Kaplan Pooled Superannuation Trust
RSE registration number: R1001228

Annual financial statements - 30 June 2020

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Contents

Statement of comprehensive income

		Year ended	
		30 June 2020	30 June 2019
	Notes	**$**	$
Income			
Interest income		**62,294**	178,851
Dividend income		**1,007,348**	1,430,932
Distribution income		**525,780**	474,106
Net gains/(losses) on financial instruments at fair value through profit or loss	6	**(4,963,104)**	2,677,587
Other operating income		**5,516**	33,549
Total net investment income		**(3,362,166)**	4,795,025
Expenses			
Manager's fees	16	**329,604**	317,612
Trustee fees		**82,371**	83,764
Custody fees		**22,095**	31,949
Auditor's remuneration	10	**41,287**	41,457
Other operating expenses	9	**46,907**	35,294
Total operating expenses		**522,264**	510,076
Operating profit before income tax expense/(benefit)		**(3,884,430)**	4,284,949
Income tax (benefit)	11	**(633,443)**	(246,244)
Operating profit for the year after income tax (benefit)		**(3,250,987)**	4,531,193
Other comprehensive income		**-**	-
Total comprehensive income for the financial year		**(3,250,987)**	4,531,193

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

Statement of financial position

	Notes	As at 30 June 2020 $	 30 June 2019 $
Assets			
Cash and cash equivalents	15	**2,749,489**	895,568
Due from brokers - receivable for securities sold		**7,296**	370,972
Receivables	7	**313,483**	343,341
Financial assets at fair value through profit or loss	4	**32,098,265**	39,614,650
Current year tax benefit	12	**263,484**	342,760
Deferred tax assets		**106,261**	-
Total assets		**35,538,278**	41,567,291
Liabilities			
Due to brokers - payable for securities purchased		**-**	234,702
Payables	8	**74,713**	88,015
Financial liabilities at fair value through profit or loss	5	**858,815**	1,109,464
Deferred tax liabilities	13	**-**	261,251
Total liabilities		**933,528**	1,693,432
Equity			
Unitholders' funds	14	**34,604,750**	39,873,859

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

Statement of changes in equity

	Year ended 30 June 2020	30 June 2019
	$	$
Total equity at the beginning of the financial year	**39,873,859**	37,746,014
Comprehensive income for the reporting period		
Profit/(loss) for the financial year	**(3,250,987)**	4,531,193
Total comprehensive income for the financial year	**(3,250,987)**	4,531,193
Transactions with owners in their capacity as owners:		
Applications	**635,500**	731,530
Redemptions	**(2,653,622)**	(3,134,878)
	(2,018,122)	(2,403,348)
Total equity at the end of the financial year	**34,604,750**	39,873,859

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 2020 $	30 June 2019 $
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		**11,794,930**	8,680,759
Purchase of financial instruments at fair value through profit or loss		**(9,363,324)**	(7,433,288)
Dividends received		**1,090,993**	1,499,758
Distributions received		**537,418**	430,308
Interest received		**66,008**	179,624
Other income received		**(64,984)**	37,048
Manager's and trustee's fees paid		**(417,943)**	(411,115)
Payment of other expenses		**(129,623)**	(107,735)
Tax instalments received		**345,207**	340,446
RITC (paid)/received		**1,361**	(954)
Net cash inflow provided by operating activities	15(a)	**3,860,043**	3,214,851
Cash flows from financing activities			
Proceeds from applications by unitholders		**635,500**	731,530
Payments for redemptions by unitholders		**(2,641,622)**	(3,569,878)
Net cash outflow from financing activities		**(2,006,122)**	(2,838,348)
Net increase/(decrease) in cash and cash equivalents		**1,853,921**	376,503
Cash and cash equivalents at the beginning of the financial year		**895,568**	519,065
Cash and cash equivalents at the end of the financial year	15(b)	**2,749,489**	895,568

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, 287 Collins Street, Melbourne.

The World Health Organisation ("WHO") declared COVID-19 a pandemic on 11 March 2020. There has been a significant impact on security prices and trading conditions in securities markets in Australia and globally. Whilst the Trustee expects capital markets to continue to experience heightened levels of uncertainty and volatility, there has not been a significant impact on the operations and investment activities of the Trust.

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 16 September 2020.

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.

New/Amended standards and Interpretations adopted by the Trust

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

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 introduces a new expected credit loss ("ECL") approach to recognise and measure impairment, which replaces AASB 139’s incurred loss approach. AASB 9 requires the Trust to record an allowance for 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.

3 Significant accounting policies (continued)

(a) Financial instruments (continued)

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.

