

# **AUDIT REPRESENTATION LETTER FROM TRUSTEE(S)**

## **DEBHAM SUPERANNUATION FUND**

**YEAR ENDED 30 JUNE 2019**

**To the auditor:**

Dear Sir/Madam,

With respect to the audit of the financial statements of the above-mentioned Self Managed Superannuation Fund ("the Fund") for the financial year ended as stated, the following representations are made which are true and correct to the best of my (our) knowledge and belief that will address the necessary compliance requirements of the *Superannuation Industry (Supervision) Act 1993*.

### **1. Preparation of the ATO Income Tax & Regulatory Return**

The information disclosed in the annual return is complete and accurate.

### **2. Sole Purpose of the Fund**

The sole purpose of the Fund is to provide retirement and/or death benefits to its members and/or beneficiaries.

### **3. Accounting Policies**

All the significant accounting policies of the Fund are adequately described in the Financial Statements and the Notes thereto. These policies are consistently applied unless specifically noted in the Financial Statements and Notes.

### **4. Fund Books/Records/Minutes**

All financial books, records and relevant material relating to the transactions and activities of the Fund have been made available to you, including Minutes of the Trustees' Meetings, the Trust Deed (as amended) and the Rules of the Fund.

The Financial Statements accurately disclose the Revenue and Expenses and the full extent of the Assets and Liabilities of the Fund.

### **5. Asset Form**

The assets of the Fund are being held in an acceptable form suitable for the benefit of the members of the Fund, and have been stated at their net market value.

### **6. Ownership and Pledging of Assets**

- a) The Fund has satisfactory title to all assets shown in the Financial Statements.
- b) Investments are registered in the name of the Fund.
- c) No assets of the Fund have been pledged to secure liabilities of the Fund or of any other fund or entity.

### **7. Investments**

- a) The investment strategies of the Fund continue to be under constant review.
- b) Investments are carried in the books at their net market value.

- c) Amounts stated are considered reasonable in the current market condition, and there has not been any permanent diminution in their value below the amounts recorded in the Financial Statements.
- d) There are no commitments, fixed or contingent, for the purchase or sale of long term investments.
- e) Investment transactions and investments held are in accordance with the Investment Strategy, which has been determined with due regard to risk, return, liquidity and diversity.
- f) The Trustee(s) have complied with all the Investment Standards stipulated in the Regulations relating to the SIS Act as amended.

**8. Trust Deed Amendments**

All amendments (if any) to the Trust Deed were made in order for the Fund to comply with the SIS Act, Regulations and any other applicable legislation relating to the operation and governance of the Fund.

**9. Governing Rules**

The Fund is being conducted in accordance with its Trust Deed and Governing Rules.

**10. Legislative Requirements**

The Fund is being conducted in accordance with the *Superannuation Industry (Supervision) Act 1993*, and the Regulations of the said Act.

**11. Trustee Responsibilities**

The Trustees are aware of their responsibilities to the Members and the various regulatory bodies.

**12. Trustee Covenants**

The Trustee(s) have complied with all the Trustee Covenants set out in section 52 of the *Superannuation (Supervision) Act 1993*.

**13. Disqualified person not to act as a Trustee**

There is no reason why any Trustee should be prohibited from acting as a Trustee of this Superannuation Fund.

**14. Information to Members**

Information relating to the transactions and activities of the Fund has been supplied in a timely manner.

**15. Meetings**

Meetings have been conducted in accordance with the Trust Deed and the requirements of the SIS Act. Resolutions and issues on which the Trustee(s) have voted, or on which they were required to vote have been passed by at least a 2/3rds majority of the Trustees.

**16. Subsequent Events**

Since the end of the financial year stated in the Financial Statements till the date of this letter, there have been no events or transactions that would have a material effect upon the Fund either financially or operationally.

Yours faithfully,

Yours faithfully,




.....  
Trustee

.....  
Trustee

Date: \_\_\_\_\_

# **ENGAGEMENT LETTER**

To: The Trustees  
Debham Superannuation Fund

## **Scope**

You have requested that we audit the financial report of Debham Superannuation Fund ("the Fund"), which comprises the balance sheet as at 30 June 2019, the income statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the trustees' declaration.

We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our audit will be conducted with the objective of expressing an opinion on the financial report and compliance with the *Superannuation Industry Supervisory Act 1993*.

We will conduct our audit in accordance with Australian Auditing Standards. Those Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. An audit also includes evaluating the appropriateness of the financial reporting framework, accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial report.

Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered.

In making our risk assessments, we consider internal control relevant to the entity's preparation of the financial report 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 entity's internal control.

