of financial instruments at fair value through profit or loss	(12,069,988)	(9,363,324)
Net (gains)/losses on financial instruments at fair value through profit or loss	(3,086,848)	4,963,104
Net change in receivables and other assets	(109,576)	29,858
Net change in accounts payable and accrued liabilities	29,478	(25,302)
Net change in provision for income tax refundable	149,959	(26,985)
Net change in deferred tax liabilities	<u>111,267</u>	<u>(261,251)</u>
Net cash inflow from operating activities	<u>3,393,874</u>	<u>3,860,043</u>
(b) Reconciliation of cash and cash equivalents		
Cash at bank	<u>5,089,949</u>	<u>2,749,489</u>
	<u>5,089,949</u>	<u>2,749,489</u>

16 Related parties

(a) Trustee and key management personnel

Trustee Company

The Trustee of the Trust during the period was Diversa Trustees Limited (ABN 49 006 421 638; AFSL 235153; RSE Licence L0000635).

M. Terlet (Chairperson), appointed 16 February 2021

V. Plant, appointed 4 May 2017

R. Beard, appointed 16 February 2021

A. Peterson, appointed 28 June 2019

F. McNabb, appointed 28 June 2019

R. FitzRoy, appointed 21 December 2017, resigned 16 February 2021

M. Jones, appointed 1 September 2014, resigned 16 February 2021

None of the directors nor the Trustee are or were investors in the Trust.

Remuneration of directors of the Trustee

There have been no transactions between the Trustee and the Trust other than trustee fees disclosed on the Statement of comprehensive income. The compensation received or due and receivable by the Trustee from the Trust in connection with the trusteeship of the Trust was \$ 89,634 (2020: \$82,371), which includes the Operational Risk Trustee Capital ("ORTC") contribution in 2021.

The directors of the Trustee do not receive remuneration directly from the Trust or the Manager.

(b) Other entities with significant influence over the Trust

Manager

The Manager of the Trust is Kaplan Funds Management Pty Limited (ABN 98 079 218 643) (AFSL 240815), a wholly owned subsidiary of Kaplan Partners Pty Limited. Key management personnel include persons who were directors of the Manager at any time during the financial year.

The directors of Kaplan Funds Management Pty Limited were as follows:

Sam Kaplan, appointed 11 July 1997

John Gerahty, appointed 14 November 2006

Doug Hew, appointed 10 November 2006

Gilles Kryger, appointed 14 November 2006

None of the directors were investors in the Trust.

Remuneration of the Manager

Under the terms of the Trust Deed the Manager is entitled to receive compensation for services provided to the Trust.

(i) A management fee of 0.87% p.a. (2020: 0.87%p.a.) of the gross asset value, calculated monthly and paid monthly. For the year ended 30 June 2021, the Manager received a management fee of \$312,462 (2020: \$329,604).

(ii) A performance fee of 15% of the net performance above the S&P/ASX200 Accumulation Index. For the financial year ended 30 June 2021, the Manager received a performance fee of \$Nil (2020: \$Nil).

The performance fee is subject to a high water mark, requiring any performance deficit against the benchmark Index to be recouped before the next performance fee is applicable.

As at 30 June 2021, the high water mark had not been reached and therefore no performance fee is applicable for the financial year.

As per the Product Disclosure Statement, if the expenses of the Trust exceed the defined threshold, Kaplan Funds Management Pty Limited will pay the excess.

The directors of the Manager do not receive remuneration directly from the Trust.

16 Related parties (continued)

(b) Other entities with significant influence over the Trust (continued)

Other related party transactions

All transactions between related parties have been made on commercial terms and conditions.

There were no other transactions between the Trust and the Manager during the financial year.

Investments

The Trust did not hold any investments in Kaplan Funds Management Pty Limited or its affiliates as at 30 June 2021 and 30 June 2020.

17 Additional financial instruments disclosure

(a) Financial instruments management

The investments of the Trust (other than cash held for meeting daily administrative and benefit expenses), are managed on behalf of the Trustee by specialist investment managers in accordance with the investment strategy to achieve the Trust's investment objectives.

The Trustee has engaged an asset consultant to monitor and provide regular reports on the Trust's investments to the Trustee. The Trustee may seek information from the trustee and/or manager of each collective investment (and also may seek independent advice from other qualified persons) so as to determine the nature and extent of any risks, and the expected returns, associated with each investment prior to determining its suitability as an investment for the Trust.

