

Total Risk Management Pty Ltd

ABN 62 008 644 353

RSE L0000260

AFSL 238790

Financial Report at 31 December 2019

Together with Directors' and Independent Audit Reports

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Total Risk Management Pty Ltd

Directors' Report

The Directors present their report on the financial statements of the Company for the year ended 31 December 2019.

Directors

The following persons were directors of Total Risk Management Pty Ltd ("the Company") during the whole of the financial year and up to the date of this report, unless indicated otherwise below:

Katherine Allchin (resigned, 18 September 2019)

Marian Carr

Alexis Dodwell

Michael Gordon

James O'Connor

Principal activity

The principal activity of the Company is the provision of trustee services to superannuation entities.

Dividends

The Directors do not recommend the payment of a dividend. No dividends were paid or declared during the year ended 31 December 2019 (2018: \$nil).

Review of operations

During the year, the Company continued to operate as a trustee of superannuation entities. The result after income tax for the year ended 31 December 2019 was \$nil (2018: \$nil).

Changes in state of affairs

No significant changes in the state of affairs of the Company occurred during the financial year ended 31 December 2019.

Significant event after the end of the reporting period

The emergence of Coronavirus disease (COVID-19) during the first months of 2020 has had a significant impact on financial markets and assets globally, with broader economic and social disruption now evident and anticipated to continue in the near-term.

Management has business continuity plans in place to enable the Company to continue to carry out its core activities including meeting our obligations with creditors and our investors/members. The impact of COVID-19 is yet to be fully determined and could have an impact on certain revenue and expenses. Management will continue to monitor the economic impact of this situation on the Company's financial performance and the business as a whole.

Other than the item noted above, in the interval between the end of the financial year and the date of this report, no transaction or event of a material and unusual nature has arisen to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Total Risk Management Pty Ltd

Directors' Report (continued)

Likely developments and future results

The Company expects to continue with its principal activity of providing trustee services to superannuation entities.

Indemnification of officers and auditors

During the financial year, the Company's immediate parent entity, Russell Investments Employee Benefits Pty Ltd, paid a premium in respect of a contract insuring the directors of the Company against a liability incurred as such a director, to the extent permitted by the Corporations Act 2001. In addition, the Company's U.S. related entity, Russell Investments Group, LLC, paid a premium for Directors' and Officers' Professional Liability Insurance covering all of the Russell Investments global entities which includes the Company.

The Company has agreed to indemnify the directors of the Company against a liability incurred as such a director. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify any other officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' and officers' remuneration

Since the end of the previous financial year, no director, in his/her current capacity, has received or become entitled to receive a benefit, other than benefits disclosed in the financial statements, as emoluments or the fixed salary of a full time employee of the Company or a related body corporate, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he/she is a member, or with any entity in which he/she has a substantial financial interest.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Auditor's independence declaration

The auditor's independence declaration is included on page 5. This report is made in accordance with a resolution of the board of directors made pursuant to S.298(2) of the Corporations Act 2001 and is signed for and on behalf of the directors by:



Marian Carr
Director



James O'Connor
Director

Sydney
25 March 2020

25 March 2020

The Board of Directors
Total Risk Management Pty Ltd
Level 29, 135 King Street
Sydney NSW 2000

Dear Board Members

Independence declaration - Total Risk Management Pty Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Total Risk Management Pty Limited.

As lead audit partner for the audit of the financial statements of Total Risk Management Pty Limited for the financial year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Fiona O'Keefe
Partner
Chartered Accountants

Independent Auditor's Report to the Members of Total Risk Management Pty Limited

Opinion

We have audited the financial report of Total Risk Management Pty Ltd (the "Company") which comprises the statement of financial position as at 31 December 2019, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.
- Obtain 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



DELOITTE TOUCHE TOHMATSU



Fiona O'Keefe
Partner
Chartered Accountants

Total Risk Management Pty Ltd

Statement of profit or loss and comprehensive income

for the year ended 31 December 2019

	Notes	2019 \$	2018 \$
Revenue from contracts with customers	2	50,676,416	46,031,308
Interest income		84	—
Total revenue and other income		50,676,500	46,031,308
Expenses from ordinary activities			
Expenses remitted to Russell Investment Management Ltd	7(c)	49,583,425	45,157,730
General expenses		922,336	754,383
Professional fees		166,012	115,068
Travel and entertainment		4,727	4,127
Total expenses		50,676,500	46,031,308
Profit from ordinary activities before income tax expense		—	—
Income tax expense		—	—
Profit from ordinary activities after income tax expense		—	—
Other comprehensive income		—	—
Total comprehensive income for the year		—	—

