

Annual Report 2020









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Our Purpose

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

The background is a solid teal color. In the top-left corner, there is a dark blue triangle pointing towards the center. In the top-right corner, there is a light blue triangle pointing towards the center. The text is centered on the page.

Our Vision

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

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





About Foresters Financial

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 in 1849. 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.

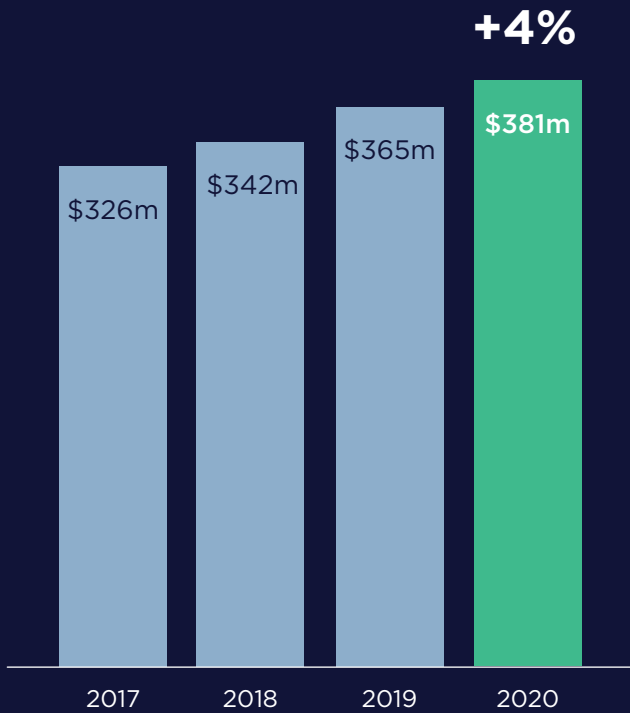
Foresters Financial was started by the community to provide financial support to each other and also to create a great social network for people of all backgrounds to connect and enrich their communities.

Over 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 over \$380 million in total funds under management.

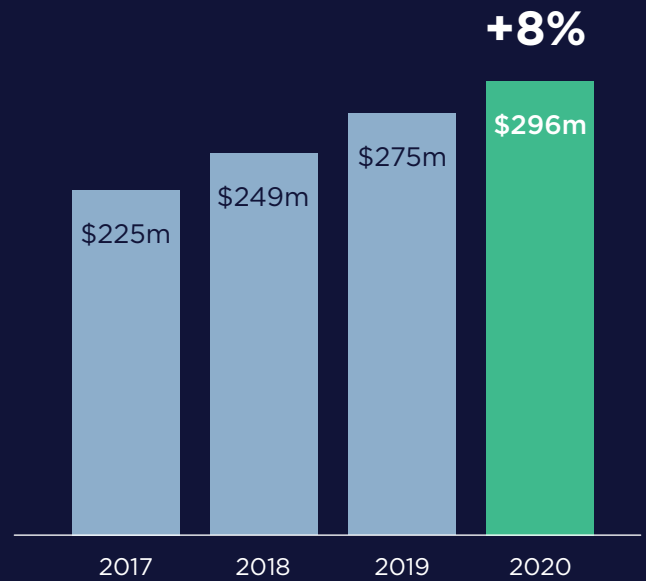
Now, more than ever, people need to have their financial security put first and Foresters Financial is well placed to meet this need with our capital guaranteed products. We remain proudly member-owned and our focus continues to be on increasing value for our members – not driving profits and dividends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

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

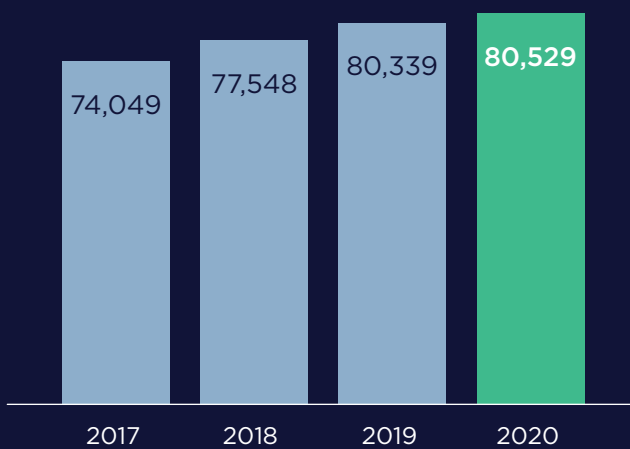
Key Highlights



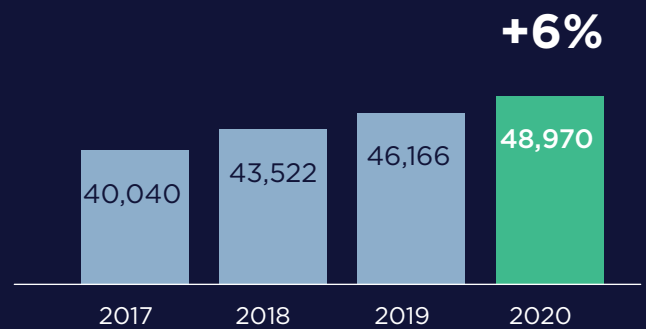
Funds Under Management



Funeral Funds Under Management



Members



Funeral Funds Members



Claims

5,235

claims processed worth

\$30.98m

to benefit members



Gender Diversity

Women account for

50%

of our Management Team &

63%

of the business



Cultural Diversity

12

different languages spoken

75%

of our staff are multilingual



Tenure

Average tenure of

6 years



Our Products

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

Our current products are:

Funeral Benefit Fund

Foresters Financial 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.

