

Annual Report 2019

170years

of members coming first
1849-2019





Contents

About Foresters Financial	01
Key Highlights	02
Products	04
Chairman's Report	06
Chief Executive Officer's Report	07
Annual Financial Report	09

OUR PURPOSE

We exist to provide financial security for our members while enriching the communities in which we belong.

OUR VISION

To be a leading member-owned financial services provider of innovative investment and insurance products with a commercially driven community focus.



About Foresters Financial

Foresters Financial has been putting our members' financial security first since 1849.

Originating from concern about the lack of financial and social support in times of extreme hardship, the Ancient Order of Foresters was established in Victoria. By pooling funds, members who experienced unemployment, sickness, death or disability could rely on financial assistance and support to ensure they and their families were looked after during difficult times.

Foresters Financial was started by the community to provide financial support to each other and also to create a great social network for people of all backgrounds to connect and enrich their communities.

170 years on, Foresters Financial continues our tradition as a member-owned Australian financial services provider of investment and insurance products serving over 80,000 members, with \$365 million in total funds under management.

Now, more than ever, people need to have their financial security put first and Foresters Financial are well placed to meet this need with our capital guaranteed products. We remain proudly member-owned and our focus continues to be on increasing value for our members – not driving profits and dividends for shareholders.

Foresters Financial represents a trusted, member-owned and community focused financial organisation.

Key Highlights

Our new look and celebrating our 170th year!

In our 170th year, we launched our new name Foresters Financial which more clearly represents what we do today and where we want to go in the future.

Foresters Financial continues our founding ethos from 1849 of helping people in the community. This strong history remains a key part of us now and into the future. We believe a member-owned financial organisation can not only produce good investment returns but also keep our community at the heart of what we do.

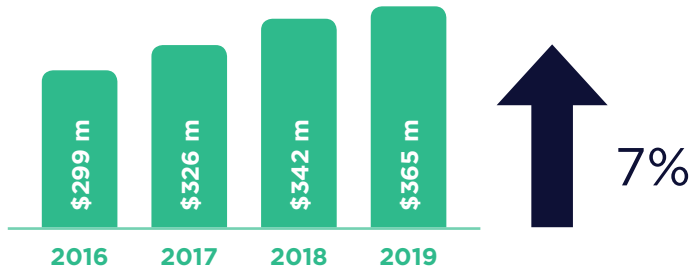
Our membership has surpassed 80,000 this year, a great achievement for Foresters as a proud member-owned financial services company.



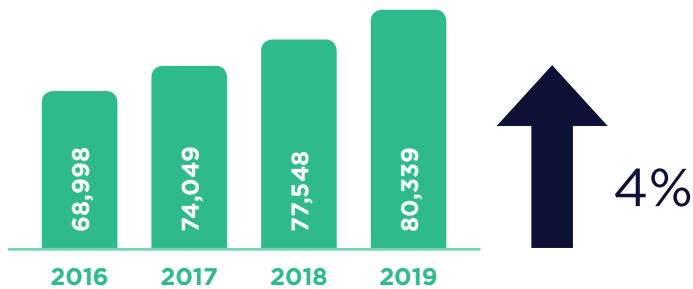
Foresters
Financial

170 years
of members coming first
1849 - 2019

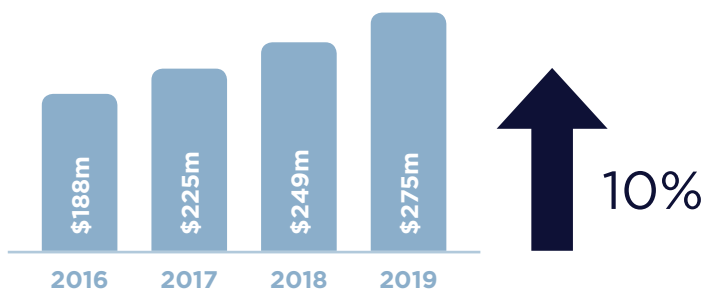
FUNDS UNDER MANAGEMENT



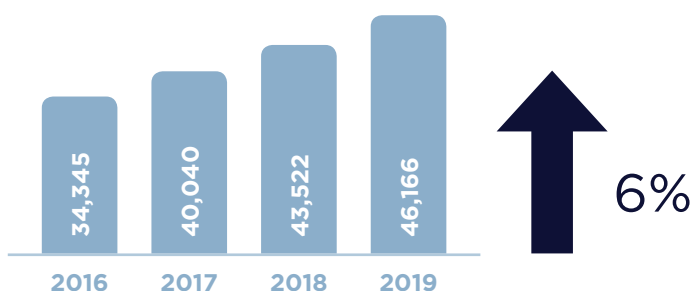
MEMBERS



FUNERAL FUNDS UNDER MANAGEMENT



FUNERAL FUND MEMBERS



Claims

5,388

claims processed worth

\$31.5m

to benefit members

Our People

Women account for

50%

of our management team

10different languages
spoken by our team**6.9 years**

average tenure

Products

Foresters Financial has been providing members and their families peace of mind for 170 years. As a trusted industry specialist with good capital growth and exceptional customer service, Foresters offers security for the future.

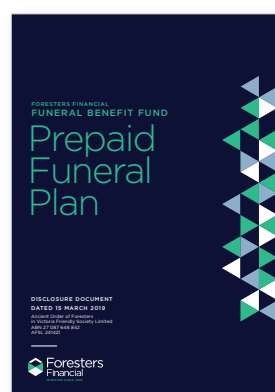
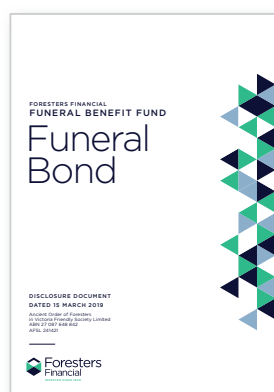
Our current products are:

FUNERAL BENEFIT FUND

Foresters offers Funeral Bond and Prepaid Funeral Plans, allowing investors to prepare for future funeral expenses which may help maximise pension entitlements.

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

The 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

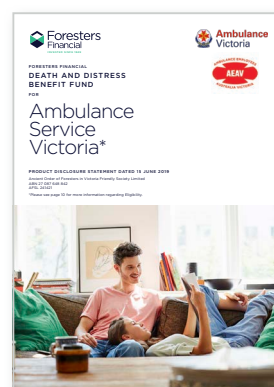
A capital guaranteed, tax effective and flexible life insurance plan that allows for both lump sum investments and regular contributions. The plan provides a secure future and, unlike superannuation, enables access to your funds at any time. Your investment can be used for life events such as retirement,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

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



**The Police
Association
Victoria**

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 toward future funeral expenses which may help maximise pension entitlements.



To learn more about Foresters Financial's product range, please visit www.forestersfinancial.com.au/products.



Chairman's Report



I am pleased to present the 2019 Annual Report for Foresters Financial.

This year has seen us embark on a new and exciting journey whilst still staying true to our core reason for being since 1849, our members.

Our new brand, Foresters Financial, better represents what we do today and into the future.

In 2019, our 170th year, we are very proud to launch our new look with its strong connection to our member-owned past and our community.

Another key area for Foresters Financial this year has been our continued major investment in improving our Information Technology, with both our back-office systems and our funeral directors. This will remain a focus of ours going forward, ensuring we have a simple and efficient service offering for all of our stakeholders.

Foresters Financial continues to have a strong record of sales, achieving \$43m in sales in a challenging year. Funds under management continued to grow, up \$23m to \$365m; and Members of Foresters Financial also increased to 80,339.

Operating in a low interest rate market continues to be a challenge with capital guaranteed products and ensuring a reasonable bonus can be paid across all of our products. Our expectation is that interest rates will not see any improvement in the short to medium term.

I would like to thank my fellow Directors for their continued commitment. I would also like to thank the management and staff of Foresters Financial for their hard work this year in delivering a great result as well as the work done to date in building for future growth.

Theodore Fleming

Chairman
Ancient Order of Foresters in Victoria Friendly
Society Limited

Chief Executive Officer's Report



This year has seen some major achievements for Foresters Financial, with our new brand launched and strong underlying financial performance.

Our new name, Foresters Financial, represents our brand for the future. It will be the foundation for our growth in investment and insurance products.