We take this opportunity to remind you that the responsibility for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Superannuation Industry Supervisory Act 1993* is that of the trustees. Our auditor's report will explain that the trustees are responsible for the preparation and the fair presentation of the financial report in accordance with the applicable financial reporting framework and this responsibility includes:

- Designing, implementing and maintaining internal control relevant to the preparation of a financial report that is free from misstatement, whether due to fraud or error;
- Selecting and applying appropriate accounting policies; and
- Making accounting estimates that are reasonable in the circumstances.

As part of our audit process, we will request from the trustees written confirmation concerning representations made to us in connection with the audit.

## **Other Matters under the *Corporations Act 2001***

### *Independence*

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the *Corporations Act 2001* in relation to the audit of the financial report.

In conducting our audit of the financial report, should we become aware that we have contravened the independence requirements of the *Corporations Act 2001*, we shall notify you on a timely basis.

We look forward to your full cooperation and make available to us whatever records, documentation and other information we request in connection with our audit.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our audit of the financial report.

Yours faithfully,

.....  
A.W. Boys  
Registered Company Auditor 67793

Date: \_\_\_\_\_

Acknowledged on behalf of, Debham Superannuation Fund by:



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Trustee

Date: \_\_\_\_\_

# **MINUTES OF TRUSTEES' ANNUAL GENERAL MEETING**

## **Debham Superannuation Fund**

**At: 2 Myuna Court, Patterson Lakes VIC 3197**

**On: 31 August 2019**

- Present:** Mr Graham Arthur Wills  
Ms Debra Kaye Wills  
Wilsco Pty Ltd  
ACN: 604 943 151
- Chairperson:** Mr Graham Arthur Wills
- Trusteeship:** The Company act as trustee of the Debham Superannuation Fund.
- Minutes:** The Chairperson reported that the minutes of the previous meeting had been signed as true record.
- Financial Statements of Superannuation Fund:** IT WAS RESOLVED that the financial statements would be prepared as a Special Purpose Financial Report as, in the opinion of the trustees, the Superannuation Fund is a non-reporting entity and therefore is not required to comply with all the Australian Financial Standards.
- The Chairperson tabled the Financial Statements and Notes to the Financial Statements of the Superannuation Fund in respect of the year ended and it was resolved that such Statements be and are hereby adopted as tabled.
- Trustee's Declaration:** IT WAS RESOLVED that the Trustee' Declaration of the Super Fund be signed.
- Form F Annual Tax Return:** BEING SATISFIED that the Fund had complied with all the relevant requirements of the *Superannuation Industry (Supervision) Act 1993* ("the SIS Act") and Regulations during the year ended 30 June 2019, it was resolved that the Annual Tax Return be approved, signed & lodged with the Australian Taxation Office.
- Investment Strategy:** THE FUND INVESTMENT PERFORMANCE was reviewed and found to be within the acceptable investment ranges outlined in the investment strategy. After considering the risk, rate or return and liquidity of the investments and the ability of the fund to discharge

its existing liabilities it was resolved that no changes in the investment strategy were required.

- Allocation of Income:** IT WAS RESOLVED that the income of the fund would be allocated to the members based on their average daily balance (an alternative allocation basis may be percentage of opening balance).
- Investments:** IT WAS RESOLVED to ratify the investment acquisitions and disposals throughout the financial year ended 30th June 2019.
- Auditors:** IT WAS RESOLVED that Mr Tony Boys, Registered Company Auditor continue to act as Auditor of the Fund.
- Tax Agents:** IT WAS RESOLVED that Trentons CA continue to act as tax agents of the Fund for the year ending 30 June 2020.
- Trustee Status:** Each of the trustees confirmed that they are qualified to act as trustees of the fund and that they are not disqualified persons as defined by Section 121 of the SIS Act.

All resolutions for this meeting were made in accordance with Regulation 4.08 of the SIS Act and Regulations.

There being no further business the meeting then closed.

Signed as a true and correct record.



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Mr Graham Arthur Wills  
Chairperson

## **MINUTES OF THE MEETING OF THE TRUSTEES DEBHAM SUPERANNUATION FUND.**

- Date:** 31 August 2019
- Venue:** 2 Myuna Court, Patterson Lakes VIC 3197
- Present:** Mr Graham Arthur Wills  
Ms Debra Kaye Wills  
Wilsco Pty Ltd  
ACN: 604 943 151
- Chair:** Mr Graham Arthur Wills
- Minutes:** The trustees have resolved that the following Derivatives Risk Statement be adopted and implemented for the Debham Superannuation Fund.