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

Total Risk Management Pty Ltd

Statement of financial position

as at 31 December 2019

	Notes	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	4(a)	2,564,861	1,761,126
Trade Receivables	7(c)	8,199,573	7,071,216
Total current assets		10,764,434	8,832,342
Non-current assets			
Deferred tax assets		6,966	6,326
Total non-current assets		6,966	6,326
Total assets		10,771,400	8,838,668
Current liabilities			
Payables		9,046,398	7,113,666
Total liabilities		9,046,398	7,113,666
Net assets		1,725,002	1,725,002
Equity			
Contributed equity	3	1,725,002	1,725,002
Retained profits		—	—
Total equity		1,725,002	1,725,002

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

Total Risk Management Pty Ltd

Statement of changes in equity

for the year ended 31 December 2019

	Notes	Share capital # of shares	Share capital \$	Retained earnings \$	Total equity \$
Balance as at 1 January 2018		25,002	25,002	—	25,002
Profit/(loss) for the year		—	—	—	—
Other comprehensive income		—	—	—	—
Capital contribution from parent entity		1,700,000	1,700,000	—	1,700,000
Balance as at 31 December 2018	3	1,725,002	1,725,002	—	1,725,002
Profit/(loss) for the year		—	—	—	—
Other comprehensive income		—	—	—	—
Capital contribution from parent entity		—	—	—	—
Balance as at 31 December 2019	3	1,725,002	1,725,002	—	1,725,002

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

Total Risk Management Pty Ltd

Statement of cash flows

for the year ended 31 December 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Fees received (inclusive of GST)		55,893,101	52,522,452
Payments to suppliers (inclusive of GST)		(48,784,298)	(46,712,471)
GST paid		(6,304,512)	(5,962,763)
Interest received		84	—
Income taxes (paid)/refunded		(640)	7,443
Net cash inflow/(outflow) from operating activities	4(b)	<u>803,735</u>	<u>(145,339)</u>
Cash flows from financing activities activities			
Capital contribution from parent entity	3	—	1,700,000
Net cash inflow from financing activities		<u>—</u>	<u>1,700,000</u>
Net increase in cash and cash equivalents		803,735	1,554,661
Cash and cash equivalents - beginning of the financial year		<u>1,761,126</u>	206,465
Cash and cash equivalents - end of the financial year	4(a)	<u><u>2,564,861</u></u>	<u>1,761,126</u>

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

Total Risk Management Pty Ltd

Notes to the financial statements

for the year ended 31 December 2019

Note 1. Summary of Significant Accounting Policies

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with IFRS

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS).

Basis of Preparation

The financial report has been prepared on the basis of historical cost.

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied for the year presented, unless otherwise stated.

Certain comparative information has been restated to ensure consistent treatment with the current reporting period.

The financial statements were authorised for issue by the directors on 25 March 2020.

The Company receives management fees from the Russell Investments Pooled Superannuation Trust ("Russell Investments PST") and pays fee rebates to the investors. From these fees it recovers expenses and liabilities that it incurs as the trustee of the Russell Investments PST.

New and Revised Accounting Standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2019. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(a) Revenue recognition

Revenue is recognised on a basis that reflects the transfer of the promised goods and services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods and services. Revenue is recognised by applying a five-step model as follows:

1. Identifying the contract with customer
2. Identifying the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation
5. Recognise revenue as and when control of the performance obligations is transferred

Total Risk Management Pty Ltd

Notes to the financial statements (continued)

for the year ended 31 December 2019

(a) Revenue recognition (continued)

Management fees

The Company receives management fees from the Russell Investments PST. The Company is the principal to this arrangement as it has the responsibility for providing the service. The revenue is recognised on a monthly basis when the services are rendered. Management services represent one performance obligation as the Company provides a highly integrated service where the individual components are not distinct in the context of the contracts. Fees are based on a percentage of the average assets under management ("AUM"). The variability is resolved at the end of each reporting period when the AUM is known.

As trustee of the Russell Investments PST, the Company pays rebates to superannuation funds that invest in the Russell Investments PST. Rebates paid to clients are a reduction of the management fees received.

Payments from the Russell Investments PST are typically due no more than 30 days.

Performance fees

Performance fees are earned from the Russell Investments PST when contractually agreed performance levels are exceeded by external investment managers within specified performance measurement periods. They are only recognised to the extent that it is highly probable that a significant reversal of the revenue would not result when the uncertainty is resolved.