We are proud of our strong member-owned history and value it even more as we celebrate our 170th year in 2019. Our new brand will also launch our reinvigorated products into market to better meet our members' needs.

Foresters Financial has achieved another year of strong underlying financial performance, which was impacted by a significant judgement payment resulting from our loss of an appeal in the High Court. However, our capital position remains sound and our members' monies, as always, remain secure and capital guaranteed.

The work done with our investment manager, Pitcher Partners, has resulted in a stronger investment return in a financial market that has seen decreasing returns. This investment strategy will become even more important in a market that will see low interest rates for the foreseeable future.

As a mutually owned organisation, Foresters Financials' core purpose remains the financial wellbeing of our members. In this current financial services landscape, it is important more than ever that we continue to focus on our members' wellbeing as a member-owned financial services company, rather than profits for shareholders.

I would like to thank the Board for their ongoing support, our staff for their hard work and commitment, and all of our members and stakeholders for their continued support of Foresters Financial.

A handwritten signature in black ink, appearing to be 'CB' or similar initials, written over a horizontal line.

Craig Bell
Chief Executive Officer
Ancient Order of Foresters in Victoria Friendly
Society Limited



Annual Financial Report for year ended 30 June 2019



Contents

Directors' Report	11
Auditor's Independence Declaration	16
Statement of Profit or Loss and Other Comprehensive Income	17
Statement of Financial Position	18
Statement of Changes in Equity	19
Statement of Cash Flows	20
Notes to the Financial Statements	21
Directors' Declaration	48
Independent Auditor's Report	49
Appointed Actuary's Statement	51

The Directors present their report together with the financial statements of the Ancient Order of Foresters in Victoria Friendly Society Limited (Foresters) for the financial year ended 30 June 2019.

CORPORATE INFORMATION

The Directors of Foresters during the whole financial year were:



Theodore Fleming
Chairman

LL.B, Barrister & Solicitor
Non-Executive Director

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
Deputy Chairman

LL.B, B.A.
Non-Executive Director

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

FA/CD, 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 Proprietary Limited.



Richard Bouchier

B.Bus(Acc.), Dip Civ Eng, Dip ED, Post Grad Dip Applied Fin and Investment CTA-TIA, FIPA, MAICD
Non-Executive Director

Member of: Investment Committee (Chair); Risk Committee (Deputy Chair)

Richard was a director of his own licensed 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 Financial.



Christopher Henderson

GAICD, GIA (Cert.)
Non-Executive Director

Member of: Risk Committee (Chair); Audit & Compliance Committee (Deputy Chair)

Chris is currently the Business Manager and Australian Financial Services Licence Responsible Manager at Austair Pilots Pty Ltd which operates a mutual benefit fund for loss of license protection for commercial airline pilots. He has more than 35 years' 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 Limited, 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, Druids Friendly Society Limited and Community Pharmacy Friendly Society Limited.

Chief Executive Officer & Company Secretary

Craig Bell,
BCom, FCPA, GAICD

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

Pitcher Partners
 Investment Services Pty Ltd
 Level 13, 664 Collins Street
 Docklands VIC 3008

PRINCIPAL ACTIVITIES

The principal activities of Foresters 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 Board of Directors (the Board) has established a clear set of objectives for Foresters.

The key objective for Foresters remains the continued growth of our core business. Additionally, the introduction of new or enhanced products and services will attract more customers by diversifying Foresters' product and service offering.

Enhancing Foresters' product and service offering will capitalise on the major achievements Foresters has delivered in 2018/19 including the rebranding of the company to Foresters Financial, the upgrade of core information technology systems and the redevelopment of the website and means by which our members and clients interact with us.

Foresters will continue to actively manage the investment portfolio to deliver the best investment returns possible.

Most of all, Foresters will strive to deliver our purpose of providing financial security for our members while enriching and enhancing the communities in which we belong.

STRATEGY FOR ACHIEVING OBJECTIVES

At the start of each reporting period, the Board and senior management develop and review the long-term strategic plan and annual business plan.

In developing the long-term strategic plan and annual business plan, the Board ensures that Foresters and its employees have sufficient resources, financial or otherwise, to achieve Foresters' objectives.

The Board and management have established extensive frameworks for implementation, monitoring and reporting of Foresters' objectives, set by the Board.

PERFORMANCE MEASUREMENT

Throughout the year, the Board assesses the performance of Foresters against the objectives identified in the long-term strategic plan and annual business plan.

Initiatives in these plans form the basis for the key performance indicators of all staff and align business activity with the achievement of Foresters' objectives.

The Board proactively monitors the implementation of Foresters' objectives.

NEWLY APPOINTED DIRECTORS

Caroline Banhidly and David Heath were appointed as Directors on 1 August 2019 and continue in office at the date of this report.

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 2019, can be seen in the table on the next page.

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	15	15	20	19
Philip Fraher	15	13	9	6
Terence Lyon	15	15	14	14
Richard Bouchier	15	15	10	10
Christopher Henderson	15	15	11	11

REVIEW OF OPERATIONS

Foresters' loss after income tax (prior to final bonuses) for the year ended 30 June 2019 was \$3,815,393 (2018 profit: \$3,665,269).

The loss after income tax (inclusive of final bonuses) for the year ended 30 June 2019 was \$7,846,845 (2018 profit: \$693,864 as restated).

The total assets of Foresters increased by \$8,301,385 (2018: \$20,524,127) in the year ended 30 June 2019 to \$376,312,489 (2018: \$368,011,104).

Foresters' Funds under Management as at 30 June 2019 was \$364,676,083 (2018: \$342,136,796).

The net assets of the Management Fund as at 30 June 2019 was \$11,357,762 (2018: \$24,521,958).

The Management Fund's loss after income tax for the year ended 30 June 2019 was \$13,255,143 (2018 profit: \$1,346,650).

BONUS DECLARATION

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

	2019	2018
Flexible Insurance Fund	0.75%	0.60%
Funeral Benefit Fund-Exempt	1.60%	0.90%
Funeral Benefit Fund-Taxable	0.50%	0.80%
Funeral Benefit Fund-Taxable (Members post 1 February 2011)	1.20%	0.80%
State Trustees Funeral Benefit Fund-Exempt	2.75%	1.75%
State Trustees Funeral Benefit Fund-Taxable	1.20%	1.00%
Bonus Bond Fund No.1	0.40%	0.15%
Education & Savings Fund	0.35%	0.15%
MU Blue Chip Endowment Fund	0.65%	0.40%

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There are no other matters or circumstances that have arisen since 30 June 2019 that have significantly affected, or may significantly affect Foresters' operations, the results of those operations, or Foresters' state of affairs in future financial years.

ENVIRONMENTAL REGULATIONS

Foresters 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 Foresters and has therefore not been included in this report.

INDEMNITY AND INSURANCE OF THE DIRECTORS AND OFFICERS

The company has indemnified the Directors and Officers of Foresters 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, Foresters paid a premium in respect of a contract to insure the Directors and Officers of Foresters 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 Foresters 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 Foresters is \$1 per member. Members have no other liability in the event Foresters is wound up. At 30 June 2019, Foresters had 80,339 members (2018: 77,548) with a total guarantee of \$80,339 (2018: \$77,548).

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration required under Section 307C of the *Corporations Act 2001* is attached at Page 16 and forms part of the Directors' 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:

A handwritten signature in black ink, appearing to read 'Theodore Fleming', written over a horizontal line.

Theodore Fleming
Chairman

Melbourne, 23 September 2019

A handwritten signature in black ink, appearing to read 'Terence Lyon', written over a horizontal line.

Terence Lyon
Director

Melbourne, 23 September 2019

**RSM Australia Pty Ltd**

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

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 2019, 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.

