

Itochu Australia Superannuation Plan

Plan Registration Number R1068849, ABN 34 750 276 679

ANNUAL REPORT TO MEMBERS

FOR THE YEAR ENDED 31 March 2018

This Annual Report forms Part 2 of your annual periodic statement. It should be read with the Member Statement which forms Part 1.

Date of preparation: 26 June 2018

Important information:

The issuer and Trustee of the Itochu Australia Superannuation Plan as at the date of preparation of this Report is Equity Trustees Superannuation Limited, ABN 50 055 641 757, AFSL No. 229757, RSE Licence No. L0001458. Address: GPO Box 2307, Melbourne VIC 3001. Ph: (03) 8623 5000 Fax: (03) 8623 5200.

The Administrator of the Itochu Australia Superannuation Plan is OneVue Super Member Administration Pty Ltd, ABN: 90 094 584 755, AFSL No: 241366, Address: PO Box 67, Australia Square NSW 1215. Ph: (02) 8099 4093

General Disclaimer

This Annual Report is issued by Equity Trustees Superannuation Limited ("the Trustee") ABN 50 055 641 757, AFSL No. 229757, RSE Licence No. L0001458, as trustee of the Itochu Australia Superannuation Plan ("the Plan"), ABN: 34 750 276 679, RSE Registration No. 1068849, as at the date of preparation of this Report.

The Trustee, any investment manager and other service provider to the Plan, **do not** guarantee the investment performance of any investment offered or the repayment of capital. Investment in the Plan is subject to investment risk including loss of income and capital invested. Any defined benefits are subject to the continuation of employer funding to the Plan. In addition, to the extent permitted by law, the Trustee accepts no responsibility in connection with the payment of any insured benefits made available to members.

The information provided in this report is in accordance with the requirements of the Corporations Act 2001. The report also contains updates on legislative changes that may be relevant to your superannuation.

Any information is of a general nature only and has been prepared without taking into account your investment objectives, financial situation and needs. Before making any investment decisions in relation to the Plan, you should obtain professional financial advice from a licensed or authorised financial adviser.

Whilst all due care has been taken in the preparation of this report, the Trustee reserves its right to correct any errors or omissions.

The terms of your membership in the Plan are set out in the Plan's Trust Deed and any applicable insurance policy. Should there be any inconsistency between this report and the Plan's Trust Deed, the terms of the Plan's Trust Deed will prevail.

Any insurance benefits are subject to the terms and conditions of the applicable insurance policy.

Message from the Trustee

The Trustee presents the Annual Report for the Itochu Australia Superannuation Plan ("the Plan") for the year ended 31 March 2018.

This Annual Report should be read in conjunction with your annual Member Statement, which shows your member entitlements in the Plan as at 31 March 2018.

Please take the time to read this report and if you have any queries or require further information, contact the Plan Administrator (contact details on the back page).

Key points for 2018

Net earning rate*	6% p.a.
Total contributions and transfers paid in	\$258,044
Net Plan assets at 31 March 2018	\$3,468,018

* The net earning rate is not relevant to your defined benefit but may be relevant to other benefits or accounts applicable to a member. Refer to the annual Member Statement for more information.

Plan membership

The Plan's membership changed during the year as follows:

Total members at 1 April 2017	8
New members	0
Members who left	0
Total members at 31 March 2018	8

Who runs the Plan?

The Plan is set up as a trust and is governed by a legal document called a Trust Deed. The trustee

responsible for running the Plan in accordance with the Trust Deed is Equity Trustees Superannuation Limited (ABN 50 055 641 757, AFSL No. 229757, RSE Licence No. L0001458).

Policy Committee

A Policy Committee is a committee of the Trustee whose purpose includes facilitating communication between the members of the Plan and the Trustee.

In most instances, a Policy Committee of a superannuation fund is required to be made up of an equal number of employer and employee representatives. Because the Plan has less than 50 members, there is no requirement for a Policy Committee to be formed unless at least 5 of the members request to do so.