NAS Custodian acts as master custodian on behalf of the Trustee and as such provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

The Trust's financial assets and liabilities recognised on the balance sheet are carried at their net market value, which directors believe approximate their fair value.

(b) Significant accounting policies

Details of the significant accounting policies and methods recognised, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3 to the financial statements.

(c) Capital risk management

The Trustee has established an ORTC amount in response to the operational risk financial requirement introduced into the *Superannuation Industry (Supervision) Act 1993* from 1 July 2013. The capital amount is operated in accordance with the Operational Risk Financial Requirement Strategy. The purpose is to provide funding for incidents where losses may arise from operational risk event relating to the Trust. The level of capital amount required is determined by the Trustee based on an assessment of the risks faced by the Trust.

The ORTC balance at the end of the financial year was \$115,000 (2020: \$115,602). The Trustee capital provided is not reported in these financial statements.

(d) Financial risk management objectives

The Trust is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including cash flow interest rate risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Trust's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Trust's financial performance. These policies may include the use of certain financial derivative instruments.

It is ultimately the responsibility of the Trustee to ensure that there is an effective risk management control framework in place. Consistent with regulatory requirements the Trustee has the function of overseeing the establishment and maintenance of risk based systems and controls for the Trust. The Trustee has developed, implemented and maintains a Risk Management Framework ("RMF").

17 Additional financial instruments disclosure (continued)

The RMF identifies the Trustee's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Trust. Annually, the Trustee is required to certify to APRA whether adequate strategies have been put in place to monitor those risks, that the Trustee has systems in place to ensure compliance with legislative and prudential requirements and that the Trustee has satisfied itself as to the compliance with the RMF.

(e) Investment risk

The Trust's assets principally consist of financial instruments which comprise of cash, fixed income assets, listed shares and exchange traded funds. The Trustee has determined that this type of investment is appropriate for the Trust and is in accordance with the Trust's investment strategy.

The Trust's investment activities expose it to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

To mitigate market risk, the Trust undertakes due diligence prior to the approval of fund managers to ensure they have appropriate expertise and skill for monitoring of the market conditions and benchmark analysis. Further the Trust's asset consultant provides additional expert advice as required.

Credit risk

Credit risk refers to the risk that the counterparty to the financial instrument will default on its contractual obligations resulting in a financial loss to the Trust.

The carrying amounts of financial assets best represent the maximum credit risk exposure at reporting date. No collateral is held as security or other credit enhancement exists for all financial assets held. No financial assets are considered past due as all payments are considered recoverable when contractually due.

The Trust is exposed to credit risk from its investments in listed debt securities and money market securities such as bank bills. The Manager mitigates the Trust's credit risk arising from these investments by:

- investing only in money market securities issued by the major domestic banks,
- undertaking thorough research before investing in any listed debt securities, and
- diversifying its portfolio of debt securities.

The Trust is also exposed to credit risk from its cash deposits with banks and amounts due from brokers. None of these assets are impaired nor past due but not impaired.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties are approved,
- ensuring that transactions are undertaken with a number of counterparties, and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

There were no significant concentrations of credit risk to counterparties at 30 June 2021 or 30 June 2020.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the Statement of financial position date.

17 Additional financial instruments disclosure (continued)

(i) Debt securities

The Trust invests in debt securities which are unrated and have no external ratings.

(ii) Derivative financial instruments

The Trust also restricts its exposure to credit losses on the trading of derivative instruments it holds by entering into master netting arrangements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. Master netting arrangements do not result in an offset of Statement of financial position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are closed and settled on the net basis. The Trust's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangements.

In the normal course of business the Trust may enter into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Trust's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Trust against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Trust.

