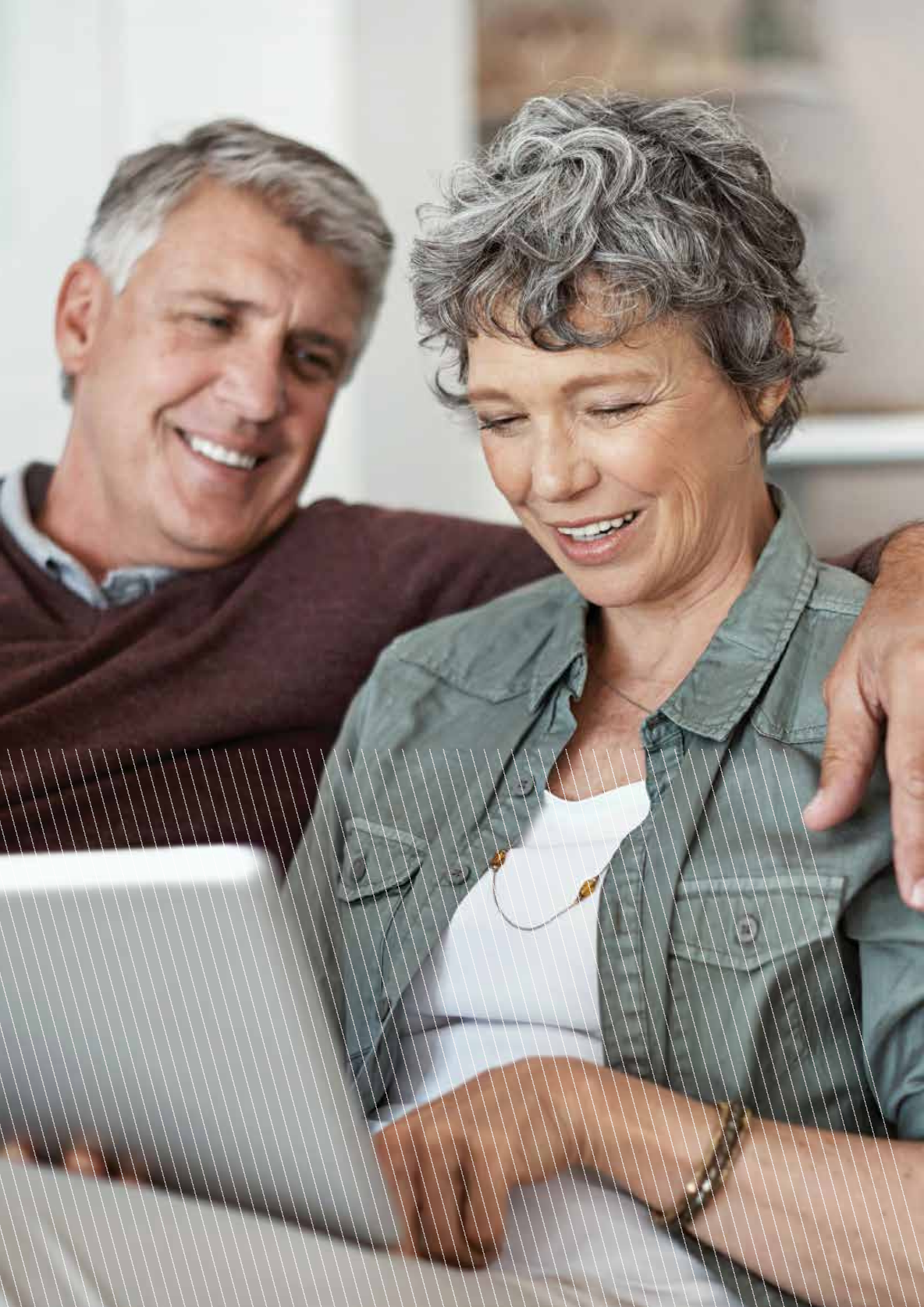


# 2017

# Annual Report



**FORESTERS**  
Friendly Society



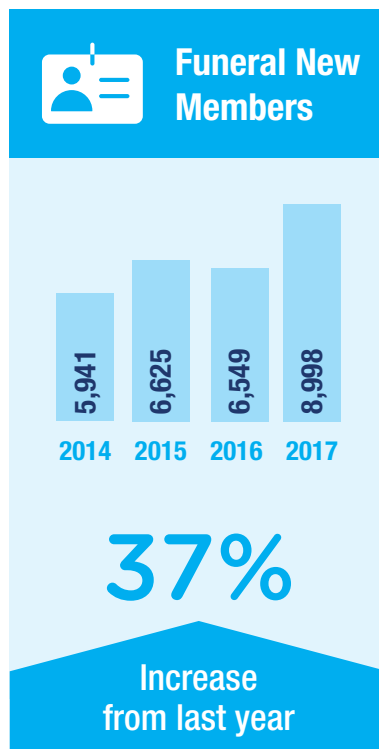
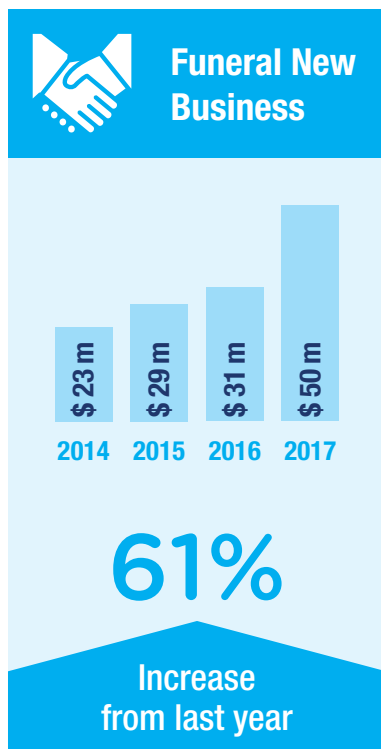
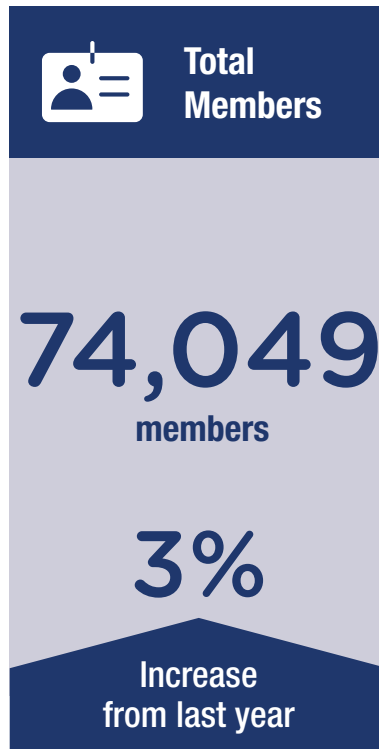
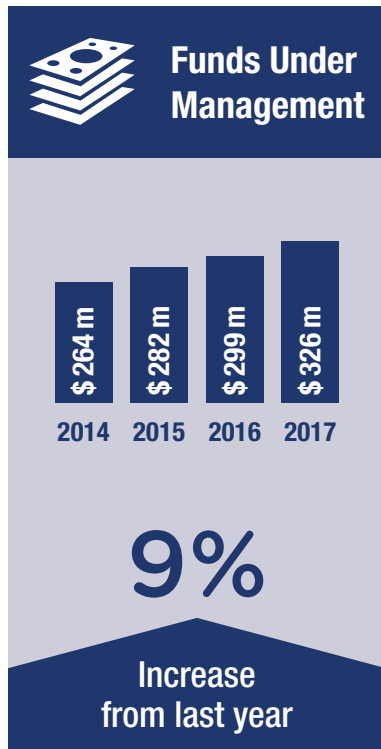


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# Key Highlights

Foresters Friendly Society's financial position continues to strengthen for the future.



# Products

**Foresters Friendly Society has been providing members and their families peace of mind for over 168 years. As a trusted industry specialist with good capital growth and exceptional customer service, Foresters offers security for the future. Our current investment products are:**

## **Foresters Funeral Benefit Fund**

Foresters offers Funeral Bond and Prepaid Funeral Plans allowing investors to prepare for future funeral expenses. The fund provides social security benefits dependent on personal circumstances.

Our Funeral Bond is an effective and secure investment that assists in growing funds to contribute to future funeral expenses to financially protect loved ones.

Our Prepaid Funeral Plan is a signed contract between an investor and their funeral director of choice for future funeral expenses locked in at today's prices, whilst also allowing the investor to decide on their own personal funeral service.

## **Security Investment and Savings Plan**

This is a capital guaranteed, tax effective and flexible life insurance plan that allows for both lump sum investments and regular contributions. The plan provides a secure future, unlike superannuation, giving access to funds at any time. Your investment can be used for life events such as retirement, education, an overseas holiday or any number of reasons.

Depending on the length of time funds are invested, investors may also benefit from significant taxation advantages.

## **Death and Distress Benefit Plan**

Developed for and open to employees of the Ambulance Service Victoria and aligned industries, Foresters offers a Death and Distress Benefit Plan to provide a level of protection and security to members and their families in their time of need.

## **The Police Association (Victoria) Benefit Fund**

Developed for and open to the Police Association (Victoria) members, the fund offers members of the Association, sickness, retirement and death benefits in their time of need.

## **State Trustees Limited Funeral Benefit Fund**

Developed and administered by Foresters, with marketing and fund management by State Trustees Limited, this funeral fund is a capital guaranteed investment. Funds invested are payable towards future funeral expenses and may also provide social security benefits.

To learn more about our range of products, please visit [www.forestersfs.com.au/products](http://www.forestersfs.com.au/products).



**The Police Association  
Victoria**





# Chairman's Report

2016-17 represented a very successful year for Foresters, with sales for the year topping \$56.7m, up 45%. Changes to the asset test limits for the age pension that came into effect on 1 January 2017 saw record inflows into our funeral bonds during the middle of the year.

Foresters continues to grow. As at 30 June 2017, we have \$326m of funds under management, an increase of 9%. The net assets of Foresters increased by \$5.7m to \$33.8m. Funds invested in Foresters remain secure with our capital guaranteed funds as we continue to safely manage money, having done so since our origin in 1849.

Profit after income tax was \$5.7m, up \$4.7m on 2015-16.

The results in 2016-17 are not only a testament to Foresters stability but were achieved in a market that is challenging, with continued low-interest rates and operating in a strict regulatory environment. We will continue to face a low-interest rate market in the short-term, however, we are exploring ways of improving the investment returns of the funds.

I would like to thank Bernie Balmaceda our Chief Financial Officer who retired earlier this year after 19 years with Foresters and temporarily stepped into the

CEO role after the loss of the long serving and well respected Chief Executive Officer, Kerry Hughes, on 26th June 2016. Thank you also to the rest of the staff at Foresters who ensured the business continued to run smoothly during this transition.

In December 2016, Craig Bell joined Foresters as the new CEO. Craig comes to us with a wealth of experience in the banking and finance sector. Under Craig's leadership, I am confident that Foresters will further strengthen its position with a new strategic direction.

I would like to thank my fellow Directors for their continued commitment and I look forward to working with Craig, fellow Directors, Management and all Foresters staff in delivering a new strategic direction for Foresters.



**Theodore Fleming**  
**Chairman**

Ancient Order of Foresters in Victoria Friendly Society Limited



# Chief Executive Officer's Report

I am proud to present the first annual report for Foresters Friendly Society since I became the CEO in December 2016. It has been a successful year for Foresters.

I would also like to acknowledge the great legacy of the former CEO, Kerry Hughes.

The year ended 30 June 2017 saw a record year of sales from our prepaid funeral plans and funeral bonds, up 46% from 2015-16. It is a credit to our strong relationships with our funeral directors whose hard work was a major contributor towards this result. Our record year of sales saw our net assets increase by \$5.7m in 2016-17. This result further strengthens our already strong financial position as an organisation.

As the new CEO, the strategic direction for Foresters will see an evolution over the coming years as we build upon our successes to date and strengthen our product offering to the community. We will focus on four key areas: looking at other opportunities to broaden our product and service offering; the growth of our existing business; investment in our IT platforms; and seeking stronger ties to our community.