The Plan does not currently have a Policy Committee; however you may request the formation of a Policy Committee at any time by writing to the Trustee (details provided on the front page).

Trustee indemnity insurance

The Trustee has trustee indemnity insurance to protect the Trustee, its Directors and the Plan against certain liabilities, that is consistent with the size and nature of its business and industry standards. As with any insurance, the indemnity is subject to the terms and conditions of the relevant insurance policy.

Service providers

During the year to 31 March 2018, a number of appointed service providers or third parties assisted in the management of the Plan or the provision of services in relation to the Plan, including:

Administration, General Consulting
OneVue Super Member Administration Pty Ltd*
(AFSL No. 241366)

Asset Consulting
KPMG Financial Services Consulting Pty Ltd
(AFSL No. 392050)

Actuary	Insurer	Auditor
Alea Actuarial Consulting Pty Limited (AFSL No: 300184)	AMP Life Limited (AFSL No: 233671)	UHY Haines Norton (AFSL No. 269158)

Underlying fund managers during the reporting period

- Schroders Investment Management Australia Limited (ABN 22 000 443 274 AFSL No 226473)
- Vanguard Investments Australia Limited (ABN 72 072 881 086 AFSL 227263)**
- MLC Investments Limited (ABN 30 002 641 661 AFSL No 230705)
- Equity Trustees Limited (ABN 46 004 031 298 AFSL No: 240975)***

Note: the underlying fund managers utilised for investments by the Plan may be changed from time to time at the absolute discretion of the Trustee. They are shown in this report to provide historical information about the investments of the Plan during the year. You have no ability to choose the underlying fund managers utilised by the Trustee.

* On 26 February 2018, KPMG announced the sale of its subsidiary, KPMG Superannuation Services Pty Limited, to the financial services firm, OneVue

Holdings Limited ABN 15 108 221 870. OneVue Holdings Limited will provide administration and general consulting services to the Fund. KPMG Financial Services Consulting Pty Limited (ASFL No. 392050), a wholly owned subsidiary of KPMG Superannuation Services Pty Limited, will provide asset consulting services to the Fund.

** As a result of an Asset Consultant Review requested by the Trustee, a recommendation was made by the Asset Consultant to redeem the Schroders Balanced Fund and invest the funds in the Vanguard Growth Index Fund. The Trustee accepted this recommendation and the redemption of the Schroder Balanced Fund and subsequent investment in the Vanguard Growth Index Fund was actioned effective 6 May 2017.

*** Equity Trustees Limited is the issuer of the EQT Cash Management Fund in which the Plan invests. Transactions between Equity Trustees Superannuation Limited in its capacity as Trustee of the Fund and Equity Trustees Limited in its capacity as issuer of the EQT Cash Management Fund are conducted on normal commercial terms and involve conditions no more or less favourable than those available to other parties unless otherwise stated.

Investments

Investment Allocation

The following table shows the distribution of the Plan's assets between underlying investments at 31 March 2017 and 31 March 2018:

Proportion of total Plan assets for the year ended 31 March		
Manager	2018	2017
Schroders Balanced Fund ("SBF") – to 6 May 2017**	0%	47.0%
Vanguard Growth Index Fund – from 6 June 2017	46.0%	0%
PIC Wholesale 70/30 Portfolio ("PIC")	45.6%	46.6%
EQT Cash Management Account ("EQT Cash")*	8.4%	6.4%

* EQT Cash is used predominantly as a working account to meet benefit payments and expenses as they arise.