Rsm

RSM AUSTRALIA PARTNERS

K J Dundon

K J DUNDON
Partner

Dated: 23 September 2019
Melbourne, Victoria

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Pty Ltd 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 Pty Ltd ACN 009 321 377 atf Birdanco Practice Trust ABN 65 319 382 479 trading as RSM

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 2019

	Note	2019 \$	2018* \$
Revenue			
Net investment income	4A	19,599,269	11,638,349
Insurance premiums received	4B	1,520,633	1,443,028
Fees and commissions	4C	27,569	32,149
Other		-	1,254
Total Revenue		21,147,471	13,114,780
Expenses			
Ordinary expenses	5	8,405,036	9,810,387
Litigation settlement	21	20,719,645	-
Distributions to policyholders		4,031,452	2,971,405
Total Expenses		33,156,133	12,781,792
(Loss) / Profit before Income Tax		(12,008,662)	332,988
Income tax benefit	6	(4,161,817)	(360,876)
(Loss) / Profit after Income Tax		(7,846,845)	693,864
Other comprehensive income		-	-
Total Comprehensive (Loss) / Income for the Year		(7,846,845)	693,864

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

*Refer to Note 32 for information regarding the restatement of comparative figures.

Statement of Financial Position

As at 30 June 2019

	Note	2019 \$	2018 Restated* \$	1 July 2017 Restated* \$
Assets				
Cash and cash equivalents	7	23,725,779	19,267,045	23,533,624
Trade and other receivables	8	287,157	393,659	370,438
Investments	9	346,155,619	346,027,306	321,998,217
Current tax asset		887,853	758,992	-
Deferred tax asset	10	4,394,243	584,628	684,501
Plant and equipment		78,614	127,706	87,697
Intangibles	11	783,224	851,768	812,500
Total Assets		376,312,489	368,011,104	347,486,977
Liabilities				
Trade and other payables	12	2,417,060	1,798,770	2,332,157
Provision for current tax		-	139,655	552,077
Deferred tax liabilities	13	93,750	285,456	655,322
Other provisions	14	1,670,068	1,551,125	1,459,249
Members' policy liabilities	15	348,982,161	333,239,803	312,185,741
Total Liabilities		353,163,039	337,014,809	317,184,546
Net Assets		23,149,450	30,996,295	30,302,431
Equity				
Retained earnings		23,149,450	30,996,295	30,302,431
Total Equity		23,149,450	30,996,295	30,302,431

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

*Refer to Note 32 for information regarding the restatement of comparative figures.

Statement of Changes in Equity

For the Year Ended 30 June 2019

	Note	2019 \$	2018 \$
Total equity at the beginning of the year		30,996,295	33,755,245
Restatement of prior year	32	-	(3,452,814)
Restated total equity at the beginning of the year		30,996,295	30,302,431
Total comprehensive (loss) / income for the year		(7,846,845)	693,864
Transfers from Benefit Funds		(470,000)	(2,227,290)
Transfers to Management Fund		470,000	2,227,290
Total equity at the end of the year		23,149,450	30,996,295

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 2019

	Note	2019 \$	2018 \$
Cash flow from operating activities			
Premiums and contributions received		42,097,196	44,698,030
Interest on investments and commissions received		9,984,501	10,802,644
Dividends and distributions received		1,075,564	1,144,826
Payments for salaries and supplies		(27,644,209)	(9,850,744)
Claims and benefits paid		(29,579,023)	(25,601,747)
Income tax paid		(108,020)	(1,080,531)
Net cash (used) / provided by operating activities		(4,173,991)	20,112,478
Cash flow from investing activities			
Payment for non-current assets		(280,841)	(390,562)
Net (purchases) / sales of investments		8,913,566	(23,988,495)
Net cash (used) / provided in investing activities		8,632,725	(24,379,057)
Cash and cash equivalents at the beginning of the year		19,267,045	23,533,624
Net increase / (decrease) in cash held		4,458,734	(4,266,579)
Cash and cash equivalents at the end of the year	7	23,725,779	19,267,045
Reconciliation of net cash provided / (used) by operating activities			
Operating (loss) / profit after income tax		(7,846,845)	693,864
Depreciation and amortisation		398,477	311,284
Unrealised gains from fair value of assets		(9,041,879)	(40,592)
Changes in operating assets and liabilities			
Decrease / (increase) in receivables		106,502	(23,221)
Decrease / (increase) in current tax assets		(128,861)	-
Decrease / (increase) in deferred tax assets		(3,809,615)	99,873
(Decrease) / increase in creditors		618,290	(533,387)
(Decrease) / increase in policy liabilities		15,742,358	21,054,061
(Decrease) / increase in deferred tax liabilities		(191,706)	(369,866)
(Decrease) / increase in income tax payable		(139,655)	(1,171,414)
(Decrease) / increase in provisions		118,943	91,876
Net cash (used) / provided by operating activities		(4,173,991)	20,112,478

The Statement of Cash Flows is to be read in conjunction with the 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 (Foresters) as an individual entity.

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

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

The registered business name of Foresters is Foresters Financial (formerly Foresters Friendly Society).

Foresters 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 Foresters' 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 23rd September 2019.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Financial Reporting Framework**

These general purpose financial statements, have been prepared 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 Foresters.

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 Foresters 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.

Foresters has risk management policies in place in respect of its operations to identify and mitigate risk. An independent actuary provides an Actuarial Valuation Report on Foresters 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 International Financial Reporting Standards

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

C. Accounting Standards and Interpretations

The Company has elected to defer the implementation of AASB 9 *Financial Instruments* until IFRS 17 *Insurance Contracts* is implemented as permitted by AASB 4 *Insurance Contracts*.

Except for the above, the Company 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 Company'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 Foresters' 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Significant judgements and key assumptions (continued)

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 hierarchy during the year.

Foresters does not carry any non-financial assets or liabilities 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. Foresters' 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 and Other Comprehensive Income.

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 Foresters' financial risk management policy (Refer Note 24). Realised and unrealised gains and losses arising from changes in the fair value of these assets are recognised through 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 the 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Income tax (continued)

Foresters' current income tax expense is the tax payable on the current periods 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 legislation, Foresters has made an election to apply the 'Elective Fair Value' tax-timing method to all financial arrangements.

The effect of making these elections is that gains and losses from financial arrangements that are marked to market through profit and loss 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 are 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 Foresters and the cost of the item can be measured reliably. All other repairs and maintenance are charged to 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.

N. Intangible assets

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, including software assets, acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation or 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 each class of intangible assets. Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. Management rights are estimated to have a useful life of 10 years and software assets a useful life of 4 years.

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 or 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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Leasehold improvements (continued)

estimated useful life of the improvement to Foresters, 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 Foresters 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 Foresters' 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 reliably measured.

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

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 of 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 liabilities. Provisions for conditional long service leave are classified as non-current liabilities.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Life insurance contracts (continued)

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

are split when this is practicable and when the components can be measured reliably. Whist 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% (2018: 80%) for the IOR Sick and Funeral Fund, 115% (2018: 120%) for State Trustees Funds Taxable, 110% (2018: 110%) for the State Trustees Fund Exempt, 140% (2018: 140%) for Funeral Benefit Funds Taxable, 90% (2018: 100%) for Funeral Benefit Fund Exempt, 50% (2018: 50%) for the Victoria Police Benefit Fund and Death and Distress Fund members and 80% (2018: 80%) for Victoria Police Benefit Fund and Death and Distress Fund spouses;

- Sickness benefits of 24% (2018: 18%) 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;
- Distress payments of 10% (2018: 30%) of contributions for the Death and Distress Fund;
- Future profits for the Sickness and Accident Fund of 60% (2018: 60%) of sickness benefits for Group Sickness;
- Other assumptions as detailed in the table below:

Fund	Gross Interest		Expenses		Tax		Future Bonus Rates	
	2019	2018	2019	2018	2019	2018	2019	2018
IOR Sick and Funeral	2.00%	3.24%	0.75%	1.50%	0.00%	0.00%	1.50%	2.00%
Death and Distress	1.38%	2.63%	2.00%	2.00%	(0.19)%	0.19%	0.00%	0.00%
Sickness and Accident	1.74%	3.55%	0.00%	0.00%	0.52%	1.06%	0.00%	0.00%
Victoria Police Benefit	2.32%	3.29%	0.00%	0.00%	0.70%	0.99%	0.00%	0.00%
Funeral Benefit-Exempt	1.81%	2.99%	1.50%	1.50%	0.00%	0.00%	0.31%	1.49%
Funeral Benefit-Taxable	1.82%	3.06%	1.75%	1.75%	0.02%	0.46%	0.05%	0.75%
STL Trustees-Exempt	1.70%	2.95%	1.50%	1.50%	0.00%	0.00%	0.20%	1.45%
STL Trustees-Taxable	1.77%	3.01%	1.50%	1.50%	0.08%	0.45%	0.19%	1.06%

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Life insurance contracts (continued)

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

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

For the MU Accident Fund, the liability has been taken as 20% (2018: 20%) of one years premium (net of fees).