With no foreseeable improvement in the fixed interest market, we are currently looking at ways to improve our investment returns, whilst ensuring our members' funds remain secure. We will invest in our IT platforms with new systems to provide efficiencies to better serve our members and clients. We will invest in our people through structured learning and development programs

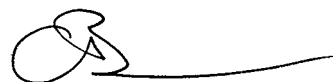
and we will develop stronger ties to our community through our ethos of helping members in time of need.

At Foresters, we pride ourselves on the experience our Funeral Directors, members and clients have with us through our dedicated and professional sales and customer service teams. Continuing to invest in these areas will enhance the Foresters experience into the future.

I would like to thank Bernie Balmaceda, our former Chief Financial Officer who retired in July 2017, for his contribution to Foresters over his 19 years with the organisation and welcome his replacement, Lyndon Wilson.

Thank you also to the Foresters team in ensuring a successful year was achieved for the organisation.

I look forward to building upon the success of this year and implementing our new strategic direction for 2017-18.



---

**Craig Bell**

**Chief Executive Officer**

Ancient Order of Foresters in Victoria Friendly Society Limited



# Annual Financial Report

for year ended 30 June 2017

Ancient Order of Foresters in Victoria Friendly Society Limited  
ABN 27 087 648 842  
Australian Financial Services Licence No. 241421





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# Directors' Report

The Directors present their report together with the financial statements of the Ancient Order of Foresters in Victoria Friendly Society Limited (the Society) for the financial year ended 30 June 2017.

## Corporate information

The Directors of the Society during the whole financial year were:



### Theodore Fleming

*LL.B, Barrister & Solicitor*

**Non-Executive Chairman**

Member of:  
Risk Committee  
Investment Committee  
Audit & Compliance Committee  
Nominations & Remuneration Committee

Theo is a Principal Partner at Fleming and Rhoden Lawyers and has been practicing law for over 40 years. During this time he has provided advice to, and acted for, numerous friendly societies, he has a broad knowledge of the friendly society industry.

He currently holds a Directorship at Community Pharmacy Friendly Society Limited.



### Philip Fraher

*LL.B, B.A. & businessman*

**Non-Executive Deputy Chairman**

Member of:  
Nominations & Remuneration Committee (Chair)  
Investment Committee (Deputy Chair)

Philip is the proprietor of an antiquarian book business and previously occupied the position of General Manager at Adcorp Australia (Vic) Pty Ltd, a large advertising group.

Philip has also held a number of senior positions with IOOF Group.



### Terence Lyon

*FAICD, AGIA, FIPA*

**Non-Executive Director**

Member of:  
Audit & Compliance Committee (Chair)  
Nominations & Remuneration Committee (Deputy Chair)

Terry has more than 30 years experience working for building societies, credit unions and friendly societies including the position of Group Corporate Secretary of IOOF Group and Company Secretary of the IOOF Building Society.

He has also worked in the IT industry for 19 years in various senior positions at Ultradata Australia Propriety Limited.



## Richard Bouchier

*B.Bus(Acc.), Dip Civ Eng, Dip ED,  
CTA-TIA, FIPA, MAICD*

*Certified Financial Planner (Retired),  
FFin (Retired), Chartered Tax Adviser  
& Tax Agent*

### Non-Executive Director

Member of:  
[Investment Committee \(Chair\)](#)  
[Risk Committee \(Deputy Chair\)](#)

Richard was a director of his own licenced financial planning and investment advisory company from 1988 until his retirement from that business. He is the principal of his own tax and accounting practice that began in 1985.

He is also a Fraternal Officeholder of the Ancient Order of Foresters and the fourth generation of his family to participate and contribute to Foresters Friendly Society.



## Christopher Henderson

*GAICD, GIA (Cert.)*

### Non-Executive Director

Member of:  
[Risk Committee \(Chair\)](#)  
[Audit & Compliance Committee \(Deputy Chair\)](#)

Chris has more than 21 years of experience in the friendly society industry and has occupied the positions of Chief Executive Officer and Managing Director of IOR Friendly Society and IOR Group Limited. He has also held the positions of CEO of IOOF Victoria Friendly Society and MD of Grand United and Total Care Friendly Society.

He currently holds Directorships at Druids Friendly Society, Community Pharmacy Friendly Society Limited (Deputy Chairman), Henderson Consulting Proprietary Limited, Australian Governance Services Proprietary Limited, Independent Mutual Group Proprietary Limited and is Company Secretary at Austair Pilots Proprietary Limited.

### Chief Executive Officer & Company Secretary

Craig Bell,  
*BCom, FCPA.*

### Auditors

RSM Australia Partners  
Level 21, 55 Collins Street  
Melbourne VIC 3000

### Appointed Actuary

Bruce Watson  
Brett & Watson Pty Ltd  
Ground Floor, 157 Grenfell Street  
Adelaide SA 5000

### Investment Advisor

Secure Investments F.I.B. Pty Ltd  
Q2 Building  
Level 3, 2 Queen Street  
Melbourne VIC 3000

## Directors' Report (continued)

### Principal Activities

The principal activities of the Society during the course of the financial year were the provision of benefits against claims made by members with respect to the following products:

- Funeral bonds
- Investment bonds
- Education bonds
- Life insurance products
- Endowment and sickness products

### Objectives

The key objective of the Board of Directors (the Board) is to grow the core business of the Society for the benefit of Members.

The Society will focus on four key areas; looking at other opportunities to broaden our product and service offering, the growth of our existing business, investment in our IT platforms and seeking stronger ties to our community.

With no foreseeable improvement in the fixed interest market, we will look at ways to improve our investment returns, whilst ensuring our members' funds remain secure. We will invest in our IT platforms with new systems to provide efficiencies to better serve our members and clients. Our people are important to us, so we will invest in them through structured learning and development programs. Our ethos of helping members in time of need will see us develop stronger ties to our community and we will continue to invest in our relationships with our funeral directors, members and clients.

### Strategy for achieving objectives

At the start of each reporting period, the Board and senior management of the Society develop and review an Annual Business Plan and long term Strategic Plan.

In developing the Annual Business Plan and Strategic Plan, the Board ensures that the Society and its employees have sufficient resources, financial or otherwise, to achieve the Society's objectives.

The Board and Management have established extensive frameworks for implementation, monitoring and reporting of the Society's objectives, set by the Board.

### Performance measures

Throughout the year, the Board assesses the performance of the Society against the objectives identified in the Annual Business and Strategic Plans.

Initiatives in the Annual Business and Strategic Plan form the basis for the Key Performance Indicators of all Staff and align business activity with the achievement of the Society's objectives.

The Board pro-actively monitors the implementation of the Society's objectives.

### Meetings of Directors

The number of meetings held and attended of the Board of Directors and Committees by each director during the year ended 30 June 2017, can be seen in the table on the opposite page.

## Directors' Report (continued)

DIRECTOR	Number of meetings of Directors held	Number of meetings of Directors attended	Number of relevant Committee meetings held	Number of relevant committee meetings attended
Theodore Fleming	12	11	42	39
Philip Fraher	12	11	19	17
Terence Lyon	12	12	20	20
Richard Bouchier	12	12	22	22
Christopher Henderson	12	12	23	23

### Review of operations

The Society's profit after income tax (prior to final bonuses) for the year ended 30 June 2017 was \$9,778,795 (2016: \$4,672,042).

The profit after income tax (inclusive of final bonuses) for the year ended 30 June 2017 was \$5,722,964 (2016: \$1,002,300).

The total assets of the Society increased by \$28,070,556 (2016: \$18,383,209) in the year ended 30 June 2017 to \$347,486,977 (2016: \$319,416,421).

The Society's Funds under Management as at 30 June 2017 was \$325,878,829 (2016: \$299,317,590).

### Bonus declaration

The Directors have resolved that the following bonus rates be paid:

	2017	2016
Flexible Insurance Fund	1.40%	1.20%
Funeral Benefit Fund-Exempt	2.25%	3.00%
Funeral Benefit Fund-Taxable	0.50%	0.50%
Funeral Benefit Fund-Taxable (Members post 1 February 2011)	1.35%	1.40%
State Trustees Funeral Benefit Fund-Exempt	1.50%	1.00%
State Trustees Funeral Benefit Fund-Taxable	0.55%	0.50%
Bonus Bond Fund No. 1	0.50%	0.90%
Education & Savings Fund	0.40%	0.40%
MUA Blue Chip Endowment Fund	0.80%	0.60%

## Directors' Report (continued)

### Significant changes in the state of affairs

There were no changes in the state of affairs of the Society during the financial year ended that are not reported elsewhere in this report.

### Events subsequent to the end of the financial year

In July 2017, the Society made an application for special leave to appeal to the High Court of Australia the orders made against the Society in relation to a legal action brought by a competitor. At the date of this report this matter has not been determined by the High Court of Australia.

There are no others matters or circumstances that have arisen since 30 June 2017 that have significantly affected, or may significantly affect the Society's operations, the results of those operations, or the Society's state of affairs in future financial years.

### Environmental regulations

The Society is not subject to any specific environmental regulation under Australian Commonwealth or State Law.

### Likely developments

In the opinion of the Directors any comment as to likely developments would prejudice the interests of the Society and has therefore not been included in this report except for the matter of the competitor's appeal as detailed in the Annual Report.

### Indemnity and insurance of the Directors and officers

The company has indemnified the Directors and officers of the Society for costs incurred in their capacity as a Director or officer for which they may be held personally liable where they have acted in good faith.

During the reporting period, the Society paid a premium in respect of a contract to insure the Directors and officers of the Society against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### Indemnity and insurance of the auditor

The company has not, during the reporting period or otherwise, indemnified or agreed to indemnify the auditor of the Society or any related entity against a liability incurred by the auditor.

### Dividend

No dividends have been paid or declared during the reporting period.

Any surplus derived is treated as an amount due to members and retained.

### Limited by guarantee

Ancient Order of Foresters in Victoria Friendly Society Limited is a company limited by guarantee.

The amount of capital which can be called upon in the event of, and for the purposes of, winding up the Society is \$1 per member. Members have no other liability in the event the Society is wound up. At 30 June 2017, the Society had 74,049 members with a total guarantee of \$74,049 (2016: \$71,907).

## Directors' Report (continued)

### Auditor's independence declaration

The Auditor's independence declaration required under Section 307C of the *Corporations Act 2001* is attached at Page 15 and forms part of the Director's report.

### Auditor

RSM Australia Partners continues in office in accordance with Section 327 of the *Corporations Act 2001*.

### Resolution

This report is signed in accordance with a resolution of the Directors pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors:



---

**Theodore Fleming**  
Chairman



---

**Terence Lyon**  
Director

Melbourne  
25 September 2017

# Auditor's Independence Declaration



## RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000  
PO Box 248 Collins Street West VIC 8007

T +61(0) 3 9286 8000

F +61(0) 3 9286 8199

[www.rsm.com.au](http://www.rsm.com.au)

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Ancient Order of Foresters in Victoria Friendly Society Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

R S M

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink that reads 'P W Fraser'.