Itochu Australia Superannuation Plan Investment Objective & Strategy

<h2>Investment Strategy</h2>	<ul style="list-style-type: none"> In order to achieve the Plan's investment objectives, the Trustee has adopted a strategy whereby the Plan's assets are allocated between two fund managers in accordance with the benchmark fund manager allocation; and The Plan utilises a cash management trust in order to handle cash flows and short-term operating requirements of the Plan. 		
<h2>Investment Objectives</h2> <p>Note: the objectives are not a promise or guarantee of any particular benefit or return. The objectives are used by the Trustee to measure the performance of the Plan's investments.</p>	<p>The investment objectives of the Plan are broken down into General and Specific Investment Objectives.</p> <p>The Trustee's general investment objectives for the Plan's assets are as follows:</p> <ul style="list-style-type: none"> To invest the assets of the Plan as permitted by the power of investments under the Trust Deed or by law; To prudently manage all aspects of risk in relation to the Plan's assets, including: <ul style="list-style-type: none"> Ensuring the assets are adequately diversified; Ensuring the assets have an appropriate level of liquidity; and To ensure that there are sufficient assets to meet benefit payments when benefit payments fall due. <p>The Trustees' specific objectives for the Plan's assets are as follows:</p> <ul style="list-style-type: none"> To achieve a rate of return (after tax and investment fees) of at least 3.0% p.a. above the prevailing rate of inflation, as measured by the Consumer Price Index ("CPI") over any rolling three-year period; and For the Plan's investment managers to achieve a rate of return (after tax and investment fees) over any rolling three-year period that: <ul style="list-style-type: none"> Is above the average return (after tax and investment fees) of comparable surveyed managers; and Is achieved with a level of risk below that of the average comparable surveyed manager. 		
<h2>Level of risk</h2> <p>Note: this provides a general indication of the level of risk. For an assessment of risks taking into account your personal situation, we suggest you consult an appropriately qualified adviser.</p>	Risk Band	Risk Label	Estimated number of negative annual returns over any 20 year period
	5	Medium to high	3 to less than 4

Benchmark Asset Allocation	Benchmark %	Minimum %	Maximum %
Australian Shares	31.0	21.0	41.0
International Shares	27.5	17.5	37.5
Property	4.5	0.0	10.0
Alternatives*	8.0	0.0	10.0
International Fixed Interest	7.5	0.0	17.5
Australian Fixed Interest	17.5	7.5	27.5
Cash	4.0	0.0	14.0
Total	100		

Note: Actual allocations may vary from time to time from the benchmarks and ranges shown.

*includes commodities and global invested infrastructure and alternative assets.

Asset Allocation

The dollar and percentage asset allocations of the Plan's investments as at 31 March 2018 and 2017 were:

Asset Class	31 March 2018		31 March 2017	
	(\$)	(%)	(\$)	(%)
Australian Shares	890,469	25.2	957,259	29.4
International Shares	1,149,334	32.5	793,499	24.3
Property	59,753	1.7	57,696	1.8
Alternatives*	171,183	4.9	386,652	11.9
Australian Fixed Interest	364,646	10.3	345,752	10.6
International Fixed Interest	453,575	12.8	192,499	5.9
Cash	449,523	12.6	527,817	16.1
Total	3,538,483	100.00	3,261,174	100.00

*includes commodities, global invested infrastructure and alternative assets.

Plan performance

The Plan's net earning rate (after tax and relevant fees or costs) per annum over the past five years up to 31 March 2018 and the Plan's three, five and 10 year compounded net earning rates up to 31 March 2018 are shown in the table below:

Net Earning Rates	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	3 year compound (%)	5 year compound (%)	10 year compound (%)
	6.00	12.48	-3.00	12.73	12.11	4.97	7.89	6.05

Note: the net earning rate has no effect on your defined benefit, however, the rate will be relevant to any accumulation account which forms part of your benefit (refer to the annual Member Statement for more information). For more information refer to the 'Allocation of earnings to members' section below.

Past performance is not a reliable indicator of future performance. A superannuation fund's investment performance typically varies over time. Because superannuation is a long-term investment, longer-term returns (such as 5 and 10-year figures) smooth out short-term results. Depending on the nature of the investment portfolio (including its risk profile), the Plan's investments may experience negative returns from time to time and it is generally not appropriate to assess the performance of investments by the return for a single year or other short-term periods.

