

## Danielle Barrow

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**From:** Cate Morse  
**Sent:** Thursday, 16 September 2021 9:31 AM  
**To:** Danielle Barrow  
**Subject:** FW: The Kenway Files - Queries  
**Attachments:** Visa FY2018 to FY2020.xls; Policy E3050695 FY2018 Paul Kenway.pdf; Policy E3050695 FY2019 Paul Kenway.pdf; Policy E3050695 FY2020 Paul Kenway.pdf; Middle St Lease 201907.pdf; Invoice3001822 Rent April 20.pdf; Invoice3001823 Rent May 20.pdf; Invoice3001825 Rent Jul 20.pdf; Invoice3001826 Rent Aug 20.pdf; Invoice3001827 Rent sep 20.pdf; Invoice3001824 Rent June 20.pdf

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Kind regards

Cate



**HFB GROUP**

**Cate Morse**

Accountant

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**From:** Paul Kenway <[Accounts@hbcmanagement.com.au](mailto:Accounts@hbcmanagement.com.au)>  
**Sent:** Thursday, 16 September 2021 8:00 AM  
**To:** Shona Sherman <[ShonaS@hfbgroup.com.au](mailto:ShonaS@hfbgroup.com.au)>  
**Cc:** Cate Morse <[CatherineM@hfbgroup.com.au](mailto:CatherineM@hfbgroup.com.au)>; Paul Kenway <[Accounts@hbcmanagement.com.au](mailto:Accounts@hbcmanagement.com.au)>  
**Subject:** The Kenway Files - Queries

Hi Shona and Cate

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**From:** Shona Sherman <[ShonaS@hfbgroup.com.au](mailto:ShonaS@hfbgroup.com.au)>  
**Sent:** Wednesday, 15 September 2021 12:26 PM  
**To:** Paul Kenway <[Accounts@hbcmanagement.com.au](mailto:Accounts@hbcmanagement.com.au)>  
**Cc:** Cate Morse <[CatherineM@hfbgroup.com.au](mailto:CatherineM@hfbgroup.com.au)>  
**Subject:** Queries

Hi Paul

We have some initial queries for your tax work as per below:

#### TRUST

- There are some computer expenses noted with no GST – are these for overseas providers or other GST non registered suppliers? **Correct**
- There are references each year to a lump amount of “purchases” paid on visa card. As we cannot see the breakdown of these in the withdrawals, can you provide some further information to clarify that this amount is definitely in addition to the expenses paid via the bank account? And that they definitely all have GST? **Refer attached visa details. Michelle’s products are more books, dvd’s etc and have gst.**

#### PERSONALS

- Please provide any income protection statements for policies paid (**attached**)

#### SMSF

In relation to the property at 6/32 Middle Street, Cleveland, we can see that the tenant has been experiencing some financial difficulties and therefore has been unable to pay the rent in a timely manner.

Because your Super Fund is a part owner of the property and even though the lease is to an unrelated party, we need to establish for the Auditor that you (in your capacity as trustee of the Fund) and the tenant acted on commercial terms throughout this situation. This means that you need to be seen to be taking action to ensure that the terms of the lease are being adhered to.

Accordingly, can you please provide us with some commentary/additional documentation such as letters/emails you have received the tenant and that you have sent to the tenant that outline any changes to the terms of your agreement covering the below points so we can prepare appropriate trustee resolutions for you:

- Based on the deposit narrations, it appears that rent for the month of April 2017 is \$1,000 less than expected (expected monthly rent \$2,803.82 less \$1,803.82 received on 11/7/2017) – could you advise if this was this an oversight on the tenant’s behalf or have you agreed to a deferral of rent arrangement and has this amount been repaid? **The tenant at the time was having some personal issues, so we granted a deduction.**
- Re the lease from 5 January 2018 to 4 January 2019
- Based on the deposit narrations, it appears that the tenant missed paying rent for the month of September 2017 of \$2,803.82 – was this an oversight, have you agreed to a deferral of rent arrangement and has it been repaid? **The tenant at the time was having some personal issues and couldn’t work for a month (again – young children), so we granted a deduction.**
  - The lease agreement provides that the tenant is responsible for paying certain expenses including rates – we note that these have been paid by the property owners (you and the Fund) and have not been reimbursed by the tenant. Was this an oversight on your/the tenants behalf or have you to made new arrangements with the tenant about this term in the lease? **No it was adjusted in the schedule (refer clause 12) , just not on the lease. Refer attached.**
  - The lease agreement also provides for one year option to extend the lease, with a rent increase of CPI capped at 3%. Could you please confirm if the rent was increased? Rent hasn’t been increased for a couple years. **The tenants trading and the local market has meant that we can’t push the friendship at the moment. Currently in the building, only 2 of 6 ground floor properties are occupied and 2 of the properties on the first floor (where our unit is located) are looking to sell and have been for years.**
- Re the lease from 1 July 2019 to 30 June 2020
  - The lease agreement provides that the tenant is responsible for paying certain expenses including rates – we note that these have been paid by the property owners (you and the Fund) and have not been reimbursed by the tenant. Was this an oversight on your/the tenants behalf or have you to made new arrangements with the tenant about this term in the lease? **Refer above, the change was made in the 2021 lease.**

- Can you please advise whether the tenant suffered a loss in income during the COVID-19 pandemic period (roughly from March 2020 to Sept 2020), and if so, could you advise what rent relief was provided? I did you agree to reduce the rent and/or defer the payment of rent?
- Can you please advise if at any time you obtained legal advice in order to recover the outstanding rent. No, based it on the Covid rent relief information coming out, and decided to reduce rent in accordance with trading performance. Attached are the invoices (April to September that were amended), I have emails from the tenant with trading details and decline on previous year.

Can you please advise if you have been keeping track of what the tenant owes in outstanding rent? The reason we are asking is so we can ensure our records match yours and so we can reconcile rent received vs expected rent per the lease agreement for the auditor. Yes, they are now paying weekly, with the reference of week #/52. So I can keep track of where we are at.

That's it for now!

Let me know if you have any questions.

Cheers

Shona



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