The Trust held the following derivative financial instruments during the financial year:

Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Trust are exchange traded. The Trust is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

The Trust's derivative financial instruments at financial year end are detailed below:

	Contract/notional	Fair Values	
		Assets	Liabilities
	\$	\$	\$
2021			
Australian exchange traded options	<u>9,569,560</u>	-	<u>494,874</u>
	<u>9,569,560</u>	-	<u>494,874</u>
	Contract/notional	Fair Values	
	\$	Assets	Liabilities
	\$	\$	\$
2020			
Australian exchange traded options	<u>10,657,081</u>	-	<u>858,815</u>
	<u>10,657,081</u>	-	<u>858,815</u>

17 Additional financial instruments disclosure (continued)

Risk exposures and fair value measurements

Information about the Trust's exposure to credit risk, foreign exchange risk and interest rate risk and about the methods and assumptions used in determining fair values is provided below. The maximum exposure to credit risk at the end of the financial year is the carrying amount of each class of derivative financial instruments disclosed above.

(iii) Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

(iv) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A1 (as determined by Standard and Poor's) or higher.

In accordance with the Trust's policy, the Manager reviews the Trust's credit position on a regular basis.

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 majority of the Trust's financial instruments are non-interest bearing with only cash and fixed interest securities being subjected to interest rate risk.

The Trust's exposure to interest rate risk is set out below.

30 June 2021	Floating interest rate \$	Fixed interest rate			Non-interest bearing \$	Total \$
		1 year or less \$	1 to 5 years \$	Over 5 years \$		
Assets						
Cash and cash equivalents	3,706,067	1,383,882	-	-	-	5,089,949
Receivables	-	-	-	-	423,059	423,059
Financial assets at fair value through profit or loss	991,850	-	-	-	31,421,022	32,412,872
Current year tax benefit	-	-	-	-	219,786	219,786
Total assets	4,697,917	1,383,882	-	-	32,063,867	38,145,666
Liabilities						
Due to brokers - payable for securities purchased	-	-	-	-	77,731	77,731
Payables	-	-	-	-	1,388,211	1,388,211
Financial liabilities at fair value through profit or loss	-	-	-	-	494,874	494,874
Deferred tax liabilities	-	-	-	-	111,267	111,267
Total liabilities	-	-	-	-	2,072,083	2,072,083
Net exposure	4,697,917	1,383,882	-	-	29,991,784	36,073,583

17 Additional financial instruments disclosure (continued)

Interest rate risk (continued)

30 June 2020	Fixed interest rate				Non-interest bearing	Total
	Floating interest rate	1 year or less	1 to 5 years	Over 5 years		
	\$	\$	\$	\$	\$	\$
Assets						
Cash and cash equivalents	897,908	1,851,581	-	-	-	2,749,489
Due to brokers - receivable for securities sold	-	-	-	-	7,296	7,296
Receivables	-	-	-	-	313,483	313,483
Financial assets at fair value through profit or loss	1,009,006	-	-	-	31,089,259	32,098,265
Current year tax benefit	-	-	-	-	263,484	263,484
Deferred tax asset	-	-	-	-	106,261	106,261
Total assets	1,906,914	1,851,581	-	-	31,779,783	35,538,278
Liabilities						
Payables	-	-	-	-	74,713	74,713
Financial liabilities at fair value through profit or loss	-	-	-	-	858,815	858,815
Total liabilities	-	-	-	-	933,528	933,528
Net exposure	1,906,914	1,851,581	-	-	30,846,255	34,604,750

An increase/(decrease) of 1% in interest rates at reporting date would have increased/(decreased) the change for the financial year in net assets attributable to unitholders by the amounts shown below, with all other variables held constant.

Sensitivity analysis - price risk and interest rate risk

	Price risk		Interest rate risk	
	Impact on operating profit/Unitholders' funds			
	-20%	+20%	-100bps	+100bps
	\$	\$	\$	\$
30 June 2021	(6,185,230)	6,185,230	117	(117)
30 June 2020	(6,046,089)	6,046,089	147	(147)

17 Additional financial instruments disclosure (continued)

Sensitivity analysis - price risk and interest rate risk (continued)

Other 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 (other than those arising from interest rate risk or currency risk), 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.

As all of the Trust's financial instruments are carried at fair value through profit or loss with changes recognised on the Statement of comprehensive income, all changes in market conditions will directly affect changes in net market values.

Investments of the Trust (other than cash held for operational purposes) comprise fixed income, listed shares, and exchange traded options. The Trust's exposure to other market price risk is therefore limited to market price movement in the asset classes of these investments. The price risk for the options assumes an increase or decrease in the value of the exchange traded options which are listed on the Australian Stock Exchange. The Trust's exposure to price risk is set out above.

Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its obligations when they fall due. The risk is controlled through the Trust's investment in financial instruments which under normal market conditions are readily convertible to cash. In addition the Trust maintains sufficient cash and cash equivalents to meet normal operating conditions. The Trust's overall liquidity risks are monitored by the Trustee at least annually.

The following table summarises the maturity profile of the Trust's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Trust can be required to pay.

	Less than 1 month \$	1-3 months \$	Greater than 3 months \$
As at 30 June 2021			
Due to brokers - payables for securities sold	77,731	-	-
Payables	1,388,211	-	-
Financial liabilities at fair value through profit or loss	-	<u>262,487</u>	<u>232,387</u>
Total financial liabilities	<u>1,465,942</u>	<u>262,487</u>	<u>232,387</u>
	Less than 1 month \$	1-3 months \$	Greater than 3 months \$
As at 30 June 2020			
Payables	74,713	-	-
Financial liabilities at fair value through profit or loss	-	<u>32,186</u>	<u>826,629</u>
Total financial liabilities	<u>74,713</u>	<u>32,186</u>	<u>826,629</u>

(f) Fair value estimation

The carrying amounts of the Trust's financial assets and financial liabilities at the end of each financial year approximate their fair values.

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of comprehensive income.

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the financial year without any deduction for estimated future selling costs.

17 Additional financial instruments disclosure (continued)

Fair value estimation (continued)

The Trust values its investments in accordance with the accounting policies set out in note 3. For the majority of its investments, the Trust relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Trust is the current bid price; the appropriate quoted market price for financial liabilities is the current last price. When the Trust holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair value for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(i) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the Statement of financial position date applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the financial year.

Fair value hierarchy

The Trust measures its financial instruments at fair value through profit or loss, by valuation using the following fair value hierarchy that reflects the significance of inputs used in making the measurement:

- Level 1 measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical instruments.
- Level 2 measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which significant inputs are directly or indirectly observable from market data.
- Level 3 measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobserved inputs) and the unobservable inputs have significant effect on the instrument's valuation. This category includes instruments that are value based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

All financial instruments held by the Trust at fair value through profit or loss are listed and have quoted prices in active markets, and as such they are all in level 1 as at 30 June 2021 and 30 June 2020.

18 Events subsequent to reporting date

There have been no significant events since the end of the reporting date and the date of this report that would have an impact on the financial position of the Trust or on the results of its operations, or state of affairs of the Trust in future years.

19 Commitments and contingencies

There are no commitments and contingencies the Trustee is aware of as at the date of this report.

Trustee's statement

In the opinion of the directors of the Trustee of Kaplan Pooled Superannuation Trust:

1. The accompanying financial statements of Kaplan Pooled Superannuation Trust are properly drawn up so as to present fairly the financial position of the Trust as at 30 June 2021, the results of its operations, changes in equity and its cash flows for the financial year ended on that date; and
2. The operation of Kaplan Pooled Superannuation Trust has been carried out in accordance with its Trust Deed as amended and in compliance with:
 - The requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations;
 - Applicable sections of the *Corporations Act 2001* and Regulations;
 - The requirements under Section 13 of the *Financial Sector (Collection of Data) Act 2001*;and
3. The accompanying financial statements have been drawn up in accordance with Australian Accounting Standards and the Trust Deed as amended.

Dated at Melbourne this 15 day of September 2021.

Signed on behalf of the Board of directors of the Diverse Trustee Limited as Trustee for Kaplan Pooled Superannuation Trust.



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Director



Independent Auditor's report on financial statements

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

Report by the Registrable Superannuation Entity Auditor to the trustee of Kaplan Pooled Superannuation Trust (ABN: 54 808 466 581)

Opinion

I have audited the financial statements of Kaplan Pooled Superannuation Trust for the year ended 30 June 2021 comprising the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows, summary of significant accounting policies and other explanatory notes.

In my opinion the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Kaplan Pooled Superannuation Trust as at 30 June 2021 and the results of its operations, cash flows and changes in equity 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 Registrable Superannuation Entity'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 Registrable Superannuation Entity 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 Registrable Superannuation Entity or to cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Registrable Superannuation Entity'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 Registrable Superannuation Entity'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 auditor 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 Registrable Superannuation Entity 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


Craig Stafford
Partner

Sydney
15 September 2021