Allocation of earnings to members

The Plan is a defined benefit plan, which means that your retirement benefit is related to your years of membership in the Plan and your salary levels near the time of receiving your benefit. Defined benefits are not affected by investment performance. Investment performance is, however, relevant if you receive a resignation/retranchment benefit or have any additional accounts (Voluntary Contribution Account, Rollover Account, ADP Account and Surcharge Account) referred to as 'accumulation accounts'. You should refer to your annual Member Statement for details of your additional accounts.

The Plan's earnings are allocated to members' accumulation accounts (after the deduction of relevant fees, costs and taxes).

Where relevant, earnings are allocated on a pro-rata daily basis and are compounded annually, each 31 March, based on a net earning rate declared by the Trustee (interim declared rates apply when a member leaves the Plan or withdraws monies from the Plan during the year). The returns of the Plan are subject to normal investment market movements and future investment performance cannot be guaranteed. Earnings can be positive or negative.

The net earning rate for the Plan is based on the Plan's actual earning rate, i.e. the combined return of the underlying Plan managers less relevant tax and other expenses which are deducted from the assets of the Plan, and is equal to the net investment return.

The Trustee has declared a net earning rate of 6.00% p.a. for the year ended 31 March 2018.

Over the five years to 31 March 2018, the compound average net earning rate for the Plan is as follows:

Five year compound net earning rate:	7.89% p.a.
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Note: Past performance is not a reliable indicator of future performance.

The Trustee does not guarantee that you will earn any specific rate of return on your investment or that your investment will gain or retain its value.

Interim net earning rate

Members who have additional accumulation accounts, who leave the Plan or make withdrawals from the accounts during the year, are entitled to earnings based on an interim net earning rate. The interim net earning rates change over time and reflect the investment experience of the Plan at the time of the interim rate calculation. Interim rates can be positive or negative.

The Trustee calculates the interim net earning rate as required. For further information contact the Plan Administrator (contact details on the back page).

Asset consultant

The Trustee utilises an independent asset consultant to provide advice regarding the investments of the Plan. The asset consultant to the Plan is currently KPMG Financial Services Consulting Pty Limited (ABN: 91 144 686 046, AFSL No. 392050).

The investments of the Plan are monitored via quarterly investment reports, which are reviewed by the Trustee.

Underlying fund managers may be appointed and removed by the Trustee having regard to the recommendations of the asset consultant. Any decision to appoint/remove a manager is based upon an assessment of the fund manager's style and performance, as well as its fit with the other managers utilised by the Plan.

Reserves

The Plan has an Operational Risk Financial Requirement Reserve ("ORFR") which is intended to provide adequate financial resources to address potential losses arising from operational risks (as defined under superannuation laws) that may affect the Plan's business operations, for example, losses resulting from inadequate or failed internal processes, people and systems or from external events. The Trustee aims to maintain an ORFR reserve of at least 0.25% of net assets.

The Trustee has a strategy for managing this reserve which includes investing the ORFR solely in cash and cash equivalent investments. The ORFR may be drawn upon to assist in compensating members or the Plan in the event of an operational risk having materialised.

Movements in this reserve over the year to 31 March 2018 were as follows:

Reserves	
Opening Balance (01/04/2017)	\$9,965
Transfer into reserve	\$0
Earnings on ORFR	\$103
Closing Balance (31/03/2018)	\$10,068

The Plan's ORR over the past 3 years are as follows:

Reserves Over Three Years	
31 March 2016	\$9,850
31 March 2017	\$9,965
31 March 2018	\$10,068

Derivatives

The Trustee does not directly invest any of the assets of the Plan in derivative securities such as options, futures or swaps.

The underlying fund managers utilised by the Plan may utilise derivatives to manage the risk and liquidity of their portfolios. They do not invest in derivatives for speculative purposes.

Nomination of beneficiaries

Your Member Statement shows your current non-binding nominated beneficiaries (if any), whom you would prefer to receive your superannuation benefits upon your death. It is important that this information is up to date. You can make a change to your non-binding nominated beneficiaries at any time, by contacting the Plan Administrator (contact details on the back page).