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.

3 Significant accounting policies (continued)

(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.

(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.

3 Significant accounting policies (continued)

(h) Income tax (continued)

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.

(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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Trust.

(k) 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 2020 $	30 June 2019 $
Financial assets at fair value through profit or loss		
Listed equities	**12,747,269**	15,613,441
Listed infrastructure trusts	**1,268,041**	1,013,446
Listed property trusts	**6,973,017**	8,156,172
Preference shares - redeemable	**10,100,932**	12,294,844
Perpetual securities	**-**	305,220
Floating rate notes	**1,009,006**	2,231,527
Total financial assets at fair value through profit or loss	**32,098,265**	39,614,650

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 2020 $	30 June 2019 $
Financial liabilities at fair value through profit or loss		
Exchange traded options	**858,815**	1,109,464
Total financial liabilities at fair value through profit or loss	**858,815**	1,109,464

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 2020 $	30 June 2019 $
Financial assets		
Net gains/(losses) on financial assets at fair value through profit or loss	**(5,653,734)**	3,338,783
Financial liabilities		
Net gains/(losses) on financial liabilities at fair value through profit or loss	**690,630**	(661,196)
Net gains/(losses) on financial instruments at fair value through profit and loss	**(4,963,104)**	2,677,587

7 Receivables

	30 June 2020 $	30 June 2019 $
Interest receivable	**10,322**	14,036
Dividends receivable	**21,502**	105,147
Distributions receivable	**143,224**	154,862
GST receivable	**11,435**	12,796
Other receivables	**127,000**	56,500
	313,483	343,341

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 2020 $	30 June 2019 $
Redemption payable	**12,000**	-
Custody fees payable	**7,879**	7,244
Audit fees payable	**20,973**	40,942
Investment manager's fees payable	**27,013**	31,343
Trustee's fees payable	**6,848**	8,486
	74,713	88,015

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 2020 $	30 June 2019 $
Transaction costs	**33,664**	22,959
Registry fees	**13,243**	12,335
	46,907	35,294

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 2020 $	30 June 2019 $
Remuneration for audit services:		
- PwC	**38,372**	38,927
- Other	**2,915**	2,530
	41,287	41,457

11 Income tax (benefit)/expense

	30 June 2020 $	30 June 2019 $
(a) Income tax (benefit)		
Current tax	**(263,484)**	(342,760)
Movement in deferred tax	**(367,512)**	93,189
Adjustment for current tax of prior periods	**(2,447)**	3,327
	(633,443)	(246,244)
Deferred income tax (revenue)/expense included in tax expense comprises:		
(Increase)/Decrease in deferred tax assets	**(106,261)**	-
Increase/(Decrease) in deferred tax liabilities	**(261,251)**	93,189
	(367,512)	93,189
(b) Reconciliation between income tax (benefit)/expense to prima facie tax payable		
Operating profit for the year before income tax (benefit)/expense	**(3,884,430)**	4,284,949
Tax at the complying superannuation fund tax rate of 15% (2019 - 15%)	**(582,665)**	642,742
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Imputation/foreign tax credits	**(388,047)**	(555,833)
Other	**338,359**	(336,480)
	(49,688)	(892,313)
Adjustment for current tax of prior periods	**(1,090)**	3,327
Income tax (benefit)	**(633,443)**	(246,244)

12 Current tax assets and liabilities

The current tax asset for the Trust of $263,484 (2019: $342,760) represents the amount of income taxes refundable in respect of the current and prior financial year.

13 Deferred tax assets/(liabilities)

	30 June 2020 $	30 June 2019 $
The balance comprises temporary differences attributable to:		
Net unrealised (gains)/losses on financial instruments at fair value through profit or loss	**106,261**	(261,251)
Total deferred tax assets/(liabilities)	**106,261**	(261,251)

The deferred tax asset as at 30 June 2020: $106,261 (30 June 2019: deferred tax liabilities of $261,251) 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 2020 Units	30 June 2019 Units	**30 June 2020 $**	30 June 2019 $
Net assets attributable to unitholders				
Opening balance	**6,472,036**	6,905,326	**39,873,859**	37,746,014
Applications	**109,642**	130,386	**635,500**	731,530
Redemptions	**(474,960)**	(563,676)	**(2,653,622)**	(3,134,878)
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**(3,250,987)**	4,531,193
Closing balance	**6,106,718**	6,472,036	**34,604,750**	39,873,859