**P W FRASER**  
Partner  
Melbourne, Victoria

25 September 2017

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation



# Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Revenue</b>			
Net investment income	4A	7,129,756	13,625,618
Insurance premiums received	4B	1,069,209	1,050,363
Fees and commissions	4C	37,497	39,484
Other		336	638
<b>Total Revenue</b>		<b>8,236,798</b>	<b>14,716,103</b>
<b>Expenses</b>			
Total ordinary expenses	5A	(3,104,028)	9,576,904
Distributions to policy holders	5B	4,055,831	3,744,163
<b>Total Expenses</b>		<b>951,803</b>	<b>13,321,067</b>
<b>Profit before Income Tax</b>		<b>7,284,995</b>	<b>1,395,036</b>
Income tax expense	6	1,562,031	392,736
<b>Profit after Income Tax</b>		<b>5,722,964</b>	<b>1,002,300</b>
Other comprehensive income		—	—
<b>Total comprehensive income for the year</b>		<b>5,722,964</b>	<b>1,002,300</b>

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

# Statement of Financial Position

As at 30 June 2017

	Note	2017 \$	2016 \$
<b>Assets</b>			
Cash and cash equivalents	7	23,533,624	29,732,491
Trade and other receivables	8	370,438	191,160
Investments	9	321,998,217	287,546,013
Deferred tax asset	10	684,501	825,936
Plant and equipment		87,697	58,321
Intangibles	11	812,500	1,062,500
<b>Total Assets</b>		<b>347,486,977</b>	<b>319,416,421</b>
<b>Liabilities</b>			
Trade and other payables	12	2,332,157	1,389,889
Provision for current tax		552,077	1,610,859
Deferred tax liabilities	13	655,322	351,408
Other provisions	14	1,459,249	1,919,839
Members' policy liabilities	15	308,732,927	286,112,145
<b>Total Liabilities</b>		<b>313,731,732</b>	<b>291,384,140</b>
<b>Net Assets</b>		<b>33,755,245</b>	<b>28,032,281</b>
<b>Equity</b>			
Retained earnings	16	33,755,245	28,032,281
Reserves	17	–	–
<b>Total Equity</b>		<b>33,755,245</b>	<b>28,032,281</b>

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

# Statement of Changes in Equity

For the Year Ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Equity at the beginning of the year</b>			
Retained surplus		28,032,281	27,029,981
Reserves		–	–
<b>Total equity at the beginning of the year</b>		<b>28,032,281</b>	<b>27,029,981</b>
Total comprehensive income for the year		5,722,964	1,002,300
Transfers from Benefit Funds		(1,700,000)	(640,000)
Transfers to Management Fund		1,700,000	640,000
<b>Total equity at the end of the year</b>	16	<b>33,755,245</b>	<b>28,032,281</b>

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

# Statement of Cash Flows

For the Year Ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Cash flow from operating activities:</b>			
Premiums and contributions received by benefit funds		57,341,922	39,161,492
Interest on investments and commissions received		9,474,845	10,609,204
Dividends and distributions received		1,003,526	982,967
Payments for salaries, supplies and distributions to members		(6,236,068)	(6,573,237)
Claims and benefits paid		(27,757,206)	(26,929,001)
Income tax (paid)		(2,175,464)	(876,388)
<b>Net cash provided by operating activities</b>		<b>31,651,555</b>	16,375,037
<b>Cash flow from investing activities:</b>			
Payment for fixed assets		(74,560)	(24,906)
Net (purchases)/sales of investments		(37,775,862)	(11,927,016)
<b>Net cash used in investing activities</b>		<b>(37,850,422)</b>	(11,951,922)
Net increase / (decrease) in cash held		(6,198,867)	4,423,115
Cash and cash equivalents at the beginning of the year		29,732,491	25,309,376
<b>Cash and cash equivalents at the end of the year</b>	7	<b>23,533,624</b>	29,732,491
<b>Reconciliation of net cash provided by operating activities:</b>			
Operating profit / (loss) after income tax		5,722,964	1,002,300
Depreciation and amortisation		294,931	298,804
Unrealised loss / (gain) from fair value of assets		3,323,657	(1,826,861)
<b>Changes in operating assets and liabilities:</b>			
Decrease / (increase) in receivables		(179,278)	(65,075)
(Decrease) / increase in creditors		942,522	(1,313,015)
(Decrease) / increase in policy liabilities		22,620,782	18,754,071
Decrease / (increase) in deferred tax assets		141,435	(835,010)
(Decrease) / increase in deferred tax liabilities		303,914	(984,573)
(Decrease) / increase in income tax payable		(1,058,782)	1,335,931
(Decrease) / increase in provisions		(460,590)	8,465
<b>Net cash provided by operating activities</b>		<b>31,651,555</b>	16,375,037

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

# Notes to the Financial Statements

## Note 1. Company information

The financial report is presented for the Ancient Order of Foresters in Victoria Friendly Society Limited (The Society) as an individual entity.

The Society is a registered unlisted public company under the *Corporations Act 2001*.

The Society is limited by both shares and guarantee, however no shares have been issued.

The registered business name of the Society is Foresters Friendly Society.

The Society is incorporated and domiciled in Australia. The registered office and principal place of business is:

11–17 Jeffcott Street  
West Melbourne, VIC 3003

A description of the nature of the Society's operations and its principal activities is included in the Directors Report. The Directors Report does not form part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of Directors, on 25th September 2017.

## Note 2. Summary of significant accounting policies

### A. Financial Reporting Framework

These general purpose financial statements, have been drawn up in accordance with Australian Accounting Standards (AASs), which include interpretations, issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The financial report consists of the financial statements, notes to the financial statements and the Directors' declaration.

The financial statements are presented in Australian dollars being the functional currency of the Society.

Amounts in the financial statements have been rounded to the nearest dollar unless otherwise stated.

The assets and liabilities of each individual benefit fund and the management fund are separately managed. The accounting policies adopted by the Society for the management fund and its benefit funds are stated in order to assist in understanding the financial statements. These policies have been consistently applied except as otherwise stated.

The Society has risk management policies in place in respect of its operations to identify and mitigate risk. An independent actuary provides an annual condition report on the Society as a whole and for each benefit fund. The results of those reports are used to update policy liabilities and to provide current information used by the Directors to actively manage any risks identified.

### B. Compliance with IFRS

The financial statements of the Society comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

## Notes to the Financial Statements

### Note 2. Summary of significant accounting policies (continued)

#### C. Accounting Standards and Interpretations

The Society has reviewed and applied all new accounting standards and amendments applicable for the first time in the reporting period and determined that there was no material impact on the Society's financial statements.

#### D. Significant Judgements and Key Assumptions

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Society's accounting policies. Other than the actuarial assumptions used in assessing policy liability valuation as disclosed in Note 2(t), no significant judgements have been made in applying accounting policies that have a significant effect on the amounts recognised in the financial statements.

No key assumptions have been made concerning the future and there are no other sources of uncertainty at the balance date that the Directors consider pose a significant risk of causing a material misstatement of the carrying amounts of assets and liabilities within the next financial year.

#### E. Historical Cost Convention

The financial statements have been prepared on the basis of historical cost, except for assets recognised and measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

#### F. Fair Value Hierarchy

The entity is required to classify all assets and liabilities measured at fair value using a three-level hierarchy to disclose how fair value is determined. Those levels are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine fair value and therefore the categorisation of the asset or liability can be subjective.

There have not been any transfers between the levels of the fair value hierarchies during the year.

The Society does not carry any non-financial asset or liability at fair value, (or disclose the information) and therefore no additional disclosure is required.

#### G. Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions subject to insignificant risk in changes in value, with terms to maturity of three months or less.

#### H. Financial instruments (other than cash and cash equivalents)

Financial instruments are initially measured at cost at the date of trade and includes any transaction costs applicable to the creation of contractual rights or obligations. Subsequent to initial recognition these instruments are measured as set out below. The Society's management determines the classification at initial recognition of the financial assets and re-evaluates this classification at each reporting date.

#### I. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are recognised initially at fair value and subsequently measured at fair value through profit or loss.

The collectability of the receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written back through the statement of profit or loss.

## Notes to the Financial Statements

### Note 2. Summary of significant accounting policies (continued)

#### J. Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is evaluated on a fair value basis in accordance with the Society's risk management policy (Refer Note 26) and in compliance with the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit and loss in the period in which they arise. The fair value of quoted and traded investments is based on current bid prices and yield based valuations for debt securities.

#### K. Income tax

Income taxes are accounted for using the comprehensive balance sheet method whereby:

- i. The tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements.
- ii. Current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination.
- iii. A deferred tax asset is recognised to the extent that it is probable that future taxable asset will arise.
- iv. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when that deferred asset or liability is settled.

The Society's current income tax expense is the tax payable on the current period's taxable income using the tax rates enacted or substantively enacted at reporting date, adjusted for movements in deferred tax assets and deferred tax liabilities. Such changes are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

#### L. Taxation of Financial Arrangements

Comprehensive rules for the taxation of financial arrangements have been enacted, the aim of which is to tax gains and losses from financial arrangements in a way that minimises distortions to investment, financing, pricing, risk-taking and risk management decisions by better aligning tax and accounting gains and losses from these arrangements.

In accordance with Taxation of Financial Arrangements (TOFA) legislation, the Society has made an election to apply the 'Elective Fair Value' tax-timing method to all financial arrangements entered into or after 1 July 2010 as well as a transitional election to ensure that the 'Elective Fair Value' method also applies to all financial arrangements entered into prior to this date.

The effect of making these elections is that gains and losses from financial arrangements that are marked to market through the profit and loss statement for the purpose of the relevant accounting standards are allocated for income tax purposes in accordance with changes in their fair value.

#### M. Plant and equipment

Plant and equipment is measured on the historical cost basis less depreciation and accumulated impairment losses. Historical cost includes all expenditure directly attributable to bring the asset to the location and condition necessary for it to operate in the manner intended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method, net of residual value, over the estimated useful life of an asset ranging from 3 to 10 years. Residual asset values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

## Notes to the Financial Statements

### Note 2. Summary of significant accounting policies (continued)

#### N. Intangible asset

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation of any impairment. The gains or losses recognised in profit or loss arising from de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Amortisation of intangible assets is calculated using the straight-line method, net of residual value, over the estimated useful life of 10 years. Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

#### O. Impairment of Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit and Loss and Other Comprehensive Income, unless an asset has been previously revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit and loss.

#### P. Leasehold improvements

The cost of leasehold improvements to leased properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Society, whichever is shorter.

#### Q. Trade and other payables

Liabilities are recognised for amounts to be paid in the future, for goods and services received up to the balance date, whether or not billed. Trade accounts payable are settled within the normal terms and conditions with terms generally ranging from 7 to 60 days.

#### R. Provisions

Provisions are recognised when the Society has a present obligation (legal or constructive) as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where the provision is measured using cash flows estimated to calculate the present obligation, its carrying amount is the present value of those cash flows.

#### S. Employee entitlements

Provision is made for the Society's liability for employee benefits arising from services rendered by employees up to balance date.

The provision is recognised for benefits accruing to employees with respect to wages and salaries, retirement allowances and annual and long service leave when it is probable that settlement will be required and the liability is capable of being measured reliably.

Provisions for employee benefits are calculated and classified as short or long-term benefits.



## Notes to the Financial Statements

### Note 2. Summary of significant accounting policies (continued)

#### S. Employee entitlements (continued)

Short term benefits are those that are expected to be wholly settled within the 12 months. They are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long term benefits are those that are not expected to be wholly settled within 12 months. They are measured at the present value of the estimated future cash flows. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future cash flows are discounted using market yields at the reporting date to estimate the future cash flows at a pre-tax rate to reflect the current market assessments of the time value of money.

Regardless of the expected timing settlement, provisions for employee benefits are recognised as a current liability unless there is an unconditional right to defer the settlement of the liability for a minimum of 12 months after the reporting date, in which case the provision would be classified as a non-current liability. Provisions made for annual leave and unconditional long service leave are classified as current liability. Provisions for conditional long service leave are classified as non-current liability.

#### T. Life insurance contracts

The accounting treatment for certain transactions varies depending on the nature of the contract underlying the transaction. The major contract classifications are insurance contracts and investment contracts in accordance with AASB 1038 *Insurance Contracts*.

##### i. Insurance contracts (Refer Note 15)

An insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain event (insured event) adversely affects the

policyholder. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

The deposit component of a life insurance contract is split from the life insurance component of a life insurance contract, such that the premiums and claims under the life insurance component are recognised in the income statement as income and expense, and the premiums and claims under the deposit component are recognised in the balance sheet as changes in the life insurance liabilities. Premiums and claims are split when this is practicable and when the components can be measured reliably. Where premiums and claims are split, they remain within the scope of the life insurance standard.