Note: This nomination is not binding on the Trustee. In this regard, your nomination may help the Trustee to determine the payment details, however the Trustee has discretion as to whom a death benefit is paid, subject to the relevant legislative requirements, which only allow payment

to a dependant and/or legal personal representative where one exists.

Actuarial review

The Plan is required to obtain a full actuarial review at least every three years. The last full actuarial review of the Plan was completed effective 31 March 2016.

The purpose of the actuarial review is for the Plan's actuary to investigate the financial position of the Plan and to make recommendations regarding the level of future contributions to be made by the employer sponsors of the Plan to ensure that the Plan remains in an adequate financial position and defined benefits can be met for each member.

The Plan's actuary conducted a review of the Plan's financial position as at 31 March 2018 and advised the Trustee that the Plan was in a strong financial position. The Plan's Vested Benefit Index ("VBI") was 115% at 31 March 2018. This effectively means that as at that date, the assets held by the Plan exceeded the value of members' benefits. Note, a ratio of 100% would mean that the assets matched the value of benefits.

The actuary recommended the Plan's sponsoring employers continue their current contribution arrangements for the period 1 April 2018 to 31 March 2019. The actuary provided recommendations for 3 year, 5 year and 10 year funding alternatives for the Plan's sponsoring employers to consider for contribution arrangements from 1 April 2019.

Superannuation surcharge tax

Whilst the superannuation surcharge was abolished with effect from 1 July 2005, any assessments that have been received and paid to the ATO for years during which the surcharge applied are reflected in your Surcharge Account.

Your Surcharge Account will continue to accrue earnings until you leave the Plan and will be deducted from your benefit at that time. The earnings applied to your Surcharge Account is the Plan's net earning rate (refer to the "Allocation of earnings to members" section of your annual Member Statement).

Eligible rollover fund

The Super Safeguard Fund ("SUSA") is the nominated Eligible Rollover Fund ("ERF") for the Plan.

An ERF is a fund designated by APRA to receive and invest the entitlements of superannuation members in certain circumstances.

Subject to any legislative requirement for the Trustee to transfer lost accounts to the ATO, your benefit may be transferred to the ERF if:

- You leave the employment of your employer without providing benefit payment instructions within 90 days of leaving; or
- You become a "lost member", where two pieces of mail are 'returned to sender' and the Plan no longer has updated contact details for you and is otherwise unable to contact you.

If your benefit is transferred to SUSA, any insurance cover that you may have will cease as at the date of transfer.

Once your benefit has been transferred to SUSA, you will have no entitlement to benefits from the Plan. Instead, you will become a member of SUSA and be subject to its governing rules. If the Trustee holds your current address or contact details, you will be provided with a Product Disclosure Statement ("PDS") from SUSA upon transfer of your benefit to them. This PDS will outline the operational and membership details of SUSA. Please contact SUSA for further information (contact details below).

The investments, fees and costs in relation to SUSA will be different from those of the Plan. In addition, SUSA does not offer insurance benefits in the event of death or disablement.

As such, apart from any grace period applicable to members' insurance benefits on termination of employment, any insurance benefits you may have in the Plan will cease at the time your benefit is transferred to SUSA.

Members wishing to locate their benefit after it has been transferred from the Plan, or members who have any enquiries on the nominated ERF, should contact SUSA at the following address:

Postal address

Super Safeguard Fund
GPO Box 3426
MELBOURNE VIC 3001

☎ 1300 135 181
📧 1300 135 191
🌐 www.supersafeguard.com.au

Where benefits are transferred to the ATO under Government legislation, they can be claimed by contacting the ATO (go to www.ato.gov.au for more information).

Enquiries and complaints procedure

The Trustee is required to take all reasonable steps to ensure that there are arrangements in place under which:

- Members or their beneficiaries have the right to enquire into, or complain about, the operation or management of the Plan; and
- These enquiries or complaints will be properly considered and dealt with within 90 days.