The member policy liabilities of the IOR Sick and Funeral Fund have been revalued as a result of a reduction in the risk-free interest rate and a reduction in the assumed future bonus rate. The movement in member policy liabilities is recorded in the Statement of Profit or Loss and Other Comprehensive Income.

The member policy liabilities of the Victoria Police Benefit Fund have been revalued to nil (2018: \$959,000) as the value of future benefits is offset by an assumed increase to the contribution rate. The movement in member policy liabilities is recorded in the Statement of Profit or Loss and Other Comprehensive Income.

Further information regarding member policy valuations can be found at Note 29.

ii. Investment contracts (Refer Note 15)

A contract governed by the *Life Insurance Act 1995*, 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;
- 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 profit or loss.

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 Statement of Profit or Loss and Other Comprehensive Income.

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 through profit or loss 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 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 Foresters' Appointed Actuary.

Foresters' 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 Foresters.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Foresters 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 profit and loss.

V. Distribution of surpluses of the benefit funds

The distributable surpluses, being interim and final bonuses to the policyholders 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 Profit or Loss and Other Comprehensive Income is reduced by that amount, whilst the tax expense is calculated on profit excluding the distributed surpluses of the benefit funds.

W. Policyholders entitlement to monies held in benefit funds

Monies held in the life insurance benefit funds are subject to the distribution and transfer restrictions and other requirements of the *Life Insurance Act 1995*. Monies held in the benefit funds are held for the benefit of the members of those funds, and are subject to Foresters' 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 benefit funds' 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 (GST)

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 ISSUED THAT ARE NOT YET EFFECTIVE

The following standards, amendments to standards and interpretations have been identified as those which may impact Foresters upon initial application. The standards are not mandatory for the year ended 30 June 2019 and early adoption has not been undertaken by Foresters. An assessment of the impact of these standards upon application is included in the table below:

AASB Standard	Title & Summary	Standard applicable for Annual reporting beginning on	Applicable date for Foresters	Impact on Foresters' financial statements
AASB 16 <i>Leases</i>	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 <i>Leases</i> .	1 January 2019	1 July 2019	It is expected that the application of this standard will result in an asset and liability being recognised for a long-term lease entered into by Foresters. At 30 June 2019, no such lease qualified for recognition in the financial statements.
Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	The Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 <i>Income Taxes</i> when there is uncertainty over income tax treatments.	1 January 2019	1 July 2019	The interpretation will be applied as appropriate. At 30 June 2019, having sought appropriate advice, Management believes no uncertain tax treatments exist that require disclosure in the financial statements.
IFRS 17 <i>Insurance Contracts</i>	IFRS 17 replaces IFRS 4 <i>Insurance Contracts</i> 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 still being assessed.

NOTE 4. REVENUE**A. Investment Income**

Interest on investments	10,188,993	9,954,303
Dividends and distribution income	970,231	1,097,333
Changes in the fair value of securities	8,809,818	855,532
Less: direct investment expense	(369,773)	(268,819)

Total investment income	19,599,269	11,638,349
--------------------------------	-------------------	-------------------

B. Insurance Premiums Received

The Police Association of Victoria	1,324,898	1,221,257
Sickness and Accident Fund	93,737	98,251
MU Accident Fund	45,628	62,468
Death and Distress Fund	25,980	27,995
Sick and Funeral Fund	30,390	33,057

Total insurance premiums received	1,520,633	1,443,028
--	------------------	------------------

C. Fees and Commissions

Revenue from initial fees	22,417	25,480
Commissions received	5,152	6,669

Total fees and commissions	27,569	32,149
-----------------------------------	---------------	---------------

NOTE 5. ORDINARY EXPENSES

Employee benefits	2,532,037	2,351,554
Operating expenses	1,666,059	2,201,899
Sales and marketing	798,157	950,266
Occupancy	278,949	264,307
Depreciation and amortisation	398,477	311,284
VPA members counselling	363,000	361,392
Claims paid to policyholders	1,897,159	1,848,917
Changes in policy liabilities	471,198	1,520,768

Total ordinary expenses	8,405,036	9,810,387
--------------------------------	------------------	------------------

NOTE 6. INCOME TAX EXPENSE

Income tax recognised in profit or loss

Current tax provision

Adjustment relating to temporary differences

Over provision prior year

Total income tax (benefit)

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

(Loss) / Profit before income tax

Prima facie tax on profit (loss) for the period at 30% (2018: 30%)

Add (deduct) tax effect of:

Non-deductible distributions

Net non-assessable income

Non-deductible expenses

Other income and allowable deductions

Over provision of tax

Franking credit rebate

Income tax (benefit)

NOTE 7. CASH AND CASH EQUIVALENTS

Cash management accounts

Deposit at call accounts

Total cash and cash equivalents

NOTE 8. TRADE AND OTHER RECEIVABLES

Prepaid expenses

Sundry receivables

Total trade and other receivables

NOTE 9. INVESTMENTS

Investment in interest bearing securities

Investment in ASX listed securities

Investment in managed funds

Total investments

	2019 \$	2018 \$
	152,715	498,442
	(4,169,546)	22,084
	(144,986)	(851,402)
	(4,161,817)	(360,876)
	(12,008,662)	332,988
	(3,602,599)	99,896
	1,209,437	618,428
	(1,422,176)	(2,042,218)
	211,359	338,634
	(313,062)	1,605,626
	(144,986)	(851,402)
	(99,790)	(129,840)
	(4,161,817)	(360,876)
	3,730,843	3,092,010
	19,994,936	16,175,035
	23,725,779	19,267,045
	132,247	136,001
	154,910	257,658
	287,157	393,659
	314,559,516	309,673,484
	7,396,168	8,460,599
	24,199,935	27,893,223
	346,155,619	346,027,306

NOTE 9. INVESTMENTS (CONTINUED)

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 value hierarchy is detailed at Note 2F.

	2019 \$			2018 \$		
	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	314,559,516	-	-	309,673,484	-	-
Investments in ASX listed securities	7,396,168	-	-	8,460,599	-	-
Investment in managed funds	-	24,199,935	-	-	27,893,223	-
Total investments	321,955,684	24,199,935	-	318,134,083	27,893,223	-

NOTE 10. DEFERRED TAX ASSET

The balance comprises temporary differences attributable to:

	2019 \$	2018 \$
Tax losses carried forward	3,772,798	-
Employee entitlements	85,338	105,317
Accrued expenses	121,851	81,133
Directors' retirement allowance	415,682	399,277
Other	(1,426)	(1,099)
Total deferred tax asset	4,394,243	584,628

NOTE 11. INTANGIBLE ASSETS

Work in progress	12,621	289,268
Management rights	2,500,000	2,500,000
Less: Amortisation	(2,187,500)	(1,937,500)
Intangible assets	534,445	-
Less: Amortisation	(76,342)	-
Total intangible assets	783,224	851,768
Movements in carrying amounts		
Balance at the beginning of the year	851,768	812,500
Additions	257,798	289,268
Amortisation expense	(326,342)	(250,000)
Total intangible assets	783,224	851,768

NOTE 12. TRADE AND OTHER PAYABLES

	2019 \$	2018 \$
Suppliers and creditors	1,305,382	1,204,895
Accrued general expenses	755,678	593,875
Foresters Funeral Funds Trust (refer Note 31)	356,000	-
Total trade and other payables	2,417,060	1,798,770

NOTE 13. DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

Accrued income	-	115,406
Other financial assets	-	1,300
Net restructure expenditure amortised	93,750	168,750
Total deferred tax liabilities	93,750	285,456

NOTE 14. OTHER PROVISIONS

Annual leave	112,625	110,721
Long service leave	171,835	109,481
Directors' retirement allowance	1,385,608	1,330,923
Total other provisions	1,670,068	1,551,125

NOTE 15. MEMBERS' POLICY LIABILITIES

Investment contracts:

Bonus Bond Fund 1	1,800,127	2,023,065
Flexible Insurance Fund	17,098,656	19,201,475
Education and Savings Fund	1,297,416	1,675,916
Funeral Benefit Fund (Exempt and Taxable)	246,620,836	222,089,494
STL Funeral Fund (Exempt and Taxable)	23,832,578	24,973,983
MU Blue Chip Endowment Fund	27,408,066	31,456,220
Total investment contracts	318,057,679	301,420,153

Insurance contracts:

Sickness and Accident Fund	155,984	171,100
Sick and Funeral Fund	30,679,565	30,601,284
The Police Association of Victoria Benefit Fund	-	959,369
Death and Distress Fund	80,933	76,897
MU Accident Fund	8,000	11,000
Total insurance contracts	30,924,482	31,819,650
Total members' policy liabilities	348,982,161	333,239,803

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.

