

8 November 2018

Reference number: 120789656

The Trustees
Robert Falzon Marketing Superannuation Fund
c/o MCA (Qld) Accountants Pty Ltd
PO Box 163
Hamilton Central QLD 4007

Dear Trustees,

SECTION 295.390 ACTUARY'S CERTIFICATE OF EXEMPT INCOME

This certificate has been prepared for the Trustees of Robert Falzon Marketing Superannuation Fund to certify the exempt income proportion in accordance with section 295.390 of the Income Tax Assessment Act ("ITAA") 1997 for the 2017/18 income year.

I hereby certify that the proportion of the applicable income of Robert Falzon Marketing Superannuation Fund ("the Fund") for the year ending 30 June 2018 that should be exempt from income tax is: **27.550%**

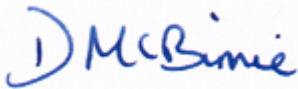
This exempt income proportion does not apply to income earned on segregated current pension assets and segregated non-current assets.

Further details of my calculation and the information on which it is based are contained in the appendices and covering email. These form part of my report and should be read in their entirety.

- ◆ Appendix A: Information used to calculate the exempt income proportion
- ◆ Appendix B: Exempt current pension income result and adequacy opinion

I confirm that this actuarial certificate has been prepared in accordance with Professional Standard 406 issued by the Institute of Actuaries of Australia and other relevant professional standards and guidance notes.

Yours sincerely,



Doug McBirnie, B.Sc. (Hons), FIA, FIAA

Appendix A – Information used to calculate the exempt income proportion

Fund data and financials

This certificate has been prepared at the request of, and based on data supplied by, MCA (Qld) Accountants Pty Ltd on behalf of the Trustees for the 2017/18 income year. A summary of the data supplied to us for the purpose of calculating the exempt income proportion is provided below:

Name of fund: Robert Falzon Marketing Superannuation Fund
Fund ABN: 66996249362
Trustees: Robert Falzon
Alicia Falzon

| Member name | Robert Falzon | Alicia Falzon |
|---|---------------|---------------|
| Date of birth | 4 Jul 1956 | 17 Mar 1960 |
| Value of retirement phase income streams as at 1 Jul 2017 | \$1,204,159 | \$0 |
| Value of retirement phase income streams at 1 Jul 2017 excluding liabilities in respect to segregated current pension assets. | \$1,204,159 | \$0 |

The aggregate operating statement information is:

| | |
|--|--------------------|
| Assets available at 1 July 2017 | \$3,943,669 |
| Plus | |
| Concessional contributions | \$1,370 |
| Less | |
| Pension payments and lump sump withdrawals | \$791,439 |
| Equals | |
| Balance before income and expenses | \$3,153,600 |
| Preliminary net income | (\$746,200) |
| Gross assets available at year end (before tax) | \$2,407,399 |

We understand that the financial information provided to us when applying for this certificate may be unaudited. Should the financial information provided to us change, as a result of audit or otherwise, this may affect the results of our calculations and we recommend you apply for an amended certificate.

In addition to relying on the data provided to us, we have made the following assumptions when completing this actuarial certificate:

- ◆ Member Two commenced a transition to retirement income stream (non-retirement phase) with their entire accumulation balance on 1 July 2017 allowing for any transactions that occurred on that date, with a purchase price of \$2,739,510.70.
- ◆ Member Two commuted their entire transition to retirement income stream (non-retirement phase) balance of \$2,738,092.09 on 1 July 2017.

The information provided to us indicated that this Fund had disregarded small fund assets, as defined in section 295.387 of the ITAA 1997. The Fund therefore had no segregated current pension assets or segregated non-current assets and could not use the segregated method to claim exempt current pension income during the income year.

Minimum pension standards

Based on the information provided, the Fund contains only accumulation and account-based type income stream benefits (commonly referred to as pensions). These include allocated pensions, market linked pensions, and account-based income streams (including transition to retirement pensions). The Fund contains no other types of income stream benefits such as defined benefits in growth or pension phase.

The Superannuation Industry Supervision (SIS) Regulations for account-based income streams include a requirement for a minimum amount to be paid to the member over the year depending on the member's age, opening account balance date of commencement. Where the minimum pension standards are not met the earnings on the assets supporting that income stream may not be eligible for an exemption from income tax, and the exempt income proportion shown in this certificate may not be correct. It was confirmed upon submission of the data for this report that all assets shown as supporting retirement phase superannuation income streams are eligible for an exemption from income tax by virtue of having met the minimum pension standards for the Income year. We have not checked that this is the case and recommend that the Fund's auditor satisfies him or herself that the relevant standards have been met.

Appendix B – Exempt income proportion results and adequacy opinion

Exempt income proportion

Superannuation funds claiming exempt current pension income (“ECPI”) under section 295.390 of the ITAA 1997, known as the proportionate or unsegregated method, are required to obtain an actuary's certificate prior to lodgement of the fund's income tax return. The proportion of the applicable income, excluding income earned on segregated current pension assets and segregated non-current assets, for the year ending 30 June 2018 that should be exempt from income tax is calculated as follows:

$$\frac{\text{Average value of current pension liabilities}}{\text{Average value of superannuation liabilities}} = \frac{\$1,041,028}{\$3,778,651} = 27.550\%$$

Within the requirements of legislation and the Fund's Trust Deed and Rules, the Trustees may have discretion about how income and expenses are allocated at the member level. We have not checked the terms of the Fund's Trust Deed and Rules. The daily weighted average calculation of the exempt income proportion provides a fair and reasonable method of apportioning these items between the member accounts at year end for income earned on assets that are not segregated assets and is provided below:

| Member Name | Robert Falzon | Alicia Falzon | Fund |
|------------------------------|---------------|---------------|---------|
| Exempt income proportion | 27.550% | 0.000% | 27.550% |
| Non-exempt income proportion | 0.000% | 72.450% | 72.450% |

The above proportions are unlikely to be appropriate for allocating income earned on segregated assets.

Calculating the fund's exempt current pension income for the purpose of your tax return

The exempt income proportion is applied to net ordinary assessable income including net capital gains, but excluding assessable contributions, non-arm's length income and income including capital gains or losses derived from any segregated assets. The Trustee would calculate ECPI as follows:

Total ECPI = Eligible income * Exempt income proportion + Income on segregated current pension assets

Unutilised capital losses (except capital losses on segregated current pension assets) can be carried forward until they can be offset against assessable capital gains.

Adequacy opinion and methodology

By definition, the liabilities of an account-based member interest or reserve at a particular time, in the absence of any unusual terms or guarantees, are equal to the value of the assets backing it. Therefore no specific assumption has been made (or is needed) regarding rates of return on the Fund's assets; pension increases; or the liability calculation discount rate. As such, I am satisfied that the amount of the assets at the end of the year, if accumulated together with the Fund's future earnings and contributions, will provide the amount required to discharge in full the liabilities as they fall due. No recommendation is needed with regard to future contributions.

The average values used in the exempt income proportion are determined using a daily weighted average calculation which takes into account relevant information such as the opening balances of each member account, any reserves, and the size and timing of any member transactions during the income year. Unless otherwise stated, all member transactions including pension commencements and commutations are assumed to occur immediately at the start of each day. More information on the methodology used can be found at <https://www.accurium.com.au/-/media/Accurium/Membership/methodology-guide>