It is important to distinguish between enquiries and complaints. Enquiries are requests for information about the Plan or your benefits. Complaints are expressions of dissatisfaction.

Enquiries

If you have an enquiry regarding the Plan, you should contact the Plan Administrator (contact details on the back page). Enquiries can be made by email, phone or in writing. If you do not receive a satisfactory response within 28 days, you should immediately contact the Trustee (see front page for contact details).

Complaints

Complaints should generally be made in writing to the Trustee, and you should receive a response from the Trustee within 90 days.

Complaints to the Trustee should be directed to the 'Complaints Officer':

Complaints Officer

C/- OneVue Super Member Administration Pty
Ltd
PO Box 67
Australia Square NSW 1215

 (02) 8099 4093

Superannuation Complaints Tribunal

If you are not satisfied with the Trustee's handling of your complaint or their decision, or the Trustee does not respond within 90 days, you may contact the Superannuation Complaints Tribunal. The Tribunal is an independent body set up by the Federal Government to assist members or beneficiaries to resolve certain types of disputes with fund trustees.

The Tribunal may be able to assist you to resolve your complaint, but only if you are not satisfied with the response received from the Trustee's handling of your complaint. If the Tribunal accepts your complaint, it may attempt to resolve the matter through conciliation, which involves assisting you and the Trustee to come to a mutual agreement. If conciliation is unsuccessful, the complaint is referred to the Tribunal for a determination which is binding. You should be aware, however, that a party may appeal a decision of the Tribunal to the Federal Court.

The Tribunal cannot deal with all complaints. If you wish to find out whether the Tribunal can handle your complaint and the type of information you would need to provide, phone the following number for the cost of a local call anywhere in Australia:

Postal address

Superannuation Complaints Tribunal
Locked Bag 3060
Melbourne VIC 3001

 1300 884 114

From 1 November 2018, complaints should be made to the Australian Financial Complaints Authority instead of the Superannuation Complaints Tribunal. For more information, contact the Fund Administrator (contact details on the back page) or the Australian Financial Complaints Authority on 1800 931 678.

Information on request

Information available on request by contacting the Plan Administrator (contact details on the back page) includes:

- The Plan's Trust Deed and Rules;
- The latest audited accounts;
- The most recent actuarial report;
- All member forms, e.g. the Change of Beneficiaries Nomination Form;
- Information about contributing to the Plan, and general taxation information;
- Information about your benefit entitlements; and
- Any other information that may help you understand particular investments of the Plan or the management, financial condition and performance of the Plan.

The Plan is subject to superannuation and taxation rules. These rules include:

- Limitations on when contributions may be accepted by the Plan;
- Annual "Concessional contribution" and "Non-concessional contribution" limits which apply to all concessional and non-concessional contributions for you, whether made to the Plan or another superannuation fund. If these limits are exceeded you may incur additional tax, payable via the Plan or by you personally depending on the circumstances. The application of these limits in relation to employer contributions made for the provision of your defined benefits are complex;
- Taxation rules relating to superannuation contributions and benefits more generally, depending on your level of income (including certain superannuation contributions). High income earners are subject to additional tax in relation to their superannuation, which is also governed by complex rules in the case of defined benefits;
- Limitations on when you can access your superannuation benefits in cash (referred to as "preservation rules") and other benefit

payment rules, which apply in addition to any benefit rules in the Plan's trust deed.

The impact of these rules depends on your personal circumstances.

Please refer to www.ato.gov.au or contact the Administrator for further general information about contribution limits, taxation of contributions and other superannuation taxation, or for information that takes into account your personal situation, speak to a suitably qualified adviser. Neither the Trustee nor the Administrator can provide you with personal financial or taxation advice.

Please note that the Trustee is not responsible for monitoring the level of your contributions to ensure that limits are not exceeded.

Legislative Update

Note: This legislative update was compiled as at May 2018 and is subject to change. The changes mentioned in this section, such as the proceeds from the sale of a house, are optional and will not be offered by the Fund.