Intercompany management fees

Intercompany management fees are charged by the Company to Russell Investment Management Ltd ("RIM") and Russell Investments Employee Benefits Pty Ltd ("RIEB"), the immediate parent entity, for the reimbursement of general expenses incurred by the Company. Revenue is recognised on a monthly basis when the services are rendered and costs are incurred. Please refer to Note 1(b) for general expenses.

(b) Expenses

There are three types of expenses incurred by the Company:

- Expenses paid to RIM being the management fee revenue received by the Company from the Russell Investments PST less rebates incurred by the Company relating to the Russell Investments PST;
- General expenses and professional fees incurred by the Company in its role as trustee of the Trusts (see note 1(g)) are recognised initially by the Company. These expenses are subsequently charged out as an inter company management fee to the related entities, RIM and RIEB;
- Performance fees paid to RIM represents performance fee revenue received from the Russell Investments PST when external investment managers meet certain performance targets. The fees paid reimburses RIM for the performance fees paid to external investment managers (see note 7(c)).

(c) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- 1) Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- 2) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Total Risk Management Pty Ltd

Notes to the financial statements (continued)

for the year ended 31 December 2019

(c) Goods and Services Tax (continued)

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

(d) Trade Receivables

Receivables that have fixed or determinable payments that are not quoted in an active market are classified as "trade receivables." Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore, measures them subsequently at amortised cost using the effective interest method, less loss allowance. Details about the Company's impairment policies and the calculation of the loss allowance are provided in 10(d).

As described in Note 1(a), the Company recognises trade receivables in relation to management fees received from the Russell Investments PST.

(e) Trade Payables

These amounts represent liabilities for client rebates and for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 - 90 days of recognition. The carrying amount of trade payables recorded in the financial statements approximates their net fair values. Trade payables are recognised at amortised cost.

As described in Note 1(b), the Company recognises trade payables in relation to rebates payable to superannuation funds and net management fees payable to RIM.

(f) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Total Risk Management Pty Ltd

Notes to the financial statements (continued)

for the year ended 31 December 2019

(f) Income Tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation

Russell Investment Group Pty Ltd ("RIG") and its wholly-owned Australian controlled entities implemented the tax consolidation legislation with effect from 1 January 2004. On 1 June 2016, Russell Investments Australia Holdco Pty Limited replaced Russell Investment Group Pty Ltd as the head entity of the tax consolidated group.

The head entity, Russell Investments Australia Holdco Pty Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone tax payer in its own right.

In addition to its own current and deferred tax amounts, Russell Investments Australia Holdco Pty Limited, also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have entered into a tax funding agreement under which the wholly-owned entities fully compensate Russell Investments Australia Holdco Pty Limited for any current tax payable assumed and are compensated by Russell Investments Australia Holdco Pty Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Russell Investments Australia Holdco Pty Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(g) Right of indemnity

The Company acts solely as trustee for the "Trusts", being the Russell Investments Master Trust and Russell Investments PST, and on behalf of these Trusts, incurred liabilities at 31 December 2019. The Company has a right of indemnity against the Trusts for liabilities incurred. The assets of the Trusts which lie behind the right of indemnity are not directly available to meet any liabilities of the Company acting in its own right.

Total assets of the Trusts for which the Company acts as trustee exceed the liabilities of those Trusts.

Total Risk Management Pty Ltd

Notes to the financial statements (continued)

for the year ended 31 December 2019

Note 2. Revenue from contracts with customers

	2019	2018
Notes	\$	\$
Net profit before income tax expense has been arrived at after crediting the following revenues:		
Management fees	63,742,549	59,702,012
Less rebates paid to superannuation funds	(14,585,139)	(15,329,642)
Net management fees	49,157,410	44,372,370
	7(c)	
Performance fees	426,014	785,361
	7(c)	
Intercompany management fees	1,026,820	873,577
	7(c)	
Other revenue	66,172	—
	50,676,416	46,031,308
Timing of revenue recognition:		
Over time	50,250,402	45,245,947
At a point in time	426,014	785,361
	50,676,416	46,031,308

Note 3. Contributed Capital

	2019	2018
	\$	\$
Issued and paid up:		
1,725,002 Fully paid ordinary shares (2018: 1,725,002)	1,725,002	1,725,002

Fully paid ordinary shares carry one vote per share and carry the right to dividends. The Company does not have a limited amount of authorised capital.

Total Risk Management Pty Ltd

Notes to the financial statements (continued)

for the year ended 31 December 2019

Note 4. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2019	2018
	\$	\$
Cash and cash equivalents	1,066,935	263,200
Restricted cash	1,497,926	1,497,926
Total	<u>2,564,861</u>	<u>1,761,126</u>

Restricted cash is used exclusively to satisfy losses arising from operational risks that may affect a specific sub-plan within the Russell Investments Master Trust.