The policy liability valuation for insurance contract funds (other than the MU Accident Fund) and the Funeral Bond Funds, is equal to the present value of future benefits, expenses and profits less the present value of future contributions, determined by applying the following assumptions:

- Mortality rates (Australian Life Tables) of 80% (2016: 80%) for the IOR Sick and Funeral Fund, 120% (2016: 120%) for State Trustees Funds Taxable, 110% (2016: 110%) for the State Trustees Fund Exempt, 140% (2016: 140%) for Funeral Benefit Funds Taxable, 110% (2016: 100%) for Funeral Benefit Fund Exempt, 50% (2016: 50%) for the Victoria Police Benefit Fund and Death and Distress Fund members and 80% (2016: 80%) for Victoria Police Benefit Fund and Death and Distress Fund spouses.
- Sickness benefits of 12% (2016: 12%) of contributions for the Victoria Police Benefit Fund;
- Resignation rates based on the experience for the Death and Distress and Sickness and Accident Funds and the Victoria Police Benefit Fund;

## Notes to the Financial Statements

### Note 2. Summary of significant accounting policies (continued)

#### T. Life insurance contracts (continued)

- Distress payments of 15% (2016: 15%) of contributions for the Death and Distress Fund;
- Future profits for the Sickness and Accident Fund of 60% (2016: 60%) of sickness benefits for Group Sickness.
- Other assumptions as detailed below:

Fund	Gross In (%pa)		Expenses (%pa)		Tax (%pa)		Future Bonus Rates	
	2017	2016	2017	2016	2017	2016	2017	2016
IOR Sick & Funeral	3.57%	3.13%	1.50%	1.50%	0.00%	0.00%	2.00%	2.50%
Death & Distress	2.70%	2.16%	2.00%	2.00%	0.21%	0.05%	0.00%	0.00%
Sickness & Accident	3.55%	2.78%	0.00%	0.00%	1.06%	0.00%	0.00%	0.00%
Victoria Police Benefit	3.90%	2.78%	0.00%	0.00%	1.17%	0.83%	0.00%	0.00%
Funeral Benefit-Exempt	3.11%	2.62%	1.50%	1.30%	0.00%	0.00%	1.61%	1.32%
Funeral Benefit-Taxable	3.23%	2.69%	1.75%	1.20%	0.44%	0.45%	0.94%	1.04%
STL Trustees-Exempt	3.06%	2.56%	1.50%	0.60%	0.00%	0.00%	1.56%	1.96%
STL Trustees-Taxable	3.16%	2.62%	1.50%	0.65%	0.50%	0.59%	1.16%	1.38%

The Death and Distress, Sickness and Accident, Victoria Police Benefit and MU Accident Funds have charges levied on contributions.

For the MU Accident Fund, the liability has been taken as 20% (2016: 20%) of one year's premium (net of fees).

The assumed future bonus rate for the IOR Sick and Funeral Fund has been reduced from 2.50% to 2.00% based on Actuarial advice. This has resulted in a reduction of the member policy liabilities of \$2.25M at 30 June 2017.

The reduction in member policy liabilities is recorded as revenue in the profit or loss statement.

Contributions payable to the Victoria Police Benefit Fund increased from 1 July 2017. Benefit payments were also restructured under a revision to the Fund rules. The Actuary has advised that these changes reduce member policy liabilities by \$2.55M at 30 June 2017. The reduction in member policy liabilities is recorded as revenue in the profit or loss statement.

Further information regarding member policy valuations can be found at Note 31.

## Notes to the Financial Statements

### Note 2. Summary of significant accounting policies (continued)

#### T. Life insurance contracts (continued)

##### ii. Investment contracts (Refer Note 15)

A contract governed by the Life Insurance Act, that does not meet the definition of a life insurance contract, is a life investment contract. The accounting treatment of an investment contract depends on whether the investment had a discretionary participation feature. A discretionary participation feature represents a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- Likely to be significant portion of the total benefits
- Distributed at the discretion of the insurer, and
- Are based on performance of a specified pool of assets.

Deposits collected and benefits paid under investment contracts with a discretionary participation feature are accounted for through the profit and loss statement. The gross change in the liability of these policyholders for the period, which includes any participation benefits vested in the policyholders and any undistributed surplus attributed to policyholders, is recognised in the profit and loss statement.

Deposits collected and withdrawals processed for investment contracts without a discretionary participation feature are accounted for directly through the balance sheet as movements in the investment contract liability. Distributions on these contracts are charged to the profit and loss statement as an expense.

The policy liability valuation for investment contract funds is in accordance with the Life Insurance Act 1995 and represents the movement in the sum of the Members' account balances and is recognised through the profit and loss.

##### iii. Management fees

Fees for expenses earned by the management fund for all life insurance contract policies are based on a percentage of the respective fund net assets and for insurance contract type benefit funds may include any actuarially determined release of surpluses to the management fund.

##### iv. Solvency and capital adequacy requirements

In accordance with prudential standards the benefit funds are required to hold reserves over and above their policy liabilities to protect against adverse experience and poor investment returns. The level of reserves required has been calculated in accordance with the methodologies and requirements of the Life Insurance Act 1995, Actuarial Standards 2.04 and 3.04 and are monitored by the Society's appointed actuary.

The Society's appointed Actuary is Brett and Watson Pty Ltd who offer a diverse range of actuarial services with expertise in general insurance, friendly societies and general consulting. Brett and Watson Pty Ltd provide valuations of member policy liabilities and related balances of the Society.

#### U. Asset Backed Life Insurance Liabilities and Life Investment Contract Liabilities

Assets backing life insurance liabilities and life investment contract liabilities are measured on a basis that is consistent with the measurement of the life insurance liabilities or life investment contract liabilities.

The Society has determined that all assets held within its benefit funds represent asset backed policy liabilities.

Asset backed policy liabilities are measured at fair value through the profit and loss.

## Notes to the Financial Statements

### Note 2. Summary of significant accounting policies (continued)

#### V. Distribution of surpluses of the benefit funds

The distributable surpluses, being interim and final bonuses to the policy members of the benefit funds, are treated as an expense in the profit and loss with the result that the profit before tax disclosed in the statement of comprehensive income is reduced by that amount, whilst the tax expense is calculated on profit excluding the distributed surpluses of the benefit funds.

#### W. Policy Holders entitlement to monies held in Statutory Benefit Funds

Monies held in the life insurance Statutory Benefit Funds are subject to the distribution and transfer restrictions and other requirements of the Life Insurance Act 1995. Monies held in the Statutory Benefit Funds are held for the benefit of the members of those funds, and are subject to the constitution and rules of those benefit funds.

#### X. Revenue

Revenue is recognised at the fair value of the consideration received or receivable. Management fees earned from the benefit funds are calculated as an agreed percentage of the respective fund's net assets and are recognised on an accrual basis.

Interest income, dividend income and distribution income are brought to account on an accrual basis. Interest income is recognised using the effective interest method. Dividends are recognised when the right to receive payment is established.

#### Y. Changes in accounting policies

There have been no changes in accounting policies during the reporting period.

#### Z. Goods and services tax

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the related expense. The GST portion relating to financial supplies and non-deductible expenditure, for which an input tax credit cannot be claimed is expensed.

### Note 3. New accounting standards and interpretations issued that are not yet effective

The following standards, amendments to standards and interpretations have been identified as those which may impact the Society upon initial application. The standards are not mandatory for the year ended 30 June 2017 and early adoption has not been undertaken by the Society.

An assessment of the impact of these standards upon application is included in the table on the opposite page.

## Notes to the Financial Statements

### Note 3. New accounting standards and interpretations issued that are not yet effective (continued)

AASB Standard	Title & Summary	Standard applicable for Annual reporting beginning on	Applicable date for the Society	Impact on the Society's financial statements
AASB 9 Financial instruments	AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.	1 January 2018	1 July 2018	Impact is expected to be significant.
ASSB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	This Standard amends AASB 4 Insurance Contracts to permit issuers of insurance contracts to: 1) Choose to apply the 'overlay approach' that involves applying AASB 9 Financial Instruments and also applying AASB 139 Financial Instruments: Recognition and Measurement to eligible financial assets to calculate a single line item adjustment to profit or loss so that the overall impact on profit or loss is the same as if AASB 139 had been applied; or 2) Choose to be temporarily exempt from AASB 9 when those issuers' activities are predominantly connected with insurance, provided they make additional disclosures to enable users to make comparisons with issuers applying AASB 9.	1 January 2018	1 July 2018	Impact is expected to be significant.
AASB 15 Revenue from Contracts with Customers, and relevant amending standards	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.	1 January 2018	1 July 2018	Impact is expected to be significant.
AASB 16 Leases	AASB 16 requires lessees to account for all leases under a single on balance sheet model in a similar way to finance leases under AASB 117 Leases.	1 January 2019	1 July 2019	Impact is still being assessed.
Interpretation 23 Uncertainty over Income Tax Treatments	The Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments.	1 January 2019	1 July 2019	Impact is still being assessed.
AASB 17 Insurance Contracts	AASB 17 replaces AASB 4 Insurance Contracts and applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.	1 January 2021	1 July 2021	Impact is expected to be significant.

## Notes to the Financial Statements

	2017 (\$)	2016 (\$)
<b>Note 4. Revenue</b>		
<b>A. Investment Income</b>		
Interest on investments	<b>9,452,434</b>	10,951,397
Gain / (loss) on sale of securities	–	19,409
Dividends and distribution income	<b>1,199,054</b>	982,967
Changes in fair values of securities	<b>(3,323,657)</b>	1,846,270
Less: Direct investment expense	<b>(198,075)</b>	(174,425)
<b>Total investment income</b>	<b>7,129,756</b>	13,625,618
<b>B. Insurance Premiums Received</b>		
The Police Association of Victoria	<b>819,677</b>	772,799
Sickness and Accident Fund	<b>112,940</b>	133,799
MUA Accident Fund	<b>70,711</b>	73,597
Death and Distress Fund	<b>29,275</b>	29,735
Sick and Funeral Fund	<b>36,606</b>	40,433
<b>Total insurance premiums received</b>	<b>1,069,209</b>	1,050,363
<b>C. Fees and Commissions</b>		
Revenue from initial fees	<b>29,777</b>	34,938
Commissions received	<b>7,720</b>	4,546
<b>Total fees and commissions</b>	<b>37,497</b>	39,484
<b>Note 5. Expenses</b>		
<b>A. Ordinary Expenses</b>		
Employee benefits	<b>3,039,292</b>	2,684,584
Operating expenses	<b>1,375,388</b>	1,583,139
Sales and marketing	<b>983,939</b>	709,323
Occupancy	<b>205,165</b>	196,508
Depreciation and amortisation	<b>294,931</b>	301,921
VPA members counselling	<b>273,649</b>	273,649
Claims paid to policy holders	<b>1,346,823</b>	1,364,778
Changes in policy liabilities	<b>(10,623,215)</b>	2,463,002
<b>Total ordinary expenses</b>	<b>(3,104,028)</b>	9,576,904

## Notes to the Financial Statements

### Note 5. Expenses (continued)

#### B. Distributions Paid to Policy Holders

	2017 (\$)	2016 (\$)
Distribution paid – interim	4,377	74,421
Distribution paid – final	4,051,454	3,669,742
<b>Total distribution paid</b>	<b>4,055,831</b>	<b>3,744,163</b>

### Note 6. Income Tax Expense

Income tax recognised in profit or loss		
Current tax provision	1,116,681	2,212,321
Adjustment relating to temporary differences	(595,034)	(1,955,055)
Under / (over) provision prior year	1,040,384	135,470
<b>Total income tax expense</b>	<b>1,562,031</b>	<b>392,736</b>

The amount provided in respect of income tax differs from the amount prima facie payable on operating profit.  
The difference is reconciled as follows:

<b>Profit before income tax</b>	<b>7,284,995</b>	<b>1,395,036</b>
Prima facie tax on (loss) / profit for the period at 30% (2016: 30%)	2,185,528	418,511
Add (deduct) tax effect of:		
Non-deductible distributions	1,216,719	1,123,066
Net non-assessable income	(3,224,743)	(2,545,509)
Non-deductible expenses	(1,068,588)	(1,435)
Other income and allowable deductions	1,514,790	1,360,699
Under / (over) provision of tax	1,040,384	135,471
Franking Credit Rebate	(102,059)	(98,067)
<b>Income tax expense / (benefit)</b>	<b>1,562,031</b>	<b>392,736</b>

### Note 7. Cash and Cash Equivalent

Cash management accounts	4,549,629	3,833,995
Deposit at call accounts	18,983,995	25,898,496
<b>Total cash and cash equivalents</b>	<b>23,533,624</b>	<b>29,732,491</b>

### Note 8. Trade and Other Receivables

Prepaid expense	100,026	131,698
Sundry receivables	270,412	59,462
<b>Total trade and other receivables</b>	<b>370,438</b>	<b>191,160</b>

## Notes to the Financial Statements

2017 (\$) 2016 (\$)

### Note 9. Investments

Investment in interest bearing securities	<b>288,413,418</b>	254,249,045
Investment in ASX listed securities	<b>4,790,280</b>	6,856,380
Investment in managed funds	<b>28,794,519</b>	26,379,583
Loans and receivables	–	61,005
<b>Total investments</b>	<b>321,998,217</b>	287,546,013

The fair value of the financial assets as well as the method used to estimate the fair value is summarised in the table below. An explanation of the fair hierarchy is detailed at Note 2F.