NOTE 16. SUPERANNUATION GUARANTEE CONTRIBUTIONS

During the year Foresters has made contributions in respect of employees superannuation to a complying superannuation fund in accordance with the Legislative requirements. Defined contributions of 9.50% (2018: 9.50%) for the year totalled \$160,337 (2018: \$143,533).

NOTE 19. 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

Compensation

Short term employee benefits	829,308	789,195
Other long-term benefits	54,685	36,802
Total compensation	883,993	825,997

NOTE 20. 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 Foresters on standard member terms and conditions no more favourable than those available to members.

A. Loans to or from related parties

There are/were no loans to or 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 \$583 (2018: \$38,668) on standard commercial terms for legal services rendered to Foresters.

NOTE 21. SIGNIFICANT EVENT

As disclosed in the 2018 Financial Report, a competitor commenced legal action against Foresters in 2012. In October 2018, the High Court found in favour of the competitor and awarded an amount against Foresters representing the net present value of the funeral business equating to \$14,838,063 plus interest and costs. The total amount paid was \$20,719,645.

NOTE 22. SUBSEQUENT EVENT

There are no matters or circumstances that have arisen since 30 June 2019 that have significantly affected, or may significantly affect Foresters' operations, the results of those operations, or Foresters' state of affairs in future financial years.

NOTE 23. COMMITMENTS FOR EXPENDITURE

Operating lease:

Foresters' lease of office premises at 11-17 Jeffcott Street, West Melbourne expires on 15 March 2020.

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:

Lease Payments	2019 \$	2018 \$
No later than one year	173,355	167,170
Later than one year but not later than two years	-	-
Total - Lease Payments	173,355	167,170

NOTE 24. FINANCIAL RISK MANAGEMENT

Foresters' 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. Foresters does not invest or trade in derivatives.

Foresters manages its exposure to key financial risks, particularly interest rate movements, in accordance with Foresters' 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 Foresters' Appointed Actuary.

Most of Foresters' investments are externally managed by a fund manager. However, Foresters' 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 benefit fund's actual asset allocation against the ranges determined as appropriate for each benefit fund. The Investment Committee thereby ensures compliance with the guidelines and satisfaction that the benefit fund's position is within the guidelines.

A. Significant Accounting Policies

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.

NOTE 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Financial risks

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

i. Market Risk – Fair value interest rate risk

As Foresters has significant interest bearing investments, Foresters' 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 applicable legislation and benefit fund rules certified as appropriate by Foresters' Actuary.

ii. Market Risk – Price risk

Foresters is exposed to equity securities price risk. Foresters is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities Foresters 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. Foresters has no foreign exchange risk exposure.

iv. Credit Risk

Foresters is exposed to credit risk should a counterparty default on its contractual obligations resulting in financial loss to Foresters.

Foresters invests in accordance with its investment policy as a means of mitigating the risk of financial losses from defaults.

As an APRA regulated institution, Foresters 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 Foresters' Risk Management Framework.

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

v. Liquidity Risk

Liquidity risk is the risk that assets cannot be realised to allow Foresters to meet its obligations as they fall due. Foresters 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. Foresters 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.

NOTE 25. SENSITIVITY ANALYSIS

A. Interest Rate Risk

The investments of Foresters are subject to risks associated with financial assets (Note 24). Fluctuations in interest rates will not materially affect Foresters as most of the investments are on fixed rates. However, the fair value of assets may be impacted by movements in interest rates.

NOTE 25. SENSITIVITY ANALYSIS (CONTINUED)**A. Interest Rate Risk (continued)**

For the purpose of the analysing interest rate risk, the effect of a 0.50% (2018: 0.50%) interest rate increase and 0.50% (2018: 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.

	2019 \$		2018 \$	
	Net Profit / (Loss)	Net Assets	Net Profit / (Loss)	Net Assets
Adjusted by +0.5% increase	(13,685,795)	21,472,317	(1,326,942)	29,336,365
Net Profit / (Loss) before income tax	(12,008,662)	-	332,988	-
Net Assets	-	23,149,450	-	30,996,295
Adjusted by -0.5% decrease	(10,331,529)	24,826,583	1,992,918	32,656,225

B. Price Risk

For the purpose of the analysing price risk, the effect of a 10.00% (2018: 10.00%) increase and 10.00% (2018: 10.00%) decrease in equity prices on profit/(loss) and net assets is shown in the table below.

	2019 \$		2018 \$	
	Net Profit / (Loss)	Net Assets	Net Profit / (Loss)	Net Assets
Adjusted by +10% increase	(10,935,760)	24,222,352	1,737,127	32,400,434
Net Profit / (Loss) before income tax	(12,008,662)	-	332,988	-
Net Assets	-	23,149,450	-	30,996,295
Adjusted by -10% decrease	(13,081,564)	22,076,548	(1,071,151)	29,592,156

NOTE 26. EXPOSURE TO INTEREST RATE RISK

The following tables detail Foresters' exposure to interest rate risk for assets and liabilities as at the reporting date.

	As at 30 June 2019 \$				As at 30 June 2018 \$					
	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
Assets:										
<i>Financial assets:</i>										
Cash and cash equivalents	23,725,779	-	-	23,725,799	1.50%	19,267,045	-	-	19,267,045	1.72%
Trade and other receivables	154,910	-	-	154,910	Nil	257,658	-	-	257,658	Nil
Other financial assets	140,544,753	131,172,779	74,438,087	346,155,619	3.21%	216,364,922	95,903,668	33,758,716	346,027,306	3.12%
<i>Non-financial assets:</i>										
Prepaid expenses	132,247	-	-	132,247	Nil	136,001	-	-	136,001	Nil
Plant and equipment	78,614	-	-	78,614	Nil	127,706	-	-	127,706	Nil
Current income tax and deferred tax	887,853	4,394,243	-	5,282,096	Nil	758,992	584,628	-	1,343,620	Nil
Intangible and other assets	783,224	-	-	783,224	Nil	851,768	-	-	851,768	Nil
Total assets	166,307,380	135,567,022	74,438,087	376,312,489		237,764,092	96,488,296	33,758,716	368,011,104	
Liabilities:										
<i>Financial liabilities:</i>										
Trade and other payables	2,417,060	-	-	2,417,060	Nil	1,798,770	-	-	1,798,770	Nil
<i>Non-financial liabilities:</i>										
Policy liabilities	47,604,266	-	301,377,895	348,982,161	Nil	54,356,676	-	278,883,127	333,239,803	Nil
Income tax payable and deferred tax	-	93,750	-	93,750	Nil	139,655	285,456	-	425,111	Nil
Other liabilities	1,670,068	-	-	1,670,068	Nil	1,551,125	-	-	1,551,125	Nil
Total liabilities	51,691,394	93,750	301,377,895	353,163,039		57,846,226	285,456	278,883,127	337,014,809	
Net assets	114,615,986	135,473,272	(226,939,808)	23,149,450		179,917,866	96,202,840	(245,124,111)	30,996,295	