(b) Reconciliation of Net Profit after Income Tax Expense to Net Cash from Operating Activities

	2019	2018
	\$	\$
Net profit after tax	—	—
Changes in assets and liabilities		
(Increase)/decrease in receivables	(1,128,357)	538,984
(Increase)/decrease in deferred tax assets	(640)	7,443
Increase/(decrease) in payables	1,892,203	(681,164)
Increase/(decrease) in GST payable	40,529	(10,602)
Net cash inflow/(outflow) from operating activities	<u>803,735</u>	<u>(145,339)</u>

Total Risk Management Pty Ltd

Notes to the financial statements (continued)

for the year ended 31 December 2019

Note 5. Key Management Personnel Compensation

The specified directors of the Company during the year were:

Katherine Allchin (resigned, 18 September 2019)
 Marian Carr
 Alexis Dodwell
 Michael Gordon
 James O'Connor

The compensation of the specified directors, being the key management personnel of the Company, is set out below:

	2019	2018
	\$	\$
Short-term employee benefits	347,821	314,038
Post-employment benefits	32,394	29,834
	380,215	343,872

Note 6. Auditors' Remuneration

	2019	2018
	\$	\$
Amounts received, or due and receivable, by the auditor of the company, Deloitte Touche Tohmatsu, for:		
Audit of the Company's financial statements and associated regulatory returns	16,736	16,248
Audit of AFSL	6,480	4,834
	23,216	21,082

Amounts received, or due and receivable, by other audit firms:

Internal audit services	114,844	74,468
	114,844	74,468
Total auditors' remuneration	138,060	95,550

Total Risk Management Pty Ltd

Notes to the financial statements (continued)

for the year ended 31 December 2019

Note 7. Related Party Disclosures

(a) **Directors**

Directors of the Company during the financial year are named in Note 5.

(b) **Holding Company**

The immediate parent entity is Russell Investments Employee Benefits Pty Ltd which is incorporated in Australia. The ultimate Australian parent entity is Russell Investments Australia Holdco Pty Limited. The ultimate parent entity is Russell Investments Group, Ltd. (incorporated in the Cayman Islands).

(c) **Related party transactions**

RIM is a related entity of the Company. The superannuation funds for which the Company is trustee invest predominantly in a pooled superannuation trust and distributing trusts managed by RIM. RIM receives management fees from the pooled superannuation trust and the distributing trusts.

RIG is the master pay agent for its wholly-owned Australian subsidiaries. The amount payable to RIG at year end represents payments made by RIG on the Company's behalf which have not been reimbursed to RIG by the Company.

Russell Investments Group, LLC ("RIGI") is a related entity of the Company which allocates centrally managed costs attributable to each company within the Russell Investments global group.

The Company received fees in the nature of management fee revenue of \$49,157,410 (2018: \$44,372,370) from the Russell Investments PST. These fees are net of rebate expenses paid to superannuation funds invested in the Russell Investments PST in accordance with the terms of relevant agreements between the Company and those superannuation funds.

The Company received fees in the nature of performance fee revenue of \$426,014 (2018: \$785,361) attributable to the Russell Investments PST. These fees are paid to RIM which are then paid to external investment managers.

The Company received fees from related entities RIM of \$533,946 (2018: \$454,260) and RIEB of \$492,874 (2018: \$419,317) for reimbursement of expenses incurred in its role as trustee.

Expenses paid to RIM which represent management fee and performance fee revenue earned by the Company from the Russell Investments PST less rebates incurred by the Company during the year were \$49,583,425 (2018: \$45,157,730).

At year end there was an amount receivable from the Russell Investments PST of \$5,454,358 (2018: \$5,162,223).

At year end there was an amount receivable of \$2,395,057 from RIM (2018: \$1,331,708) and an amount payable of \$6,603,850 (2018: \$4,988,825) to RIG.

At year end there was an amount receivable from RIEB of \$350,158 (2018: \$577,285).

At year end there was an amount payable to RIGI of \$14,422 (2018: \$9,117).

The Company does not have lease commitments or employee benefits payable as at 31 December 2019 (2018: \$nil).

Total Risk Management Pty Ltd

Notes to the financial statements (continued)

for the year ended 31 December 2019

Note 8. Financing Facilities

The Company has no financing facilities available.

Note 9. Segment Information

The Company operates within the financial services industry in Australia to provide trustee services to superannuation entities. These superannuation entities are based in Australia.

Note 10. Financial Instruments Note

(a) **Capital risk management**

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders. The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital.