	2017 (\$)			2016 (\$)		
	Quoted Market Price Level 1	Market Observable Level 2	Non-Market Observable Level 3	Quoted Market Price Level 1	Market Observable Level 2	Non-Market Observable Level 3
Investment in interest bearing securities	<b>288,413,418</b>	–	–	<b>254,249,045</b>	–	–
Investments in ASX listed securities	<b>4,790,280</b>	–	–	<b>6,856,380</b>	–	–
Investment in managed funds	–	<b>28,794,519</b>	–	–	<b>26,379,583</b>	–
Loans and receivables	–	–	–	–	<b>61,005</b>	–
<b>Total investments</b>	<b>293,203,698</b>	<b>28,794,519</b>	–	<b>261,105,425</b>	<b>26,440,588</b>	–

### Note 10. Deferred Tax Asset

Deferred tax asset	<b>684,501</b>	825,936
<b>Total deferred tax asset</b>	<b>684,501</b>	825,936

*The balance comprises temporary differences attributable to:*

Employee entitlements	<b>149,118</b>	198,780
Accrued expenses	<b>93,000</b>	204,050
Other financial assets	<b>55,244</b>	12,476
Directors retirement	<b>388,236</b>	377,172
Other	<b>(1,097)</b>	33,458
<b>Total deferred tax asset</b>	<b>684,501</b>	825,936



## Notes to the Financial Statements

	2017 (\$)	2016 (\$)
<b>Note 11. Intangible Assets</b>		
Management rights	<b>2,500,000</b>	2,500,000
Less: Amortisation	<b>(1,687,500)</b>	(1,437,500)
<b>Total intangible assets</b>	<b>812,500</b>	1,062,500
<b>Movements in carrying amounts</b>		
Balance at the beginning of the year	<b>1,062,500</b>	1,312,500
Amortisation expense	<b>(250,000)</b>	(250,000)
<b>Total intangible assets</b>	<b>812,500</b>	1,062,500
<b>Note 12. Trade and Other Creditors</b>		
Supplier and creditors	<b>1,555,508</b>	732,213
Accrued general expenses	<b>776,649</b>	657,676
<b>Total trade and other creditors</b>	<b>2,332,157</b>	1,389,889
<b>Note 13. Deferred Tax Liability</b>		
Deferred tax liability	<b>655,322</b>	351,408
<b>Total deferred tax liability</b>	<b>655,322</b>	351,408
<i>The balance comprises temporary differences attributable to:</i>		
Accrued income	<b>18,372</b>	2,607
Other financial assets	<b>394,382</b>	180,051
Net restructure expenditure amortised	<b>242,568</b>	168,750
<b>Total deferred tax liability</b>	<b>655,322</b>	351,408
<b>Note 14. Other Provisions</b>		
Annual leave	<b>80,513</b>	431,398
Long service leave	<b>84,615</b>	231,202
Directors retirement allowance	<b>1,294,121</b>	1,257,239
<b>Total other provisions</b>	<b>1,459,249</b>	1,919,839

## Notes to the Financial Statements

2017 (\$)      2016 (\$)

### Note 15. Members Contract Policy Liabilities

Investment contracts:

Bonus Bond Fund 1	<b>2,475,610</b>	2,638,978
Flexible Insurance Fund	<b>20,430,299</b>	21,687,549
Education and Savings Fund	<b>2,114,387</b>	2,784,840
Funeral Benefit Fund (Exempt and Taxable)	<b>196,232,575</b>	157,472,407
STL Funeral Fund (Exempt and Taxable)	<b>26,327,196</b>	27,402,368
MUA Blue Chip Endowment Fund	<b>35,303,759</b>	40,136,630
<b>Total investment contracts</b>	<b>282,883,826</b>	252,122,772

Insurance contracts:

Sickness and Accident Fund	<b>191,872</b>	266,677
Sick and Funeral Fund	<b>25,558,172</b>	30,960,563
The Police Association of Victoria Benefit Fund	–	2,664,271
Death and Distress Fund	<b>86,057</b>	86,662
MUA Accident Fund	<b>13,000</b>	11,200
<b>Total insurance contracts</b>	<b>25,849,101</b>	33,989,373

### Total members contract policy liability

<b>308,732,927</b>	286,112,145
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The fair value of the financial liabilities as well as the method used to estimate the fair value is summarised in the table below. An explanation of the fair value hierarchy is detailed at note 2F.

	Market Observable Level 2	Market Observable Level 2
Investments contracts policy liabilities	<b>282,883,826</b>	252,122,772
Insurance contracts policy liabilities	<b>25,849,101</b>	33,989,373
<b>Total</b>	<b>308,732,927</b>	286,112,145

### Note 16. Retained Surplus

Retained profits at the beginning of the year	<b>28,032,281</b>	26,989,981
Comprehensive net profit / (loss) during the year	<b>5,722,964</b>	1,002,300
Transfers from reserves (Refer Note 17)	–	40,000
Transfers to / (from) Benefit Funds	–	–
<b>Total retained surplus</b>	<b>33,755,245</b>	28,032,281

## Notes to the Financial Statements

	2017 (\$)	2016 (\$)
<b>Note 17. Reserves</b>		
Opening balance	–	40,000
Transfers to retained surplus (Refer Note 16)	–	(40,000)
<b>Total reserves</b>	–	–

### Note 18. Superannuation Guarantee Contributions

During the year the Society has made contributions in respect of employees superannuation to an Accumulation Fund in accordance with the Legislative requirements. Defined Contributions of 9.50% (2016: 9.50%) for the year totalled \$182,394 (2016: \$197,656).

### Note 19. Auditor's Remuneration

Total of all remuneration received or due and receivable by the actuary in connection with:

Audit of the Society's financial statements	<b>140,020</b>	138,264
Other professional review services	<b>6,160</b>	39,527
<b>Total auditor's remuneration</b>	<b>146,180</b>	177,791

### Note 20. Actuary's Remuneration

Total of all remuneration received or due and receivable by the actuary in connection with:

Actuary's statutory functions	<b>130,116</b>	130,273
Other services	<b>16,665</b>	16,379
<b>Total actuary's remuneration</b>	<b>146,781</b>	146,652

### Note 21. Directors and Key Management Personnel

#### Directors during the reporting period

Theodore Fleming	– Chairman
Philip Fraher	– Deputy Chairman
Terence Lyon	– Director
Richard Bouchier	– Director
Christopher Henderson	– Director

#### Key Management Personnel

Craig Bell	– Chief Executive Officer (commenced on 6 December 2016)
Bernardo Balmaceda	– Chief Executive Officer (retired on 3 July 2017)

#### Compensation

Short term employee benefits	<b>900,681</b>	988,984
Post employment benefits	<b>217,328</b>	35,676
Other long term benefits	<b>71,859</b>	70,500
<b>Total compensation</b>	<b>1,189,868</b>	1,095,160

## Notes to the Financial Statements

### Note 22. Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The Directors hold policies in various Benefit Funds of the Society on standard member terms and conditions no more favourable than those available to members.

- a. Loans to/from related parties  
There are/were no loans (to)/from related parties at the current and previous reporting date.
- b. Transactions with related parties  
In the normal course of operations Fleming and Rhoden Lawyers of which Mr Theodore Fleming is a principal, received \$25,946 (2016: \$20,944) on standard commercial terms for services rendered to the Society.

### Note 23. Contingent Liability

As disclosed in the 2015-16 financial report, a competitor commenced legal action against the Society five years ago. The action was taken to sue two of the competitor's former employees for copyright breaches relating to the prepaid funeral bond business. The Society was later joined in the action and took appropriate action to vigorously defend the claim.

The trial commenced in June 2015 in the Federal Court and ended on 26 June 2015. In March 2016, the Judge handed down his judgement and concluded that the two employees were guilty of a breach of duties.

However, the judgement was in favour of the Society and the applicant was not entitled to recover any damages from the Society. Costs were awarded to the Society.

In May 2016, an appeal was lodged by the competitor. In June 2017, the Full Court of the Federal Court of Australia made orders amounting to \$6,558,495 plus costs, against the Society.

The Society's solicitors and counsel share the view that despite the orders made in favour of the competitor, there are grounds for appeal. In July 2017, upon the basis of considered legal advice, the Society made an application for special leave to appeal to the High Court of Australia.

The Society is seeking orders from the High Court that the appeal be allowed, the orders of the Full Court made on 16 June 2017 be set aside and, in their place, it be ordered that the appeal to that Court be dismissed with costs. Therefore, the Society is neither able to predict the outcome of the appeal, nor able to predict the quantification of the award of costs, if any.

At the date of this report the matter has not been determined by the High Court of Australia.

### Note 24. Subsequent Event

As mentioned in Note 23, in July 2017 the Society made an application for special leave to appeal to the High Court of Australia the orders made against the Society in relation to a legal action brought by a competitor. At the date of this report this matter has not been determined by the High Court of Australia.

There are no others matters or circumstances that have arisen since 30 June 2017 that have significantly affected, or may significantly affect the Society's operations, the results of those operations, or the Society's state of affairs in future financial years.

## Notes to the Financial Statements

### Note 25. Commitments for Expenditure

Operating lease:

The Society's lease of office premises at 11-17 Jeffcott Street, West Melbourne had expired on 15 September 2017. At the time of signing this report renewal terms are still being negotiated.

Lease payment for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred:

	2017	2016
Lease Payments	\$	\$
No later than one year	50,913	193,717
Later that one year but not later than two years	–	50,913
Later that one year but not later than two years	–	–
<b>Total – Lease Payments</b>	<b>50,913</b>	<b>244,630</b>

### Note 26. Financial Risk Management

The Society's financial instruments comprise cash and cash equivalents, receivables, payables, investments in short and long term fixed interest, government and semi-government securities, shares in listed companies and unit trusts. The Society does not invest or trade in derivatives.

The Society manages its exposure to key financial risks, particularly interest rate movements, in accordance with the Society's Risk Management Framework and more specifically, the Investment Policy. The policy is overseen by the Investment Committee. Funds under Management are invested in securities in accordance with the respective benefit fund's investment parameters. The investment parameters are approved by the Board. The parameters take into account applicable legislation and are derived in consultation with the Society's appointed Actuary.

Most of the Society's investments are externally managed by a fund manager. However, the Society's Investment Committee retains responsibility for the investments and monitors all investment transactions in accordance with guidelines to ensure that financial risks are appropriately managed. The Investment Committee reviews the asset allocation monthly by comparing the Funds actual asset allocation against the ranges determined as appropriate for each Fund. The Investment Committee thereby ensures compliance with the guidelines and satisfaction the Fund's position within the guideline ranges.

#### A. Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 2 to the financial statements.

## Notes to the Financial Statements

### Note 26. Financial Risk Management (continued)

#### B. Financial risks

The activities of the Society expose the entity to a number of financial risks including market risk (defined below), credit risk and liquidity risk. The Society's Risk Management Framework Strategy seeks to minimise these risks and their potential adverse effect on the financial performance of the Society.

##### i. Market Risk – Fair value interest rate risk

As the Society has significant interest-bearing investments, the Society's income and operating cash flows are materially exposed to changes in market interest rates. The Board has approved a set of investment parameters for the investment of each Benefit Fund's assets. These parameters take into account the requirements of the Friendly Societies regulatory legislation and the Benefit Fund's Rules and have been certified as appropriate by the Society's consulting actuary.

##### ii. Market Risk – Price risk

The Society is exposed to equity securities price risk. The Society is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities the Society diversifies its portfolio. Diversification of the portfolio is in accordance with the parameters set by the Investment Committee.

##### iii. Market Risk – Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Society has no foreign exchange risk exposure.

##### iv. Market Risk – Credit Risk

The Society is exposed to Credit Risk should a counterparty default on its contractual obligations resulting in financial loss to the Society.

The Society has adopted the policy of only investing in secure forms of investments, as a means of mitigating the risk of financial losses from defaults.

As an APRA regulated institution, the Society monitors its exposure to risk, including credit risk in compliance with Prudential Standards. Compliance with the Prudential Standards is monitored by the Board on an ongoing basis by ensuring policies and procedures are implemented in accordance with the Society's Risk Management Framework.