NOTE 27. STATUTORY BENEFIT FUND INCOME AND EXPENSES

For the Period Ended 30 June 2019 \$															
Benefit Fund	Net investment income	Insurance premiums and commissions	Other income	Fees to management	Claims expenses	Changes in policy liabilities	Other expenses	Distributions paid to policy holders		Profit (loss) before tax	Income tax expense	Profit (loss) after tax	Surplus opening balance	Transfers to (from) benefit funds	Current surplus
								Interim	Final						
Investment Contracts:															
Bonus Bond	49,354	14,140	-	(57,752)	-	-	-	-	(7,095)	(1,353)	-	(1,353)	17,416	-	16,063
Flexible Insurance	485,212	-	-	(272,102)	-	-	-	7	(127,250)	85,867	(83,002)	2,865	161,017	-	163,882
Education and Savings	37,319	6,780	-	(32,335)	-	-	-	39	(4,645)	7,158	(10,244)	(3,086)	13,718	-	10,632
Funeral Benefit (Exempt and Taxable)	12,227,217	-	-	(4,060,701)	(2,428)	(1,971,223)	(317,748)	-	(2,714,657)	3,160,460	(2,411,075)	749,385	386,664	-	1,136,049
State Trustees Ltd (Exempt and Taxable)	712,936	-	-	(369,434)	-	-	(104,208)	-	(394,376)	(155,082)	152,271	(2,811)	485,527	-	482,716
MU Blue Chip Endowment	746,937	-	-	(442,406)	(33,600)	-	-	1,483	(177,672)	94,742	(135,044)	(40,302)	296,944	-	256,642
Total investment contracts	14,258,975	20,920	-	(5,234,730)	(36,028)	(1,971,223)	(421,956)	1,529	(3,425,695)	3,191,792	(2,487,094)	704,698	1,361,286	-	2,065,984
Insurance Contracts:															
Sickness and Accident	19,760	93,737	-	(26,575)	(34,404)	15,116	-	-	-	67,634	(2,860)	64,774	167,824	(70,000)	162,598
MU Accident	10,569	45,628	-	(27,045)	(500)	3,000	(651)	-	-	31,001	(14,004)	16,997	596,874	-	613,871
Sickness and Funeral	5,012,932	31,888	-	(314,063)	(695,957)	529,005	-	-	(607,286)	3,956,519	-	3,956,519	1,850,741	-	5,807,260
Police Association	110,038	1,324,898	-	(463,714)	(702,920)	959,369	-	-	-	1,227,671	(185,116)	1,042,555	2,190,137	(400,000)	2,832,692
Death and Distress	7,563	25,980	-	(14,166)	(7,000)	(4,036)	-	-	-	8,341	(6,532)	1,809	307,474	-	309,283
Total insurance contracts	5,160,862	1,522,131	-	(845,563)	(1,440,781)	1,502,454	(651)	-	(607,286)	5,291,166	(208,512)	5,082,654	5,113,050	(470,000)	9,725,704
Total all contracts	19,419,837	1,543,051	-	(6,080,293)	(1,476,809)	(468,769)	(422,607)	1,529	(4,032,981)	8,482,958	(2,695,606)	5,787,352	6,474,336	(470,000)	11,791,688

NOTE 27. STATUTORY BENEFIT FUND INCOME AND EXPENSES (CONTINUED)

For the Period Ended 30 June 2018 \$																
Benefit Fund	Net investment income	Insurance premiums and commissions	Other income	Fees to management	Claims expenses	Changes in policy liabilities	Other expenses	Distributions paid to policy holders		Profit (loss) before tax	Income tax expense	Profit (loss) after tax	Surplus opening balance	Transfers to (from) benefit funds	Current surplus	
								Interim	Final							
Investment Contracts:																
Bonus Bond	51,337	15,777	-	(66,366)	-	-	-	-	(3,035)	(2,287)	-	(2,287)	19,703	-	17,416	
Flexible Insurance	473,446	-	-	(299,441)	-	-	-	-	(114,479)	59,526	(58,331)	1,195	159,822	-	161,017	
Education and Savings	42,259	8,130	-	(41,264)	-	-	-	-	(2,611)	6,514	(10,454)	(3,940)	17,658	-	13,718	
Funeral Benefit (Exempt and Taxable)	5,893,921	-	-	(3,628,172)	-	231,479	(335,797)	-	(1,638,712)	522,719	(217,456)	305,263	81,401	-	386,664	
State Trustees Ltd (Exempt and Taxable)	958,034	-	-	(394,852)	-	-	(109,839)	-	(320,584)	132,759	(81,208)	51,551	433,976	-	485,527	
MU Blue Chip Endowment	776,085	-	-	(500,195)	(33,825)	-	-	(1,159)	(125,336)	115,570	(113,274)	2,296	294,648	-	296,944	
Total investment contracts	8,195,082	23,907	-	(4,930,290)	(33,825)	231,479	(445,636)	(1,159)	(2,204,757)	834,801	(480,723)	354,078	1,007,208	-	1,361,286	
Insurance Contracts:																
Sickness and Accident	25,629	98,251	-	(28,114)	(31,340)	20,772	-	-	-	85,198	(3,541)	81,657	166,167	(80,000)	167,824	
MU Accident	11,014	62,468	-	(28,110)	(20,800)	2,000	(9,605)	-	-	16,967	(11,798)	5,169	591,705	-	596,874	
Sickness and Funeral	2,668,658	34,629	-	(478,279)	(619,232)	(824,911)	-	-	(765,489)	15,376	-	15,376	3,982,655	(2,147,290)	1,850,741	
Police Association	101,936	1,221,258	-	(427,440)	(660,010)	(959,369)	-	-	-	(723,625)	2,088	(721,537)	2,911,674	-	2,190,137	
Death and Distress	8,929	27,995	-	(14,478)	(5,000)	9,160	-	-	-	26,606	(4,836)	21,770	285,704	-	307,474	
Total insurance contracts	2,816,166	1,444,601	-	(976,421)	(1,336,382)	(1,752,348)	(9,605)	-	(765,489)	(579,478)	(18,087)	(597,565)	7,937,905	(2,227,290)	5,113,050	
Total all contracts	11,011,248	1,468,508	-	(5,906,711)	(1,370,207)	(1,520,869)	(455,241)	(1,159)	(2,970,246)	255,323	(498,810)	(243,487)	8,945,113	(2,227,290)	6,474,336	

NOTE 28. STATUTORY BENEFIT FUND ASSETS, LIABILITIES AND UNALLOCATED SURPLUS

As at 30 June 2019 \$											
Benefit Fund	Assets					Liabilities and Unallocated Surplus					
	Cash and cash equivalents	Receivables	Fixed interest and other investments	Other assets	Current and deferred tax assets	Total assets	Provision for current and deferred tax	Creditors and other liabilities	Members policy liabilities	Total liabilities	Net assets
Investment Contracts:											
Bonus Bond	158,664	-	1,662,652	-	-	1,821,316	-	5,126	1,800,127	1,805,253	16,063
Flexible Insurance	1,677,029	-	15,673,038	-	-	17,350,067	63,882	23,647	17,098,656	17,186,185	163,882
Education and Savings	346,787	-	972,215	-	-	1,319,002	8,363	2,591	1,297,416	1,308,370	10,632
Funeral Benefit (Exempt and Taxable)	4,762,401	42,702	246,018,081	-	-	250,823,184	1,789,434	1,276,865	246,620,836	249,687,135	1,136,049
State Trustees Ltd (Exempt and Taxable)	139,180	-	24,199,935	-	9,038	24,348,153	-	32,859	23,832,578	23,865,437	482,716
MU Blue Chip Endowment	7,961,666	-	19,837,658	-	-	27,799,324	96,672	37,944	27,408,066	27,542,682	256,642
Total investment contracts											
	15,045,727	42,702	308,363,579	-	9,038	323,461,046	1,958,351	1,379,032	318,057,679	321,395,062	2,065,984
Insurance Contracts:											
Sickness and Accident	394,132	-	-	-	316	394,448	3,066	72,800	155,984	231,850	162,598
MU Accident	636,764	-	-	-	-	636,764	13,341	1,552	8,000	22,893	613,871
Sickness and Funeral	846,916	-	35,672,989	-	-	36,519,905	-	33,080	30,679,565	30,712,645	5,807,260
Police Association	1,557,055	53,010	1,763,478	-	-	3,373,543	102,291	438,560	-	540,851	2,832,692
Death and Distress	85,826	-	309,618	-	-	395,444	4,658	570	80,933	86,161	309,283
Total insurance contracts											
	3,520,693	53,010	37,746,085	-	316	41,320,104	123,356	546,562	30,924,482	31,594,400	9,725,704
Total all contracts											
	18,566,420	95,712	346,109,664	-	9,354	364,781,150	2,081,707	1,925,594	348,982,161	352,989,462	11,791,688