### **DERIVATIVES RISK STATEMENT**

#### **Debham Superannuation Fund**

#### **INTRODUCTION**

The Superannuation Industry Supervision Act (SISA) requires a Derivatives Risk Statement (DRS) to be in effect for Superannuation Funds where a charge is given, in relation to the use of derivatives by the trustee of the fund. This document sets out the DRS of the Debham Superannuation Fund, and has been designed to cover the specific requirements of Regulation 13.15A of the SIS act.

Where the trustees use the services of an Investment Adviser, and that Investment Adviser makes recommendations to the trustee which entail the use of derivatives, the trustees are still responsible for ensuring that the use and implementation of derivatives is in accordance with the aims of this DRS.

#### **1. POLICIES FOR THE USE OF DERIVATIVES, INCLUDING AN ANALYSIS OF THE RISKS ASSOCIATED WITH THE USE OF DERIVATIVES WITHIN THE INVESTMENT STRATEGY OF THE FUND.**

##### **The use of derivatives**

The trustees consider that as with any investment, derivatives must fulfill the following criteria:

- (a) a derivative investment must be intended to support the fund's overall investment strategy.
- (b) the purpose of making a specific derivative investment must be consistent with the investment objectives of the fund.
- (c) all investment guidelines in respect of each member must be complied with.

More specifically, the trustees may intend to use derivatives for the following purposes:

- (a) writing (selling) covered options to produce extra income for the fund;

- (b) hedging the portfolio against the risk of adverse movements in market prices and thereby reducing volatility;
- (c) achieving diversified exposure to an entire market through market indices;
- (d) achieving transactional efficiency through reducing the cost of achieving a required exposure;

## **Risk analysis**

The trustees are responsible for the risk management and investment decisions of the fund, including those relating to derivatives. Although professional advice may be sought, the ultimate responsibility remains with the trustees.

There are various types of risks associated with derivatives. These can be broadly categorized under the headings of market risk, basis risk, liquidity risk, credit risk, and legal risk. These risks are described below.

### **A. Market Risk**

Market risk is the risk of adverse movements in markets. It arises through the holding of any financial instrument, physical or derivative, which creates exposure to movements in prices of a security or market. The market risk associated with the use of derivatives is assessed in the context of the risk profile of the total portfolio.

The predominant market risks involved with derivatives include:

1. For “buy to open” options positions
  - the inherent higher volatility of derivatives compared to physical positions.
  - time decay, which reduces the market value of the position over time.
2. For “sell to open” options positions
  - If not covered by physical stock, losses are potentially unlimited.
  - If exercised, the fund may not be able to fulfill the contract’s obligation
3. For futures contracts
  - the inherent higher volatility of derivatives compared to physical positions.
  - the internal leverage involved can lead to higher than normal losses.
  - Losses can be potentially unlimited

### **B. Basis Risk**

Basis risk is the risk that the value of a derivative will not move in line with the related physical position.

### **D. Liquidity Risk**

There are two types of liquidity risk that arise from investing in derivatives. These are:

Market Liquidity Risk - the risk that the trustees may not be able to, or cannot easily, unwind or offset a particular position due to inadequate market depth or disruptions in the market place.

Funding Liquidity Risk - the risk that the trustees may not be able to meet the future cash flow obligations from the derivative activities such as meeting margin calls on futures contracts.



### ***E. Counter-party (Credit) Risk***

Counter-party risk is the risk that a counter-party will fail to perform contractual obligations, that is default either in whole or part, under a contract.

### ***F. Legal Risk***

Legal risk is the risk that a derivative contract will not be legally enforceable.

## **2. RESTRICTIONS & CONTROLS ON THE USE OF DERIVATIVES THAT TAKE INTO CONSIDERATION THE EXPERTISE OF STAFF**

With this DRS pertaining to a Self Managed Superannuation Fund, the reference to “staff” will be taken here to be referring primarily to the trustees, and secondarily to other investment personnel that the trustees may engage to execute trades or provide advice.

In order to manage & control the risks in Section 1 above, the trustees undertake to implement the following restrictions, controls, and processes:

- All open derivative positions are monitored closely on a daily basis.
- Ensuring prior to and during all derivative contracts that any and all potential expiry exercise obligations can be fulfilled by the fund, and that the exercise event is still consistent with the fund’s overall investment strategy.
- Ensuring that positions in derivatives are covered. For the purposes of this DRS, cover consists of cash, or assets that are equivalent to cash and can be converted to cash within the settlement period. They must be sufficient to meet all potential obligations arising from the underlying asset exposure represented by the derivative position. Cover may also consist of securities for futures or options contracts.
- The setting and execution of a “stop loss” level for all futures and open “sold” option positions, to reduce “unlimited loss” risk on ‘cash settled’ contracts.
- Asset allocation targets and exposure limits specified in the investment strategy(s) of the fund include both physical and derivative exposures of the portfolio. The trustees must manage portfolios to these target allocations.
- When a derivative contract is entered into, the trustee takes into consideration the likelihood that the price of a derivative will move in line with the underlying physical position and assesses whether the level of basis risk is acceptable.
- The market depth of the derivative will be assessed to control liquidity risk.
- Sufficient cash reserves are maintained in the fund to fund deposits and margin calls equal to the impact of a considered maximum movement of the net (short plus long) derivative position.
- In order to minimize both counter-party and legal risk, the trustees will use exchange traded options and futures, which are subject to market standard documentation and settlement procedures. Participants in the exchange are subject to regulation.

### 3. COMPLIANCE PROCESSES TO ENSURE THAT CONTROLS ARE EFFECTIVE

The compliance process for the fund includes ongoing monitoring by the trustees to ensure that the above controls and procedures are effective in controlling and managing the identified risks in the use of derivatives. If deficiencies are identified, the trustees will take corrective action. The trustees will review its policies and procedures in an effort to keep current with the evolving derivatives markets and to ensure that they use derivative instruments appropriately and in the best interests of fund members. The trustees will seek advice from an expert investment professional when required to assist with this process.

**Signed**



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**Mr Graham Arthur Wills**



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**Ms Debra Kaye Wills**

**as Director for Wilsco Pty Ltd, trustee for the Debham Superannuation Fund**

**Date: 31 August 2019**

# DEBHAM SUPERANNUATION FUND

## INVESTMENT STRATEGY

In accordance with the Superannuation Fund Deed and statutory requirements, the Trustees of the Debham Superannuation Fund ("the Fund") have determined the Investment Strategy of the Fund as follows:

### **1. Investment Objectives**

**It is resolved** that the Fund should have the following investment objectives:

- An investment rate of return in excess of the national domestic inflation rate.
- To hold assets in a form so as to enable the Fund to discharge its existing and future liabilities in a manner satisfactory to all members of the Fund.

### **2. Investment Strategies**

**It is resolved** that the Fund should have the ability to invest in the following categories:

- Direct equities and stocks, including participation in dividend reinvestment programs and/or rights issues and/or any other similar investments offered in this area.
- Property trusts and/or associated products.
- Managed investments and/or associated products.
- Direct property investments; and
- Any other investment types or categories that is legal under the laws of the Commonwealth of Australia and its States and Territories.

**It is further resolved** that:

- a) In determining the investment strategy, the Trustees will consider, in respect of each of the Fund's investments, all aspects of the investment(s) in accordance with the Fund's investment objectives and relevant Taxation and Superannuation Legislation.
- b) In respect of each investment, the Trustees will consider:
  - i) The risk to the Fund and its members of acquiring it.
  - ii) The diversification of the investment in comparison to all of the other investments owned by the Fund.
  - iii) The liquidity requirements of the Fund in meeting its liabilities; and
  - iv) The effect that this investment will have on other Fund investments after having assessed the entire financial position of the Members.
- c) The Trustees will ensure that all the Fund's investments are monitored and continue to comply with this investment strategy and relevant Taxation and Superannuation Legislation.
- d) The Trustees reserve the right to alter this investment strategy at any time.



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Trustee:



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Trustee:

## MINUTES OF TRUSTEES' SPECIAL GENERAL MEETING

### *Debham Superannuation Fund*

**At:** 2 Myuna Court, PATTERSON LAKES VIC 3197  
**On:** 31 August 2019

**Present:** Mr Graham Arthur Wills  
Ms Debra Kaye Wills  
Wilsco Pty Ltd  
ACN: 604 943 151

**Chairperson:** Mr Graham Arthur Wills

**Trusteeship:** The Company acts as trustee of the Debham Superannuation Fund.

**Minutes:** The Chairperson reported that the minutes of the previous meeting had been signed as a true and correct record.

**Declaration of Trust:** The Trustee of the Debham Superannuation Fund hereby confirm that as of 30 June 2019:

- The Fund is the owner of the commercial property ("The property") being 3/263-271 Wells Road, Chelsea Height VIC 3196;
- The property is being leased to Wills Family Trust, a related party of the Fund where the property is used **wholly and exclusively in business**; and
- The Lease Agreement has been made on an arm's length basis (Commercial).

All resolutions for this meeting were made in accordance with Regulation 4.08 of the *SIS Act* and Regulations.

There being no further business the meeting then closed.

Signed as a true and correct record.



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Mr Graham Arthur Wills  
Chairperson