For up to date information relating to taxation of superannuation, go to www.ato.gov.au or contact the Plan Administrator.

Superannuation changes from 1 July 2018

The Government has made a number of significant reform proposals in relation to superannuation, some of which have since been legislated and are due to take effect (generally) from 1 July 2018.

Some of these changes are:

- From 1 July 2018, superannuation fund members will be able to 'carry-forward' any unused amount of the concessional contributions cap. Members will be able to access their unused concessional contributions cap on a rolling basis for five years. Amounts carried forward that have not been used after five years will expire. The first year in which superannuation fund members can access unused concessional contributions is 2019–20 (when unused concessional contributions for the 2018 – 19 year can be carried forward). Members will only be able to carry-forward their unused concessional contributions cap if

their total superannuation balance at the end of 30 June of the previous financial year is less than \$500,000;

- First home buyers will be able to withdraw voluntary superannuation contributions made from 1 July 2017 for a first home deposit. From 1 July 2017 individuals can contribute up to \$15,000 per year (subject to contribution caps). They will be able to withdraw up to \$30,000 (plus associated earnings) per person in total under the scheme. Withdrawals of contributions (and any associated deemed earnings) may be made from 1 July 2018;
- A person aged 65 or over can contribute up to \$300,000 from the proceeds of the sale of their home as a non-concessional contribution into superannuation, from 1 July 2018. This is in addition to the maximum contribution otherwise permitted in super (but the transfer balance cap for conversion from the accumulation to retirement phase will still apply). This measure will apply to sales of a principal residence owned continuously by you and/or your spouse for the past 10 or more years and both members of a couple will be able to take advantage of this measure for the same home;
- Reforms to dispute handling arrangements have been legislated where the current external dispute resolution body for superannuation, the Superannuation Complaints Tribunal will be replaced with the Australian Financial Complaints Authority from 1 November 2018.

Superannuation changes announced in the 2018 Federal Budget

Superannuation related changes announced in the recent May 2018 Federal Budget are designed to increase member protection and the flexibility of rules around superannuation. Some of the proposed changes (which have not yet been legislated) are:

- Insurance in superannuation will move from default to an opt-in basis for any member with

a balance below \$6,000, or who is under 25 years or with an inactive account (with no contributions in 13 months). These changes are to take effect from 1 July 2019. Members who are impacted have until then to decide whether to opt-in to their existing cover or allow it to terminate;

- Administration and investment fees charged by super funds will be capped at 3 percent pa of accounts with balances below \$6,000. Exit fees will be banned for all super accounts. These changes are to take effect from 1 July 2019;
- Individuals with multiple employers and with income exceeding \$236,157 will be able to nominate that wages from certain employers are not subject to SG from 1 July 2018 in order to avoid unintentionally breaching the \$25,000 concessional cap;
- An exemption from the work test for voluntary contributions for individuals aged 65 to 74 with balances below \$300,000 in the first year they do not meet the work test requirements. (The contribution caps will still apply to the contribution.) These changes are to take effect from 1 July 2019;
- Super fund trustees will be required to develop a retirement income strategy for fund members, which is aimed at supporting the Government's proposed comprehensive income product for retirement (CIPR) framework;
- All inactive superannuation accounts (where no contribution has been received for 13 months) with a balances below \$6,000 will be required to be transferred to the ATO. ATO data-matching will be expanded to pro-actively reunite these with members' active accounts, where possible. The changes take effect from 1 July 2019;
- The ATO will be provided additional funding to develop new integrity models and undertake additional compliance activity to alert individuals to the requirement that they comply with Notice of Intention to

Deduct (NOI) requirements. This measure is proposed to commence from 1 July 2018.

This Legislative Update is a broad summary for general information purposes only. The application of some of the legislative changes, particularly to members of defined benefit funds, can be complex. We recommend that you speak to your financial adviser about how these and any other relevant superannuation changes may affect you. The implications depend on your personal circumstances.