The carrying amount of financial assets recorded in the financial statements represents the Society's maximum exposure to credit risk.

##### v. Liquidity Risk

Is the risk that assets cannot be realised at to allow the Society to meet its obligations as they fall due. The Society manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring actual and forecast cash flows and by matching the maturity profiles of financial assets and liabilities. The Society aims to maintain a relatively flexible range of short and long-term investments to enable access to funding at short notice if necessary.

#### C. Net Fair Value

The carrying amounts of financial assets and financial liabilities recorded in the financial statements represent their respective net fair values.

## Notes to the Financial Statements

### Note 27. Sensitivity Analysis

#### A. Interest Rate Risk

The investments of the Society are subject to risks with financial assets (Note 26). Fluctuations in interest rates will not materially effect the Society as most of the investments are on fixed rates.

For the purpose of the analysing interest rate risk, the effect of a 0.50% (2016: 0.50%) interest rate increase and 0.50% (2016: 0.50%) interest rate decrease on profit/(loss) before income tax and net assets is shown in the table below. As interest rates are fixed, the impact of a 0.50% movement in interest rates will affect the fair value of investments as opposed to cash flows.

	2017 (\$)		2016 (\$)	
	Net Profit/(Loss)	Net Assets	Net Profit/(Loss)	Net Assets
Adjusted by +0.5% increase	<b>5,842,929</b>	<b>32,313,177</b>	123,791	26,761,036
Net Profit/(Loss) before income tax	<b>7,284,995</b>	–	1,395,036	–
Net Assets	–	<b>33,755,245</b>	–	28,032,281
Adjusted by -0.5% decrease	<b>8,727,064</b>	<b>35,197,311</b>	2,666,281	29,303,526

#### B. Price Risk

For the purpose of the analysing price risk, the effect of a 10.00% (2016: 10.00%) increase and 10.00% (2016: 10.00%) decrease in equity prices on profit/(loss) and net assets is shown in the table below.

	2017 (\$)		2016 (\$)	
	Net Profit/(Loss)	Net Assets	Net Profit/(Loss)	Net Assets
Adjusted by +10% increase	<b>10,643,576</b>	<b>37,113,724</b>	4,718,632	31,355,878
Net Profit/(Loss) before income tax	<b>7,284,995</b>	–	1,395,036	–
Net Assets	–	<b>33,755,245</b>	–	28,032,281
Adjusted by -10% decrease	<b>3,926,517</b>	<b>30,396,765</b>	(1,928,560)	24,708,684

## Notes to the Financial Statements

### Note 28. Exposure to Interest Rate Risk

The following tables detail the Society's exposure to interest rate risk and the maturity of assets and liabilities as at the reporting date.

	As at 30 June 2017				As at 30 June 2016					
	1 Year or Less	Over 1 Year to 5 Years	Over 5 Years	TOTAL	Weighted Average Interest Rates	1 Year or Less	Over 1 Year to 5 Years	Over 5 Years	TOTAL	Weighted Average Interest Rates
<b>Assets</b>										
<i>Financial Assets:</i>										
Cash & cash equivalents	23,533,624	-	-	23,533,624	1.60%	29,732,491	-	-	29,732,491	2.06%
Trade & other receivable	270,412	-	-	270,412	Nil	59,462	-	-	59,462	Nil
Other financial assets	186,152,171	105,370,668	30,475,378	321,998,217	3.70%	150,597,455	100,801,055	36,086,496	287,485,006	4.36%
Other investments	-	-	-	-	Nil	61,005	-	-	61,005	Nil
<i>Non-financial assets:</i>										
Prepaid expenses	100,026	-	-	100,026	Nil	131,698	-	-	131,698	Nil
Plant & equipment	87,697	-	-	87,697	Nil	58,321	-	-	58,321	Nil
Current income tax & deferred tax	596,428	684,501	-	1,280,929	Nil	636,717	825,936	-	1,462,653	Nil
Intangible & other assets	812,500	-	-	812,500	Nil	1,062,500	-	-	1,062,500	Nil
<b>Total assets</b>	<b>211,552,858</b>	<b>106,055,169</b>	<b>30,475,378</b>	<b>348,083,405</b>		<b>182,339,649</b>	<b>101,626,991</b>	<b>36,086,496</b>	<b>320,053,136</b>	
<b>Liabilities</b>										
<i>Financial Liabilities:</i>										
Trade & other payables	2,332,157	-	-	2,332,157	Nil	1,389,888	-	-	1,389,888	Nil
<i>Non-Financial Liabilities</i>										
Policy Liabilities	60,324,057	-	248,408,870	308,732,927	Nil	67,247,998	-	218,864,147	286,112,145	Nil
Income tax payable & deferred tax	1,148,505	-	655,322	1,803,827	Nil	1,410,693	-	1,188,289	2,598,982	Nil
Other liabilities & payables	1,459,249	-	-	1,459,249	Nil	1,919,839	-	-	1,919,839	Nil
<b>Total liabilities</b>	<b>65,263,968</b>	<b>-</b>	<b>249,064,192</b>	<b>314,328,160</b>		<b>71,968,418</b>	<b>-</b>	<b>220,052,436</b>	<b>292,020,854</b>	
<b>Net assets</b>	<b>146,288,890</b>	<b>106,055,169</b>	<b>(218,588,814)</b>	<b>33,755,245</b>		<b>110,371,231</b>	<b>101,626,991</b>	<b>(183,965,940)</b>	<b>28,032,282</b>	



## Notes to the Financial Statements

### Note 29. Statutory Benefit Funds Income and Expenses

Benefit Fund Name	Net Investment Income	Insurance Premiums Comms	Other Income	Fees to Management	Claims Expenses	Changes in Net Policy Liabilities	Other Expenses	Paid to Policy holders		Profit/Loss Before Tax	Income Tax Expense	Profit/Loss After Tax	Surplus Opening Balance	Transfers to/(From) Ben Funds	Current Surplus
								Interim	Final						
For the Period Ended 30 June 2017															
Investment Contracts:															
Bonus Bond	64,443	17,939	-	(76,134)	-	-	-	-	(12,300)	(6,052)	-	(6,052)	25,755	-	19,703
Flexible Insurance	569,228	-	-	(322,123)	-	-	-	(4,592)	(290,666)	(48,154)	(120,500)	(168,654)	328,476	-	159,822
Education & Savings	60,407	9,900	-	(53,593)	-	-	-	-	(8,690)	8,024	(13,814)	(5,790)	23,448	-	17,658
Funeral Benefit (Exempt & Taxable)	4,872,181	-	-	(3,069,519)	-	1,738,530	(269,182)	(5)	(2,480,216)	791,788	(1,134,722)	(342,934)	424,335	-	81,401
State Trustees Ltd (Exempt & Taxable)	993,666	-	-	(410,379)	-	-	(105,239)	-	(237,505)	240,544	(108,873)	131,671	302,305	-	433,976
MU Blue Chip Endowment	952,893	-	-	(574,913)	(31,450)	-	-	220	(277,664)	69,087	(172,853)	(103,766)	398,414	-	294,648
<b>Total investment contracts</b>	<b>7,512,818</b>	<b>27,839</b>	<b>-</b>	<b>(4,506,661)</b>	<b>(31,450)</b>	<b>1,738,530</b>	<b>(374,421)</b>	<b>(4,377)</b>	<b>(3,307,041)</b>	<b>1,055,237</b>	<b>(1,550,762)</b>	<b>(495,525)</b>	<b>1,502,733</b>	<b>-</b>	<b>1,007,208</b>
Insurance Contracts:															
Sickness & Accident	(3,123)	112,940	-	(32,627)	(49,315)	74,805	-	-	-	102,680	(5,021)	97,659	268,509	(200,000)	166,167
MU Funeral	11,512	70,711	-	(31,820)	(6,750)	(1,800)	(10,541)	-	-	31,312	(17,590)	13,722	577,983	-	591,705
Sickness & Funeral	(1,475,799)	38,545	-	(522,397)	(846,609)	6,146,804	-	-	(744,413)	2,596,133	-	2,596,133	4,839,236	-	7,435,369
Police Association	67,575	819,676	-	(286,887)	(353,040)	2,664,271	-	-	-	2,911,595	(250,108)	2,661,487	1,750,187	(1,500,000)	2,911,674
Death & Distress	9,701	29,275	-	(14,794)	(36,000)	605	-	-	-	(11,213)	(11,481)	(22,693)	308,397	-	285,704
<b>Total insurance contracts</b>	<b>(1,390,134)</b>	<b>1,071,147</b>	<b>-</b>	<b>(888,525)</b>	<b>(1,291,714)</b>	<b>8,884,685</b>	<b>(10,541)</b>	<b>-</b>	<b>(744,413)</b>	<b>5,630,507</b>	<b>(284,200)</b>	<b>5,346,308</b>	<b>7,744,312</b>	<b>(1,700,000)</b>	<b>11,390,619</b>
<b>Total all contracts</b>	<b>6,122,684</b>	<b>1,098,986</b>	<b>-</b>	<b>(5,395,186)</b>	<b>(1,323,164)</b>	<b>10,623,215</b>	<b>(384,962)</b>	<b>(4,377)</b>	<b>(4,051,454)</b>	<b>6,685,744</b>	<b>(1,834,962)</b>	<b>4,850,783</b>	<b>9,247,045</b>	<b>(1,700,000)</b>	<b>12,397,827</b>

## Notes to the Financial Statements

### Note 29. Statutory Benefit Funds Income and Expenses (continued)

Benefit Fund Name	For the Period Ended 30 June 2016																
	Net Investment Income	Insurance Premiums	Other Income	Fees to Management	Claims Expenses	Changes in Net Policy Liabilities	Other Expenses	Interim	Final	Paid to Policy holders	Profit/Loss Before Tax	Income Tax Expense	Profit/Loss After Tax	Surplus Opening Balance	Transfers to/(From) Ben Funds	Current Surplus	
Investment Contracts:																	
Bonus Bond	75,540	20,060	-	(84,539)	-	-	-	7	(23,506)	(12,438)	-	(12,438)	38,192	-	-	25,754	
Flexible Insurance	633,993	-	-	(351,120)	-	-	(4,032)	(263,026)	15,815	(118,956)	(118,956)	(103,141)	431,617	-	-	328,476	
Education & Savings	83,976	12,760	-	(69,200)	-	-	-	(11,354)	16,182	(23,362)	(23,362)	(7,180)	30,628	-	-	23,448	
Funeral Benefit (Exempt & Taxable)	5,143,296	-	-	(2,820,885)	-	-	(240,365)	(66,609)	(2,175,039)	(159,602)	(585,134)	(744,736)	1,169,071	-	-	424,335	
State Trustees Ltd (Exempt & Taxable)	607,556	-	-	(430,230)	-	-	(117,263)	(1,035)	(191,879)	(132,851)	(33,252)	(166,103)	468,408	-	-	302,305	
MU Blue Chip Endowment	1,178,900	-	-	(658,089)	(59,675)	-	-	(2,752)	(239,449)	218,935	(238,148)	(19,213)	417,627	-	-	398,414	
<b>Total investment contracts</b>	<b>7,723,261</b>	<b>32,820</b>	<b>-</b>	<b>(4,414,063)</b>	<b>(59,675)</b>	<b>-</b>	<b>(357,628)</b>	<b>(74,421)</b>	<b>(2,904,253)</b>	<b>(53,959)</b>	<b>(998,852)</b>	<b>(1,052,811)</b>	<b>2,555,543</b>	<b>-</b>	<b>-</b>	<b>1,502,732</b>	
Insurance Contracts:																	
Sickness & Accident	51,041	133,799	-	(38,197)	(72,496)	6,740	-	-	-	80,887	(3,131)	77,756	330,752	(140,000)	-	268,508	
MU Funeral	14,018	73,597	-	(33,118)	(1,500)	2,200	(11,272)	-	-	43,925	(21,799)	22,126	555,858	-	-	577,984	
Sickness & Funeral	5,176,648	42,551	-	(519,437)	(771,627)	(2,098,300)	-	-	(765,489)	1,064,346	-	1,064,346	4,274,891	(500,000)	-	4,839,237	
Police Association	279,882	772,799	-	(270,480)	(457,480)	(380,482)	-	-	-	(55,761)	(16,237)	(71,998)	1,822,184	-	-	1,750,186	
Death & Distress	10,714	29,735	-	(14,766)	(2,000)	6,840	-	-	-	30,523	(6,328)	24,195	284,202	-	-	308,397	
<b>Total insurance contracts</b>	<b>5,532,303</b>	<b>1,052,481</b>	<b>-</b>	<b>(875,998)</b>	<b>(1,305,103)</b>	<b>(2,463,002)</b>	<b>(11,272)</b>	<b>-</b>	<b>(765,489)</b>	<b>1,163,920</b>	<b>(47,495)</b>	<b>1,116,425</b>	<b>7,267,887</b>	<b>(640,000)</b>	<b>-</b>	<b>7,744,312</b>	
<b>Total all contracts</b>	<b>13,255,564</b>	<b>1,085,301</b>	<b>-</b>	<b>(5,290,061)</b>	<b>(1,364,778)</b>	<b>(2,463,002)</b>	<b>(368,900)</b>	<b>(74,421)</b>	<b>(3,669,742)</b>	<b>1,109,961</b>	<b>(1,046,347)</b>	<b>63,614</b>	<b>9,823,430</b>	<b>(640,000)</b>	<b>-</b>	<b>9,247,044</b>	

