

8 October 2021

The Trustees
Hilton Kensit Superannuation Fund
7 Young Rd MOSS VALE NSW 2577

Dear trustees,

Hilton Kensit Superannuation Fund

I advise that the audit of the abovementioned fund for the year ended 30 June 2021 has now been completed and the signed audit report is enclosed along with my account for services rendered. We remind that the responsibility for the preparation of the financial report and compliance with the Superannuation Industry (Supervision) Act 1993 (SIS) is that of yours, the Trustee(s) of The Fund. This includes maintaining adequate accounting books and records and the internal control thereof, the selection and application of accounting policies and safeguarding the assets of The Fund.

Under Section 129 of SIS we are required to bring to your attention any matters that require remedial action and requested that you take such action. Where remedial action is not carried out by the Trustee(s) we are legally bound to advise the Australian Taxation Office that these matters have not been adequately addressed.

Matter 1 – Investment in real estate

Please note the property investments below:

1) 1507/90 Surf Pde Broadbeach QLD 4218 – carrying value at 30 June 2021 \$550,000

"This is a friendly reminder to the Trustee(s) of their continuing obligations under:

- SIS Act Section 109 – the Trustee(s) must maintain all dealings on an arms-length basis.
- SIS Act Section 62 – the Trustee(s) must maintain fund assets for the sole purposes of providing retirement benefits for members or to their dependents if a member dies before retirement

All investment properties must be leased on arms-length and commercial terms, as documented in an arms-length executed lease agreement.

Please note where the fund holds an investment in residential property, the members, their relatives and/or related parties are prohibited from personally benefiting or occupying from the property.

I kindly ask the Trustee(s) to ensure that market rates of rent are being charged and collected, consistent with SIS Act Section 109.

Matter 2 – Requirement to maintain a valid and considered Investment Strategy

In recent times, the ATO have made a point of drawing Trustee(s) attention to the Investment Strategy.

I believe now is a good opportunity to review the investment strategy and ensure that Risk, Diversification, Liquidity, Performance and Recoverability (including consideration of Insurance for each member) have been adequately considered and documented per SIS Act Section 52(6) and SIS Regulation 4.09(2). The Trustee(s) should also ensure that the individual circumstances of the fund and members are taken into account."

My audit work involves the review of only those systems and controls adopted by the Trustee, upon which I wish to rely for the purposes of determining my audit procedures. Accordingly, my examination may not have identified all the control weaknesses that may exist. Furthermore, my audit should not be relied on to disclose defalcations or other similar irregularities, although their disclosure, if they exist, may result from the audit tests I undertake.

Should you wish to discuss the above please contact me.

Kind regards,

A handwritten signature in black ink, appearing to read 'David', written in a cursive style.

David Robson FCA
Approved SMSF Auditor