NOTE 28. STATUTORY BENEFIT FUND ASSETS, LIABILITIES AND UNALLOCATED SURPLUS (CONTINUED)

As at 30 June 2018 \$												
Benefit Fund	Cash and cash equivalents	Receivables	Assets			Current and deferred tax assets	Total assets	Provision for current and deferred tax	Liabilities and Unallocated Surplus			
			Fixed interest and other investments	Other assets					Creditors and other liabilities	Members policy liabilities	Total liabilities	Net assets
Investment Contracts:												
Bonus Bond	72,952	-	1,971,577	-	-	-	2,044,529	-	4,048	2,023,065	2,027,113	17,416
Flexible Insurance	187,351	-	19,307,727	-	-	-	19,495,078	105,906	26,680	19,201,475	19,334,061	161,017
Education and Savings	331,919	-	1,371,071	-	-	-	1,702,990	10,646	2,711	1,675,915	1,689,272	13,718
Funeral Benefit (Exempt and Taxable)	9,386,160	8,897	213,941,762	-	55,053	-	223,391,872	-	915,713	222,089,495	223,005,208	386,664
State Trustees Ltd (Exempt and Taxable)	52,027	-	25,585,632	-	-	-	25,637,659	145,029	33,120	24,973,983	25,152,132	485,527
MU Blue Chip Endowment	4,472,094	-	27,464,835	-	-	-	31,936,929	140,002	43,763	31,456,220	31,639,985	296,944
Total investment contracts	14,502,503	8,897	289,642,604	-	55,053	-	304,209,057	401,583	1,026,035	301,420,153	302,847,771	1,361,286
Insurance Contracts:												
Sickness and Accident	253,528	-	171,000	-	-	-	424,528	3,476	82,128	171,100	256,704	167,824
MU Accident	621,041	-	-	-	-	-	621,041	11,058	2,109	11,000	24,167	596,874
Sickness and Funeral	304,077	-	32,197,673	-	-	-	32,501,750	-	49,724	30,601,285	30,651,009	1,850,741
Police Association	119,686	46,000	3,980,643	-	15,377	-	4,161,706	-	1,012,200	959,369	1,971,569	2,190,137
Death and Distress	83,972	-	305,111	-	-	-	389,083	4,008	704	76,897	81,609	307,474
Total insurance contracts	1,382,304	46,000	36,654,427	-	15,377	-	38,098,108	18,542	1,146,865	31,819,651	32,985,058	5,113,050
Total all contracts	15,884,807	54,897	326,297,031	-	70,430	-	342,307,165	420,125	2,172,900	333,239,804	335,832,829	6,474,336

NOTE 29. STATUTORY BENEFIT FUNDS POLICY LIABILITIES

Benefit Fund	Value of policy liabilities 1 July 2018	Allocation of surplus prior year	Liability component of contributions	Withdrawals (including interim bonuses)	Allocation of surplus current year	Member liability revaluation	Restructured benefit funds	Value of policy liabilities at the end of the year
As at 30 June 2019 \$								
Investment Contracts:								
Bonus Bond	2,020,029	3,036	89,218	(319,251)	7,095	-	-	1,800,127
Flexible Insurance	19,086,996	114,479	168,038	(2,398,100)	127,243	-	-	17,098,656
Education and Savings	1,673,305	2,611	94,911	(478,017)	4,606	-	-	1,297,416
Funeral Benefit (Exempt and Taxable)	220,450,783	1,638,711	40,161,399	(20,315,937)	2,714,657	1,971,223	-	246,620,836
State Trustees Ltd (Exempt and Taxable)	24,653,399	320,434	767,365	(2,302,996)	394,376	-	-	23,832,578
MU Blue Chip Endowment	31,329,724	126,496	9,000	(4,233,343)	176,189	-	-	27,408,066
Total investment contracts	299,214,236	2,205,767	41,289,931	(30,047,644)	3,424,166	1,971,223	-	318,057,679
Insurance Contracts:								
Sickness and Accident	171,100	-	-	-	-	(15,116)	-	155,984
MU Accident	11,000	-	-	-	-	(3,000)	-	8,000
Sickness and Funeral	29,835,795	765,489	-	-	607,286	(529,005)	-	30,679,565
Police Association	959,369	-	-	-	-	(959,369)	-	-
Death and Distress	76,897	-	-	-	-	4,036	-	80,933
Total insurance contracts	31,054,161	765,489	-	-	607,286	(1,502,454)	-	30,924,482
Total all contracts	330,268,397	2,971,256	41,289,931	(30,047,644)	4,031,452	468,769	-	348,982,161

NOTE 29. STATUTORY BENEFIT FUNDS POLICY LIABILITIES (CONTINUED)

Benefit Fund	As at 30 June 2018 \$						
	Value of policy liabilities 1 July 2017	Allocation of surplus prior year	Liability component of contributions	Withdrawals (including interim bonuses)	Allocation of surplus current year	Member liability revaluation	Restructured benefit funds
Investment Contracts:							
Bonus Bond	2,353,309	122,300	109,895	(565,474)	3,035	-	-
Flexible Insurance	20,139,633	290,666	179,916	(1,523,219)	114,479	-	-
Education and Savings	2,105,698	8,690	115,965	(557,048)	2,611	-	-
Funeral Benefit (Exempt and Taxable)	193,752,358	2,480,217	42,903,855	(18,454,169)	1,638,712	(231,479)	-
State Trustees Ltd (Exempt and Taxable)	26,089,691	237,505	713,746	(2,387,543)	320,584	-	-
MU Blue Chip Endowment	35,026,095	277,664	37,000	(4,011,035)	126,496	-	-
Total investment contracts	279,466,784	3,417,042	44,060,377	(27,498,488)	2,205,917	(231,479)	-
Insurance Contracts:							
Sickness and Accident	191,872	-	-	-	-	(20,772)	-
MU Accident	13,000	-	-	-	-	(2,000)	-
Sickness and Funeral	28,266,573	744,412	-	-	765,489	824,810	-
Police Association	-	-	-	-	-	959,369	-
Death and Distress	86,057	-	-	-	-	(9,160)	-
Total insurance contracts	28,557,502	744,412	-	-	765,489	1,752,247	-
Total all contracts	308,024,286	4,161,454	44,060,377	(27,498,488)	2,971,406	1,520,768	-
							333,239,803

NOTE 30. STATUTORY BENEFIT FUND CAPITAL ADEQUACY

As at 30 June 2019 \$																
Benefit Fund	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	1,821,316	1,800,127	5,126	16,063	-	-	-	-	-	-	-	-	-	-	-	0%
Flexible Insurance	17,286,185	17,098,656	23,647	163,882	-	-	-	-	-	-	-	-	-	-	-	0%
Education and Savings	1,310,639	1,297,416	2,591	10,632	-	-	-	-	-	-	-	-	-	-	-	0%
Funeral Benefit (Exempt and Taxable)	249,033,750	246,620,836	1,276,865	1,136,049	-	-	-	-	-	-	-	-	-	-	-	0%
State Trustees Ltd (Exempt and Taxable)	24,348,153	23,832,578	32,859	482,716	-	-	-	-	-	-	-	-	-	-	-	0%
MU Blue Chip Endowment	27,702,652	27,408,066	37,944	256,642	-	-	-	-	-	-	-	-	-	-	-	0%
Total investment contracts	321,502,695	318,057,679	1,379,032	2,065,984	-	-	-	-	-	-	-	-	-	-	-	
Insurance Contracts:																
Sickness and Accident	391,382	155,984	72,800	162,598	150,104	312,702	1,685	32,194	(1,306)	-	-	-	-	32,573	280,129	960%
MU Accident	623,423	8,000	1,552	613,871	-	613,871	2,674	239,937	(2,125)	-	-	-	-	240,486	373,385	255%
Sickness and Funeral	36,519,905	30,679,565	33,080	5,807,260	-	5,807,260	1,249,761	426,785	(277,475)	-	35,377	(1,434,448)	-	-	5,807,260	0%
Police Association	3,271,252	-	438,560	2,832,692	-	2,832,692	246,482	1,523,701	(178,755)	-	-	-	-	1,591,428	1,241,264	178%
Death and Distress	390,786	80,933	570	309,283	-	309,283	3,855	66,574	(2,978)	-	-	-	-	67,451	241,832	459%
Total insurance contracts	41,196,748	30,924,482	546,562	9,725,704	150,104	9,875,808	1,504,457	2,289,191	(462,639)	-	35,377	(1,434,448)	-	1,931,938	7,943,870	
Management Fund	14,694,926	-	3,337,164	11,357,762	(5,162,331)	6,195,431	23,334	202,000	(17,406)	921,715	90,402	-	6,598,017	1,220,046	4,975,385	508%
Total Society	377,394,369	348,982,161	5,262,758	23,149,450	(5,012,227)	16,071,239	1,527,791	2,491,191	(480,045)	921,715	125,779	(1,434,448)	6,598,017	3,151,984	12,919,255	165%