(b) **Significant Accounting Policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(c) **Financial risk management objectives**

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative, hedging or trading purposes.

(d) **Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from default.

Trade receivables

Receivables from the Russell Investments PST represent the majority of the outstanding balance as at reporting date. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Intercompany receivables are not included in the assessment. The expected loss rates are based on historical loss rates adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified Australia's GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Total Risk Management Pty Ltd

Notes to the financial statements (continued)

for the year ended 31 December 2019

Note 10. Financial Instruments Note (continued)

On this basis, the loss allowance as at 31 December 2019 and 2018 was determined as follows for trade receivables:

2019	Current	Past due 1-60 days	Past due 61-150 days	Past due 151+ days	Total
Expected loss rate	—%	—%	—%	100%	
Gross - trade receivables	5,454,358	—	—	—	5,454,358
Loss allowance	—	—	—	—	—

2018	Current	Past due 1-60 days	Past due 61-150 days	Past due 151+ days	Total
Expected loss rate	—%	—%	—%	100%	
Gross - trade receivables	5,162,224	—	—	—	5,162,224
Loss allowance	—	—	—	—	—

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and failure to make contractual payments for a period of greater than 150 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(e) **Liquidity and interest rate tables**

The Company is exposed to interest rate risk through primary financial assets and liabilities. The table below summarises interest rate risk for the Company together with the effective interest rate at the end of the reporting period.

The following table also details the Company's expected maturity for its non-derivative financial assets, and the remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets and the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

Total Risk Management Pty Ltd

Notes to the financial statements (continued)

for the year ended 31 December 2019

Note 10. Financial Instruments Note (continued)

	Floating interest rate* %	Less than	1-3	3 months	1+	Total \$
		1 month	months	to 1 year	years	
2019		\$	\$	\$	\$	
Financial assets						
Variable interest rate instruments	0.00%	2,564,861	—	—	—	2,564,861
Non-interest bearing		—	8,199,573	—	—	8,199,573
Total financial assets		2,564,861	8,199,573	—	—	10,764,434
Financial liabilities						
Non-interest bearing		—	(9,046,398)	—	—	(9,046,398)
Total financial liabilities		—	(9,046,398)	—	—	(9,046,398)

* Floating interest rate represents the most recently determined rate applicable to the instrument at the end of the reporting period.

The 2019 effect on cash from possible changes in the interest rates by +/-0.25% would have an impact of +/- \$6,412.

	Floating interest rate* %	Less than	1-3	3 months	1+	Total \$
		1 month	months	to 1 year	years	
2018		\$	\$	\$	\$	
Financial assets						
Variable interest rate instruments	0.00%	1,761,126	—	—	—	1,761,126
Non-interest bearing		—	7,071,216	—	—	7,071,216
Total financial assets		1,761,126	7,071,216	—	—	8,832,342
Financial liabilities						
Non-interest bearing		—	(7,113,666)	—	—	(7,113,666)
Total financial liabilities		—	(7,113,666)	—	—	(7,113,666)

* Floating interest rate represents the most recently determined rate applicable to the instrument at the end of the reporting period.

The 2018 effect on cash from possible changes in the interest rates by +/-1% would have an impact of +/- \$17,611.

Total Risk Management Pty Ltd

Notes to the financial statements (continued)

for the year ended 31 December 2019

Note 11. Additional Company Information

The Company is a proprietary company, incorporated and operating in Australia. The principal activity of the Company is disclosed in the Directors' Report. There are no employees of the Company.

For the purposes of preparing the Company's financial statements, the Company is a for-profit entity.

Registered Office and Principal Place of Business:

Level 29
135 King Street

Sydney NSW 2000

Note 12. Events occurring after the end of the reporting period

The emergence of Coronavirus disease (COVID-19) during the first months of 2020 has had a significant impact on financial markets and assets globally, with broader economic and social disruption now evident and anticipated to continue in the near-term.

Management has business continuity plans in place to enable the Company to continue to carry out its core activities including meeting our obligations with creditors and our investors/members. The impact of COVID-19 is yet to be fully determined and could have an impact on certain revenue and expenses. Management will continue to monitor the economic impact of this situation on the Company's financial performance and the business as a whole.

Other than the item noted above, in the interval between the end of the financial year and the date of this report, no transaction or event of a material and unusual nature has arisen to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Total Risk Management Pty Ltd

Directors Declaration

for the year ended 31 December 2019

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements are in compliance with the International Financial Reporting Standards, as stated in Note 1 of the financial statements; and
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Marian Carr
Director



James O'Connor
Director

Sydney,
25 March 2020