## Notes to the Financial Statements

### Note 30. Statutory Benefit Funds Assets, Liabilities and Unallocated Surplus

Benefit Fund Name	As at 30 June 2017										
	TOTAL ASSETS					LIABILITIES & UNALLOCATED SURPLUS					
	Cash & Cash Equivalents	Receivables	Fixed Interest & Other Investments	Others Investments	Deferred Tax Assets	TOTAL ASSETS	Provisions for Current & Deferred Tax	Creditors & Other Liabilities	Members Policy Liabilities	Total Liabilities	NET ASSETS
Investment Contracts:											
Bonus Bond	181,308	-	2,320,439	-	-	2,501,747	-	6,435	2,475,609	2,482,044	19,703
Flexible Insurance	168,636	-	20,579,041	-	-	20,747,677	129,331	28,225	20,430,299	20,587,855	159,822
Education & Savings	424,493	-	1,729,943	-	-	2,154,436	17,747	4,643	2,114,388	2,136,778	17,658
Funeral Benefit (Exempt & Taxable)	8,574,329	-	189,871,091	-	-	198,445,420	768,508	1,362,936	196,232,575	198,364,019	81,401
State Trustees Ltd (Exempt & Taxable)	166,063	-	26,727,014	-	-	26,913,067	114,722	37,173	26,327,196	26,479,091	433,976
MU Blue Chip Endowment	8,340,508	-	27,496,965	-	-	35,837,473	187,897	51,169	35,303,759	35,542,825	294,648
<b>Total investment contracts</b>	<b>17,875,327</b>	<b>-</b>	<b>268,724,493</b>	<b>-</b>	<b>-</b>	<b>286,599,820</b>	<b>1,218,205</b>	<b>1,490,581</b>	<b>282,883,826</b>	<b>285,592,612</b>	<b>1,007,208</b>
Insurance Contracts:											
Sickness & Accident	127,731	-	428,023	-	-	555,754	4,868	192,847	191,872	389,587	166,167
MU Funeral	618,737	-	-	-	-	618,737	16,827	(2,795)	13,000	27,032	591,705
Sickness & Funeral	2,265,180	-	30,775,459	-	-	33,040,639	-	47,098	25,568,172	25,605,270	7,435,369
Police Association	290,273	-	4,390,958	-	-	4,681,231	236,527	1,533,030	-	1,769,557	2,911,674
Death & Distress	73,719	-	308,930	-	-	382,649	10,419	469	86,057	96,945	285,704
<b>Total insurance contracts</b>	<b>3,375,640</b>	<b>-</b>	<b>35,903,370</b>	<b>-</b>	<b>-</b>	<b>39,279,010</b>	<b>268,641</b>	<b>1,770,649</b>	<b>25,849,101</b>	<b>27,888,391</b>	<b>11,390,619</b>
<b>Total all contracts</b>	<b>21,250,967</b>	<b>-</b>	<b>304,627,863</b>	<b>-</b>	<b>-</b>	<b>325,878,830</b>	<b>1,486,846</b>	<b>3,261,230</b>	<b>308,732,927</b>	<b>313,481,003</b>	<b>12,397,827</b>

## Notes to the Financial Statements

### Note 30. Statutory Benefit Funds Assets, Liabilities and Unallocated Surplus (continued)

Benefit Fund Name	As at 30 June 2016										LIABILITIES & UNALLOCATED SURPLUS			NET ASSETS
	TOTAL ASSETS					LIABILITIES & UNALLOCATED SURPLUS					Total Liabilities	Total Liabilities	NET ASSETS	
	Cash & Equivalents	Receivables	Fixed Interest & Other Investments	Others Investments	Deferred Tax Assets	TOTAL ASSETS	Provisions for Current & Deferred Tax	Creditors & Other Liabilities	Members Policy Liabilities	Total Liabilities				NET ASSETS
Investment Contracts:														
Bonus Bond	312,856	-	2,358,254	-	-	2,671,110	-	6,378	2,638,978	2,645,356	25,754			
Flexible Insurance	1,127,009	-	21,075,051	-	-	22,202,060	154,711	31,324	21,687,549	21,873,584	328,476			
Education & Savings	278,422	-	2,560,648	-	-	2,839,070	24,467	6,315	2,784,840	2,815,622	23,448			
Funeral Benefit (Exempt & Taxable)	11,223,530	-	149,092,584	-	-	160,316,114	1,717,440	701,932	157,472,407	159,891,779	424,335			
State Trustees Ltd (Exempt & Taxable)	71,547	-	27,733,126	-	-	27,804,673	65,303	34,697	27,402,368	27,502,368	302,305			
MU Blue Chip Endowment	10,343,882	-	30,473,696	-	-	40,817,578	222,585	59,949	40,136,630	40,419,164	398,414			
<b>Total investment contracts</b>	<b>23,357,246</b>	<b>-</b>	<b>233,293,359</b>	<b>-</b>	<b>-</b>	<b>256,650,605</b>	<b>2,184,506</b>	<b>840,595</b>	<b>252,122,772</b>	<b>255,147,873</b>	<b>1,502,732</b>			
Insurance Contracts:														
Sickness & Accident	52,243	-	615,531	-	-	667,774	3,720	128,869	266,677	399,266	268,508			
MU Funeral	605,554	-	-	-	-	605,554	20,779	(4,409)	11,200	27,570	577,984			
Sickness & Funerals	571,937	-	35,781,728	-	-	36,353,665	-	553,865	30,960,563	31,514,428	4,839,237			
Police Association	98,668	-	4,532,242	-	-	4,630,910	192,295	24,158	2,664,271	2,880,724	1,750,186			
Death & Distress	92,959	-	316,123	-	-	409,082	13,356	667	86,662	100,685	308,397			
<b>Total insurance contracts</b>	<b>1,421,361</b>	<b>-</b>	<b>41,245,624</b>	<b>-</b>	<b>-</b>	<b>42,666,985</b>	<b>230,150</b>	<b>703,150</b>	<b>33,989,373</b>	<b>34,922,673</b>	<b>7,744,312</b>			
<b>Total all contracts</b>	<b>24,778,607</b>	<b>-</b>	<b>274,538,983</b>	<b>-</b>	<b>-</b>	<b>299,317,590</b>	<b>2,414,656</b>	<b>1,543,745</b>	<b>286,112,145</b>	<b>290,070,546</b>	<b>9,247,044</b>			

## Notes to the Financial Statements

### Note 31. Statutory Benefit Funds Policy Liabilities

Benefit Fund Name	Value of Policy Liabilities 1 July 2016	Allocation of Surplus prior Year	Liability Component of Contributions	As at 30 June 2017			Restructured Benefit Funds	Value of Policy Liabilities at the End of Year
				Withdrawals (incl interim Bonuses)	Allocation of Surplus current Year	Member Liability Revaluation		
Investment Contracts:								
Bonus Bond	2,615,472	23,506	128,332	(303,999)	122,300	-	-	2,475,609
Flexible Insurance	21,424,523	263,026	215,673	(1,763,589)	290,666	-	-	20,430,299
Education and Savings	2,773,487	11,354	146,930	(826,073)	8,690	-	-	2,114,388
Funeral Benefit (Exempt & Taxable)	155,297,368	2,175,039	53,970,931	(15,952,450)	2,480,217	-	-	196,232,575
State Trustees Ltd (Exempt & Taxable)	27,210,489	191,879	1,080,684	(2,393,361)	237,505	-	-	26,327,196
MU Blue Chip Endowment	39,897,181	239,449	56,000	(5,166,534)	277,664	-	-	35,303,759
<b>Total investment contracts</b>	<b>249,218,520</b>	<b>2,904,253</b>	<b>55,598,550</b>	<b>(26,406,006)</b>	<b>3,417,042</b>	<b>(1,738,530)</b>	<b>-</b>	<b>282,883,826</b>
Insurance Contracts:								
Sickness and Accident	266,677	-	-	-	-	(74,805)	-	191,872
MU Accident	11,200	-	-	-	-	1,800	-	13,000
Sickness and Funeral	30,195,074	765,489	-	-	744,413	(6,146,804)	-	25,558,172
Police Association	2,664,271	-	-	-	-	(2,664,271)	-	-
Death and Distress	86,662	-	-	-	-	(605)	-	86,057
<b>Total insurance contracts</b>	<b>33,223,884</b>	<b>765,489</b>	<b>-</b>	<b>-</b>	<b>744,413</b>	<b>(8,884,665)</b>	<b>-</b>	<b>25,849,101</b>
<b>Total all contracts</b>	<b>282,442,404</b>	<b>3,669,742</b>	<b>55,598,550</b>	<b>(26,406,006)</b>	<b>4,161,455</b>	<b>(10,623,215)</b>	<b>-</b>	<b>308,732,927</b>

## Notes to the Financial Statements

### Note 31. Statutory Benefit Funds Policy Liabilities (continued)

<u>Benefit Fund Name</u>	<u>Value of Policy Liabilities 1 July 2015</u>	<u>Allocation of Surplus prior Year</u>	<u>Liability Component of Contributions</u>	<u>As at 30 June 2016</u>			<u>Restructured Benefit Funds</u>	<u>Value of Policy Liabilities at the End of Year</u>
				<u>Withdrawals (incl interim Bonuses)</u>	<u>Allocation of Surplus current Year</u>	<u>Member Liability Revaluation</u>		
Investment Contracts:								
Bonus Bond	2,976,118	22,556	160,752	(543,954)	23,506	-	-	2,638,978
Flexible Insurance	23,141,633	416,994	173,992	(2,308,096)	263,026	-	-	21,687,549
Education & Savings	3,501,692	14,183	203,827	(946,216)	11,354	-	-	2,784,840
Funeral Benefit (Exempt & Taxable)	129,206,302	2,618,668	36,571,144	(13,098,746)	2,175,039	-	-	157,472,407
State Trustees Ltd (Exempt & Taxable)	28,317,214	524,590	955,914	(2,587,229)	191,879	-	-	27,402,368
MU Blue Chip Endowment	45,409,038	448,204	45,500	(6,005,561)	239,449	-	-	40,136,630
<b>Total investment contracts</b>	<b>232,551,997</b>	<b>4,045,195</b>	<b>38,111,129</b>	<b>(25,489,802)</b>	<b>2,904,253</b>	<b>-</b>	<b>-</b>	<b>252,122,772</b>
Insurance Contracts:								
Sickness & Accident	273,417	-	-	-	-	(6,740)	-	266,677
MU Funeral	13,400	-	-	-	-	(2,200)	-	11,200
Sickness & Funeral	27,537,909	558,865	-	-	765,489	2,098,300	-	30,960,563
Police Association	2,283,789	-	-	-	-	380,482	-	2,664,271
Death & Distress	93,502	-	-	-	-	(6,840)	-	86,662
<b>Total insurance contracts</b>	<b>30,202,017</b>	<b>558,865</b>	<b>-</b>	<b>-</b>	<b>765,489</b>	<b>2,463,002</b>	<b>-</b>	<b>33,989,373</b>
<b>Total all contracts</b>	<b>262,754,014</b>	<b>4,604,060</b>	<b>38,111,129</b>	<b>(25,489,802)</b>	<b>3,669,742</b>	<b>2,463,002</b>	<b>-</b>	<b>286,112,145</b>