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 2020 $	30 June 2019 $
(a) Reconciliation of profit to net cash inflow from operating activities		
Profit/(loss) for the year	**(3,250,987)**	4,531,193
Proceeds from sale of financial instruments at fair value through profit or loss	**11,794,930**	8,680,759
Purchase of financial instruments at fair value through profit or loss	**(9,363,324)**	(7,433,288)
Net (gains)/losses on financial instruments at fair value through profit or loss	**4,963,104**	(2,677,587)
Net change in receivables and other assets	**29,858**	28,346
Net change in accounts payable and accrued liabilities	**(25,302)**	(8,774)
Net change in provision for income tax refundable	**(26,985)**	1,013
Net change in deferred tax liabilities	**(261,251)**	93,189
Net cash inflow from operating activities	**3,860,043**	3,214,851
(b) Reconciliation of cash and cash equivalents		
Cash at bank	**2,749,489**	895,568
	2,749,489	895,568

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).

V. Plant (Chairperson), appointed 4 May 2017

R. FitzRoy, appointed 21 December 2017

M. Jones, appointed 1 September 2014

F. McNabb, appointed 28 June 2019

A. Peterson, appointed 28 June 2019

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 $82,371 (2019: $83,764), which includes the Operational Risk Trustee Capital ("ORTC") contribution in 2020.

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. (2019: 0.87%p.a.) of the gross asset value, calculated monthly and paid monthly. For the year ended 30 June 2020, the Manager received a management fee of $329,604 (2019: $317,612).

(ii) A performance fee of 15% of the net performance above the S&P/ASX200 Accumulation Index. For the financial year ended 30 June 2020, the Manager received a performance fee of $Nil (2019: $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 2020, 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 2020 and 30 June 2019.

(c) Change in ownership of Diversa Trustees Limited

On 5 May 2020, Pacific Infrastructure Partners completed the acquisition of key operating entities and assets of the Sargon Capital group of companies. The purchase also included the trustee business of Diversa Trustees Limited.

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 $115,602 (2019: $115,101). 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 2020 or 30 June 2019.

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

(i) Debt securities

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

17 Additional financial instruments disclosure (continued)

(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:

		Fair Values	
	Contract/notional	**Assets**	**Liabilities**
2020	**$**	**$**	**$**
Australian exchange traded options	**10,657,081**	**-**	**858,815**
	10,657,081	**-**	**858,815**

		Fair Values	
	Contract/notional	Assets	Liabilities
2019	$	$	$
Australian exchange traded options	10,178,268	-	1,109,464
	10,178,268	-	1,109,464

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.

		Fixed interest rate				
30 June 2020	**Floating interest rate**	**1 year or less**	**1 to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Assets						
Cash and cash equivalents	**897,908**	**1,851,581**	**-**	**-**	**-**	**2,749,489**
Due from brokers - receivables 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**

17 Additional financial instruments disclosure (continued)

Interest rate risk (continued)

30 June 2019	Floating interest rate $	Fixed interest rate 1 year or less $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
Assets						
Cash and cash equivalents	559,782	335,786	-	-	-	895,568
Due to brokers - receivable for securities sold	-	-	-	-	370,972	370,972
Receivables	-	-	-	-	343,341	343,341
Financial assets at fair value through profit or loss	2,231,527	-	-	305,220	37,077,903	39,614,650
Current year tax benefit	-	-	-	-	342,760	342,760
Total assets	2,791,309	335,786	-	305,220	38,134,976	41,567,291
Liabilities						
Due to brokers - payable for securities purchased	-	-	-	-	234,702	234,702
Payables	-	-	-	-	88,015	88,015
Financial liabilities at fair value through profit or loss	-	-	-	-	1,109,464	1,109,464
Deferred tax liabilities	-	-	-	-	261,251	261,251
Total liabilities	-	-	-	-	1,693,432	1,693,432
Net exposure	2,791,309	335,786	-	305,220	36,441,544	39,873,859

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 2020	**(6,046,089)**	**6,046,089**	**147**	**(147)**
	-10% $	+10% $	-100bps $	+100bps $
30 June 2019	(3,596,844)	3,596,844	5,428	(5,428)

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 2020			
Payables	**74,713**	**-**	**-**
Financial liabilities at fair value through profit or loss	**-**	**32,186**	**826,629**
Total financial liabilities	**74,713**	**32,186**	**826,629**

	Less than 1 month $	1-3 months $	Greater than 3 months $
As at 30 June 2019			
Due to brokers - payables for securities sold	234,702	-	-
Payables	88,015	-	-
Financial liabilities at fair value through profit or loss	-	255,118	854,346
Total financial liabilities	322,717	255,118	854,346

(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 2020 and 30 June 2019.

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 fnancial 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 2020, 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 16 day of September 2020.

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