NOTE 30. STATUTORY BENEFIT FUND CAPITAL ADEQUACY (CONTINUED)

As at 30 June 2018 \$																
Benefit Fund	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	2,044,529	2,023,065	4,048	17,416	-	-	-	-	-	-	-	-	-	-	-	0%
Flexible Insurance	19,495,078	19,201,475	132,586	161,017	-	-	-	-	-	-	-	-	-	-	-	0%
Education and Savings	1,702,990	1,675,915	13,357	13,718	-	-	-	-	-	-	-	-	-	-	-	0%
Funeral Benefit (Exempt and Taxable)	223,391,872	222,089,495	915,713	386,664	-	-	-	-	-	-	-	-	-	-	-	0%
State Trustees Ltd (Exempt and Taxable)	25,637,659	24,973,983	178,149	485,527	-	-	-	-	-	-	-	-	-	-	-	0%
MU Blue Chip Endowment	31,936,929	31,456,220	183,765	296,944	-	-	-	-	-	-	-	-	-	-	-	0%
Total investment contracts	304,209,057	301,420,153	1,427,618	1,361,286	-	-	-	-	-	-	-	-	-	-	-	
Insurance Contracts:																
Sickness and Accident	424,528	171,100	85,604	167,824	165,062	332,886	28,632	32,087	(13,635)	-	-	-	-	47,083	285,803	707%
MU Accident	621,041	11,000	13,167	596,874	-	596,874	2,608	342,733	(2,077)	-	-	-	-	343,264	253,610	174%
Sickness and Funeral	32,501,750	30,601,285	49,724	1,850,741	-	1,850,741	1,116,832	532,949	(319,580)	-	-	(1,330,201)	-	-	1,850,741	0%
Police Association	4,161,706	959,369	1,012,200	2,190,137	-	2,190,137	200,633	1,239,091	(145,490)	-	-	-	-	1,294,233	895,904	169%
Death and Distress	389,083	76,897	4,712	307,474	-	307,474	4,254	66,810	(3,275)	-	-	-	-	67,788	239,686	454%
Total insurance contracts	38,098,108	31,819,651	1,165,407	5,113,050	165,062	5,278,112	1,352,959	2,213,670	(484,057)	-	-	(1,330,201)	-	1,752,368	3,525,744	
Management Fund	27,513,473	-	2,991,515	24,521,958	(1,266,347)	23,255,611	2,246,808	-	-	872,611	962,158	-	4,166,054	8,247,632	15,007,979	282%
Total Society	369,820,638	333,239,804	5,584,540	30,996,294	1,101,285	28,533,723	3,599,767	2,213,670	(484,057)	872,611	962,158	(1,330,201)	4,166,054	10,000,000	18,533,723	319%

NOTE 31. TRUSTEE

On 25 March 2019 the Ancient Order of Foresters in Victoria Friendly Society Limited (Foresters) was constituted as a Trustee of trust funds under pre-paid funeral contracts within the meaning of Part IV of the Funeral Funds Act 1979 (NSW).

Foresters is exempt from the registration requirements of Section 35 and the requirement to report to Fair Trading NSW under the Funeral Funds Act 1979 (NSW).

As required by law and the trust deed, funds held in trust are required to be held separately from those of the company. Notwithstanding this, the assets and liabilities of the Trust have been disclosed in the company's financial statements as required by Australian Accounting Standards (refer Note 12).

NOTE 32. RESTATEMENT OF COMPARATIVES

During the year ended 30 June 2019 it was identified that a category of members of the Sick and Funeral Fund had not been included in the valuation of member policy liabilities in 2017 and 2018. As a consequence, the member policy liabilities of the Sick and Funeral Fund had been understated.

The comparative information in the financial statements has been restated where appropriate. The impact of the restatement on the financial statements is summarised below.

Statement of Profit or Loss and Other Comprehensive Income (extract)

	30 June 2018	Increase / (decrease)	30 June 2018 Restated
	\$	\$	\$
Ordinary expenses	9,954,880	(144,493)	9,810,387
Total Expenses	12,926,285	(144,493)	12,781,792
(Loss) / Profit before Income Tax	188,495	144,493	332,988
(Loss) / Profit after Income Tax	549,371	144,493	693,864
Total Comprehensive (Loss) / Income for the Year	549,371	144,493	693,864

Statement of Financial Position (extract)

	30 June 2018	Increase / (decrease)	30 June 2018 Restated
	\$	\$	\$
Members' policy liabilities	329,931,482	3,308,321	333,239,803
Total Liabilities	333,706,488	3,308,321	337,104,809
Net Assets	34,304,616	(3,308,321)	30,996,295
Retained earnings	34,304,616	(3,308,321)	30,996,295
Total Equity	34,304,616	(3,308,321)	30,996,295

NOTE 32. RESTATEMENT OF COMPARATIVES (CONTINUED)

Statement of Financial Position (extract)

	30 June 2017	Increase / (decrease)	30 June 2017 Restated
	\$	\$	\$
Members' policy liabilities	308,732,927	3,452,814	312,185,741
Total Liabilities	313,731,732	3,452,814	317,184,546
Net Assets	33,755,245	(3,452,814)	30,302,431
Retained earnings	33,755,245	(3,452,814)	30,302,431
Total Equity	33,755,245	(3,452,814)	30,302,431

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 there to give a true and fair view of Foresters' financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- There are reasonable grounds to believe that Foresters 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:



Theodore Fleming
Chairman

Melbourne, 23 September 2019



Terence Lyon
Director

Melbourne, 23 September 2019

**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

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 company"), which comprises the statement of financial position as at 30 June 2019, 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 company's financial position as at 30 June 2019 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 company, 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.

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





Other Information

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2019; but does not include the financial report and the Independent Auditor's Report thereon.

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 company 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 company 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 company 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. This description forms part of our auditor's report.

The logo for RSM (Registered Social Member) features three colored squares (grey, green, blue) to the left of the letters 'RSM' in a bold, sans-serif font.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read 'K J Dundon'.

K J DUNDON
Partner

Dated: 25 September 2019
Melbourne, Victoria

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 2019 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.

Principal Office – Adelaide
Bruce Watson FIAA – Geoff Keen FIAA
Ground Floor, 157 Grenfell Street, Adelaide SA 5000 Telephone: (08) 8232 1333
Victoria
Deborah Jones FIAA – PO Box 900, Hamilton VIC 3300 Telephone: 0400 440 130
Email: contact@brettandwatson.com.au

BRETT & WATSON PTY. LTD.

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, 115% for State Trustees Fund Taxable, 110% for the State Trustees Fund Exempt, 140% for Funeral Benefit Fund Taxable, 90% 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 24% 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 10% 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	1.38	2.00	-0.19	0.00
Sickness and Accident	1.74	0.00	0.52	0.00
Victoria Police Benefit	2.32	0.00	0.70	0.00
IOR Sick and Funeral	2.00	0.75	0.00	1.50
Funeral Benefit Exempt	1.81	1.50	0.00	0.31
Funeral Benefit Taxable	1.82	1.75	0.02	0.05
State Trustees Exempt	1.70	1.50	0.00	0.20
State Trustees Taxable	1.77	1.50	0.08	0.19

BRETT & WATSON PTY. LTD.

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).



B A Watson
Director
Brett & Watson Pty Ltd
Consulting Actuaries

23 September 2019



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 shares and guarantee.

Registered Business Name: Foresters Financial

Registered office and principal place of business is:

11-17 Jeffcott Street
West Melbourne VIC 3003

ABN 27 087 648 842
Australian Financial Services License No. 241421



forestersfinancial.com.au
1800 645 326 (free call)