## Notes to the Financial Statements

### Note 32. Statutory Benefit Funds Capital Adequacy

Benefit Fund Name	As at 30 June 2017															
	Gross Assets	Policy Liabilities	Other Liabilities	Net Assets	Regulatory Adjustments	CAPITAL BASE	Asset Risk Charge	Insurance Risk Charge	Aggregation Benefit	Operational Risk Charge	Combined Stress Test	Discretionary Component of Liabilities	Amount to comply with \$10M	Total Prescribed Capital	Capital Surplus/ (Deficiency)	Capital Adequacy Coverage
Investment Contracts:																
Bonus Bond	2,501,747	2,475,609	6,435	19,703	-	-	-	-	-	-	-	-	-	-	-	-
Flexible Insurance	20,747,678	20,430,299	157,556	159,823	-	-	-	-	-	-	-	-	-	-	-	-
Education & Savings	2,154,436	2,114,388	22,590	17,658	-	-	-	-	-	-	-	-	-	-	-	-
Funeral Benefit (Exempt & Taxable)	198,445,420	196,232,575	2,131,444	81,401	-	-	-	-	-	-	-	-	-	-	-	-
State Trustees Ltd (Exempt & Taxable)	26,913,067	26,327,196	151,895	433,976	-	-	-	-	-	-	-	-	-	-	-	-
MU Blue Chip Endowment	35,837,474	35,303,759	239,066	294,648	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total investment contracts</b>	<b>286,599,822</b>	<b>282,883,826</b>	<b>2,708,786</b>	<b>1,007,209</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Insurance Contracts:																
Sickness & Accident	555,755	6,520	197,715	351,520	-	351,520	29,437	31,195	(13,653)	-	3,406	-	-	50,385	301,135	697%
MU Funeral	618,737	13,000	14,032	591,705	-	591,705	2,599	342,904	(2,070)	-	-	-	-	343,433	248,272	172%
Sickness & Funeral	33,040,637	25,558,170	47,098	7,435,369	-	7,435,369	1,837,893	519,307	(349,888)	-	-	(2,007,312)	-	-	7,435,369	0%
Police Association	4,681,230	-	1,769,556	2,911,674	-	2,911,674	70,384	851,786	(53,565)	-	-	-	-	868,605	2,043,069	335%
Death & Distress	382,649	86,057	10,888	285,704	-	285,704	7,171	66,045	(5,372)	-	-	-	-	67,844	217,860	421%
<b>Total insurance contracts</b>	<b>39,279,008</b>	<b>25,663,747</b>	<b>2,039,289</b>	<b>11,575,972</b>	<b>-</b>	<b>11,575,972</b>	<b>1,947,484</b>	<b>1,811,237</b>	<b>(424,548)</b>	<b>-</b>	<b>3,406</b>	<b>(2,007,312)</b>	<b>-</b>	<b>1,330,267</b>	<b>10,245,705</b>	<b>-</b>
Management Fund	23,880,379	-	2,522,962	21,357,417	1,180,020	20,177,397	1,893,404	-	-	804,601	808,968	-	5,162,760	8,669,733	11,507,664	233%
<b>Total all contracts</b>	<b>349,759,209</b>	<b>308,547,573</b>	<b>7,271,037</b>	<b>33,940,598</b>	<b>1,180,020</b>	<b>31,753,369</b>	<b>3,840,888</b>	<b>1,811,237</b>	<b>(424,548)</b>	<b>804,601</b>	<b>812,374</b>	<b>(2,007,312)</b>	<b>5,162,760</b>	<b>10,000,000</b>	<b>21,753,369</b>	<b>366%</b>

## Notes to the Financial Statements

### Note 32. Statutory Benefit Funds Capital Adequacy (continued)

Benefit Fund Name	As at 30 June 2016																
	Gross Assets	Policy Liabilities	Other Liabilities	Net Assets	Regulatory Adjustments	CAPITAL BASE	Asset Risk Charge	Insurance Risk Charge	Aggregation Benefit	Operational Risk Charge	Combined Stress Test	Discretionary Component of Liabilities	Amount to comply with \$10M	Total Prescribed Capital	Capital Surplus/ (Deficiency)	Capital Adequacy Coverage	
<b>Investment Contracts:</b>																	
Bonus Bond	2,671,110	2,638,978	6,378	25,754	-	-	-	-	-	-	-	-	-	-	-	-	-
Flexible Insurance	22,209,954	21,687,549	193,929	328,476	-	-	-	-	-	-	-	-	-	-	-	-	-
Education & Savings	2,839,070	2,784,841	30,781	23,448	-	-	-	-	-	-	-	-	-	-	-	-	-
Funeral Benefit (Exempt & Taxable)	160,943,552	157,472,407	3,046,810	424,335	-	-	-	-	-	-	-	-	-	-	-	-	-
State Trustees Ltd (Exempt & Taxable)	27,804,672	27,402,368	99,999	302,305	-	-	-	-	-	-	-	-	-	-	-	-	-
MU Blue Chip Endowment	40,817,578	40,136,630	282,534	398,414	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total investment contracts</b>	<b>257,285,936</b>	<b>252,122,773</b>	<b>3,660,431</b>	<b>1,502,732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Insurance Contracts:</b>																	
Sickness & Accident	668,090	266,677	132,905	268,508	257,409	525,917	34,308	43,895	(17,325)	-	2,684	-	-	63,562	462,355	827%	827%
MU Funeral	605,554	11,200	16,371	577,983	-	577,983	2,543	346,943	(2,026)	-	-	-	-	347,460	230,522	166%	166%
Sickness & Funeral	36,353,665	30,960,563	553,866	4,839,236	-	4,839,236	2,002,919	457,307	(318,452)	-	-	9,353,087	-	-	4,839,236	NIL	NIL
Police Association	4,828,767	2,664,271	414,310	1,750,186	-	1,750,186	180,929	745,901	(124,904)	-	-	-	-	801,926	948,260	218%	218%
Death & Distress	412,460	86,662	17,401	308,397	-	308,397	6,949	69,928	(5,235)	-	-	-	-	71,642	236,755	430%	430%
<b>Total insurance contracts</b>	<b>42,868,536</b>	<b>33,989,373</b>	<b>1,134,853</b>	<b>7,744,310</b>	<b>257,409</b>	<b>8,001,719</b>	<b>2,227,648</b>	<b>1,663,974</b>	<b>(467,942)</b>	<b>-</b>	<b>2,684</b>	<b>9,353,087</b>	<b>-</b>	<b>1,284,590</b>	<b>6,717,128</b>	<b>623%</b>	<b>623%</b>
Management Fund	21,343,829	-	2,558,592	18,785,237	-	18,785,237	1,464,073	-	-	794,607	624,032	-	5,832,698	8,715,410	10,069,827	216%	216%
<b>Total all contracts</b>	<b>321,498,301</b>	<b>286,112,146</b>	<b>7,353,876</b>	<b>28,032,279</b>	<b>257,409</b>	<b>26,786,956</b>	<b>3,691,721</b>	<b>1,663,974</b>	<b>(467,942)</b>	<b>794,607</b>	<b>626,716</b>	<b>9,353,087</b>	<b>5,832,698</b>	<b>10,000,000</b>	<b>16,786,955</b>	<b>268%</b>	<b>268%</b>



# Directors' Declaration

In the Directors' opinion:

- The attached financial statements and notes thereto comply with the *Corporations Act 2001*, applicable Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- The attached financial statements and notes thereto give a true and fair view of the Society's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- There are reasonable grounds to believe that the Society will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors:



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**Theodore Fleming**  
Chairman



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**Terence Lyon**  
Director

Melbourne  
25 September 2017

# Independent Auditor's Report



RSM Australia Partners

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## INDEPENDENT AUDITOR'S REPORT

### To the Members of Ancient Order of Foresters in Victoria Friendly Society Limited

#### Opinion

We have audited the financial report of Ancient Order of Foresters in Victoria Friendly Society Limited ("the Society"), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Ancient Order of Foresters in Victoria Friendly Society Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Society's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Society, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

We draw attention to Note 23 to the financial statements which describes the uncertainty related to the outcome of litigation against the Society by a competitor. Our opinion is not modified in respect of this matter.

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Society's annual report for the year ended 30 June 2017, but does not include the financial report and the Independent Auditor's Report thereon.

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#### **Other Information (continued)**

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the Directors for the Financial Report**

The directors of the Society are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Society to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

R S M

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink that reads 'P W Fraser'.

**P W FRASER**  
Partner  
Melbourne, Victoria

26 September 2017

# Appointed Actuary's Statement

BRETT & WATSON PTY. LTD.  
A.B.N. 65 060 568 676  
CONSULTING ACTUARIES

## ANCIENT ORDER OF FORESTERS IN VICTORIA FRIENDLY SOCIETY LIMITED

### APPOINTED ACTUARY'S STATEMENT

I have undertaken actuarial valuations in respect of each of the Benefits Funds of the Ancient Order of Foresters in Victoria Friendly Society Limited as at 30 June 2017 in accordance with the Life Insurance Act 1995 (the Act). In my opinion:-

- (a) the value of the policy liabilities of the Society and the capital adequacy of the Society have been determined using methods and assumptions consistent with the prudential standards;
- (b) the allocation and distribution of the surplus of the approved Benefit Funds have been made in accordance with Division 5 and 6 of Part 4 of the Act and the rules of each Benefit Fund, and
- (c) proper records have been kept by the Society in respect of each approved Benefit Fund from which its value of benefit entitlements and capital adequacy have been able to be properly determined.

The actuarial valuations of the Benefit Funds have been undertaken in accordance with the following methodologies and assumptions:-

#### 1. **Defined Contribution Funds (Excluding Funeral Bond Funds)**

The liability has been taken to be the sum of the members' account balances for the non-funeral Defined Contribution Funds.

---

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## 2. Defined Benefit Funds and Funeral Bond Funds

For the Defined Benefit Funds (other than the MU Accident Fund) and the Funeral Bond Funds, the liability is equal to the present value of future benefits, expenses and profits less the present value of future contributions, determined by applying the following assumptions:-

- (a) mortality according to 80% of Australian Life Tables 2010-12 for the IOR Sick and Funeral Fund, 120% for State Trustees Fund Taxable, 110% for the State Trustees Fund Exempt, 140% for Funeral Benefit Fund Taxable, 100% for Funeral Benefit Fund Exempt, 50% for Victoria Police Benefit Fund and Death and Distress Fund members, 80% for Victoria Police Benefit Fund and Death and Distress Fund spouses
- (b) sickness benefits of 12% of contributions for the Victoria Police Benefit Fund
- (c) resignation rates based on the experience for the Death and Distress, Sickness and Accident and Victoria Police Benefit Funds
- (d) distress payments of 15% of contributions for the Death and Distress Fund
- (e) future profits for the Sickness and Accident Fund of 60% of sickness benefits for Group Sickness.
- (f) other assumptions as detailed below:-

<u>Fund</u>	<u>Gross Interest</u> % pa	<u>Expenses</u> %pa	<u>Tax</u> %pa	<u>Future Bonus Rate</u> %pa
Death and Distress	2.70	2.00	0.21	0.00
Sickness and Accident	3.55	0.00	1.06	0.00
Victoria Police Benefit	3.90	0.00	1.17	0.00
IOR Sick and Funeral	3.57	1.50	0.00	2.00
Funeral Benefit Exempt	3.11	1.50	0.00	1.61
Funeral Benefit Taxable	3.23	1.75	0.44	0.94
State Trustees Exempt	3.06	1.50	0.00	1.56
State Trustees Taxable	3.16	1.50	0.50	1.16

The assumed future bonus rate for the Funeral Benefit Taxable Fund is 0.1% lower than the assumed future net earning rate.

The following funds have charges levied on contributions: Death and Distress, Sickness and Accident, Victoria Police Benefit and MU Accident.

For the MU Accident Fund, the liability has been taken as 20% of one year's premium (net of fees).

*Bruce A Watson*

B A Watson  
Director  
Brett & Watson Pty Ltd  
Consulting Actuaries

25 September 2017

Ancient Order of Foresters in Victoria Friendly Society Limited is a registered company under the *Corporations Act 2001*.  
The Company is a public company limited by both shares and guarantee.

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