Other Information

Our approach to conflict's management is governed by a Conflicts of Interest Policy which sets out the obligations of Equity Trustees Superannuation Limited and establishes formal procedures to identify, avoid, manage, record and monitor conflicts of interest and duty that arise within our business. Conflicts identified are recorded and managed on an ongoing basis via a within our business. Conflicts identified are recorded and managed on an ongoing basis via a Register of Relevant Duties and Interests and via other relevant policies, systems and processes. Review of our Conflicts Management Framework is undertaken annually.

Summary of financial performance

A summary of the Plan's audited accounts for the year ended 31 March 2018 is shown below. The full audited accounts and auditor's report are available on request by contacting the Plan Administrator (contact details on the back page).

Statement of Financial Position as at 31 March 2018

	31 March 2018	31 March 2017
	\$'000	\$'000
Assets		
Cash and cash equivalents	295	210
GST receivable	1	1
Trust distribution receivable	6	-
Income tax refund receivable	4	14
Units in pooled superannuation trusts	1,615	1,518
Units in wholesale trusts	1,622	1,533
Prepayments	10	12
Deferred tax assets	8	24
Total assets	3,561	3,312
Liabilities		
Accrued charges	93	91
Total liabilities (excluding member benefits)	93	91
Net assets available for members' benefits	3,468	3,221
Member benefits		
Defined contribution member liabilities	523	462
Defined benefit member liabilities	2,499	2,385
Total member benefits	3,022	2,847
Total net assets	446	374
Equity		
Operational risk reserve	10	10
Defined benefits that are over funded	436	364
Total equity	446	374

Income Statement for the Year Ended 31 March 2018

	31 March 2018 \$'000	31 March 2017 \$'000
Superannuation Activities		
Revenue		
Interest	3	2
Trust distributions	183	246
Movement in fair values	4	201
Investment manager rebates	5	8
Total revenue	195	457
Expenses		
Investment expenses	(34)	(66)
General administration expenses	(149)	(150)
Insurance premiums not charged to member accounts	(11)	(15)
Total expenses	(194)	(231)
Profit from operating activities	1	226
(Less): net benefits allocated to defined contribution	(28)	(74)
(Less)/Plus: net change in defined benefit members'	80	(751)
Profit before income tax	53	(599)
Less: Income tax (expense)/benefit	(19)	70
Profit after income tax	72	(529)

Statement of Changes in Member Benefits for the Year Ended 31 March 2018

	Defined Contribution \$'000	Defined Benefit \$'000	Total \$'000
Opening balance of member benefits as at 1 April 2017	462	2,385	2,847
Contributions:			
Employer	16	193	209
Member	19	30	49
Income tax on contributions	(2)	(29)	(31)
Net after tax contributions	33	194	227
Net benefits allocated, comprising:			
Net investment income	28	-	28
Net change in defined benefit member accrued benefits	-	(80)	(80)
Closing balance of member benefits as at 31 March 2018	523	2,499	3,022
Opening balance of member benefits as at 1 April 2016	466	2,545	3,011
Contributions:			
Employer	15	231	246
Member	17	35	52
Income tax on contributions	(2)	(35)	(37)
Net after tax contributions	30	231	261
Benefit payments	(108)	(1,142)	(1,250)
Net benefits allocated, comprising:			
Net investment income	74	-	74
Net change in defined benefit member accrued benefits	-	751	751
Closing balance of member benefits as at 31 March 2017	462	2,385	2,847

Statement of Changes in Equity for the Year Ended 31 March 2018

	Operational risk reserve \$'000	Unallocated surplus/ (deficiency) \$'000	Total Equity \$'000
Opening balance as at 1 April 2017	10	364	374
Profit after income tax	-	72	72
Closing balance as at 31 March 2018	10	436	446
Opening balance as at 1 April 2016	10	893	903
Profit after income tax	-	(529)	(529)
Closing balance as at 31 March 2017	10	364	374

Contact details

For further information regarding the Itochu Australia Superannuation Plan, please contact the Plan Administrator as follows:

Plan Administrator

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