Away From Home Cover

Foresters Financial's recently launched Away From Home Cover is an option that can be taken out with either a Funeral Bond or Prepaid Funeral Plan. It is a simple, single premium cover that assists with the deceased's transportation costs associated with being over 100km away from their permanent residence, within Australia.

Unexpected Events Cover

Unexpected Events Cover offers businesses and unions or associations a budget friendly product to enhance a business's talent retention strategy and increase the value of a union or association membership. It provides employees with an essential financial security net for unexpected life events such as death, sickness and accident.

Security Investment & Savings Plan

Our investment bond brings together financial returns coupled with responsible investment principles in a tax free (after 10 years) long-term savings product. The bond can be used for a variety of needs, including: an alternative to, or as a top-up for, superannuation; estate planning; intergenerational wealth transfer; tax effective savings; investing on behalf of children or grandchildren; and, generating an income stream.

These investment bond benefits are enhanced with our responsible investing, helping achieve measurable and lasting positive social change in the communities in which our members belong.



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.

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



The Police Association (Victoria) Benefit Fund

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



State Trustees Limited Funeral Benefit Fund

Administered by Foresters, with marketing and fund management by State Trustees Limited, this funeral fund is capital guaranteed. Funds invested are payable toward future funeral expenses which may help maximise pension entitlements.





Chairman's Report

I am pleased to present the 2019-20 annual report for Foresters Financial.

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

The new brand, Foresters Financial has been well received by our members and represents both what we do today and where Foresters is travelling into the future. As part of our re-branding, we also moved offices in March 2020 to St Kilda Road, Melbourne.

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


Foresters Financial continues to have a strong record of sales, achieving \$45.7m in sales in a challenging year; funds under management continue to grow, up \$17m to \$381m and members of the Society also increased to 80,529 across Australia; demonstrating a profitable and progressive friendly society.

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

Like other businesses, we are all dealing with the global Coronavirus pandemic and Foresters Financial has weathered the storm with a strong capital position.

As part of a Board renewal process, after many years' service, fellow Directors Terry Lyon and Chris Henderson retired at the 2019 Annual General Meeting (AGM), along with Philip Fraher on 30 June 2020 and Richard Bouchier on 3 July 2020. I would like to thank them all for their dedication and professionalism. In their place, we have welcomed new Directors, Caroline Banhidy and David Heath appointed in August 2019 and Michael Liu and Andrew Baxter appointed in July 2020, who have been a great addition to the Board. I would like to thank both the past and my current fellow Directors for their commitment.

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



Likewise, I wish to thank our members for their ongoing loyal support.

I am retiring at this year's AGM. It has been both a privilege and an honour to have been both a Director of Foresters Financial and its Chairman for many years.

I know that I am leaving the company in the excellent hands of a very energetic and capable Management Team and staff, together with a Board of well qualified, competent and experienced Directors, all of which augurs well for the future and the continual growth of Foresters Financial.



Theodore Fleming
Chairman
Foresters Financial Limited



Chief Executive Officer's Report

This year has been a challenge for everyone dealing with the global pandemic.

It is pleasing to report that Foresters Financial has had a solid financial performance during these uncertain times.

As we moved into our 171st year, the contributions into our funds were on track to beat budget, however the impact of the biggest market shock in 100 years, the global Coronavirus pandemic, saw the last few months of the year fall under budget. The company still achieved a profit before tax of \$2.15m and our capital position has remained sound through the market volatility. Foresters Financial continues to be fiscally responsible, building on our strong capital base to meet ongoing market volatility and protect our members' investments with our capital guarantee that applies to our defined contribution funds.

Whilst our workforce has worked remotely since March 2020, we have continued to maintain our high standard of customer service. We have dealt with the challenges of the Victorian restrictions and their impact on our staff, with their safety and wellbeing remaining our priority.

We have had a busy year as we continued to invest in our digital offering, launching our Digital Sales Platform for our funeral directors. An industry-leading sales platform that we offer funeral directors providing an end-to-end sales process that can be entirely paperless if needed, enabling our funeral directors to continue to service their families when physical distancing restrictions are in place.

We were the first to market with our Funeral Bond Product Disclosure Statement as required by changes to the Corporations Regulations 2001 that come into effect in January 2021. We also launched our new Away From Home Cover for funeral transportation costs benefitting members travelling throughout Australia, offering simple, single premium insurance cover.

We have exciting product developments in progress, with our revamped investment bond that will include alternative investment options and an affordable insurance product for employers and unions/associations to benefit their employees and members.

As a mutually owned organisation, Foresters Financial's core purpose remains the financial wellbeing of our members. We continue to invest in the growth of our business, even during challenging times in order to ensure our future success.

On behalf of the team, I would like to thank Terry Lyon, Chris Henderson, Philip Fraher and Richard Bouchier for their service on the Foresters Financial Board over their many years, as well as the current Board for their support. I would also like to acknowledge and thank our staff for their resilience and professionalism during a challenging year, and to all of our members and stakeholders for their continued support of Foresters Financial.



Craig Bell
Chief Executive Officer
Foresters Financial Limited



Our Board

As at the date of this report



Theodore Fleming

Chairman since 1995

Board member since 1993

LL.B, Barrister & Solicitor

Theo is a Principal Partner at Fleming and Rhoden Lawyers and has been practicing law for over 44 years. During this time, he has provided advice to, and acted for, numerous friendly societies and has a broad knowledge of the friendly society industry.

Other Directorships: Community Pharmacy Friendly Society Limited, Australian Independent Friendly Society Limited



Caroline Banhidy

Deputy Chairman since November 2019

Board member since August 2019

BEC(Hons), MBA GAIST, MAICD

Caroline has over 30 years' experience in financial services with a focus on investment governance and management. She brings her experience as a consultant in strategy, performance improvement and stewardship to the Board. Caroline has a broad range of expertise across financial and professional services, membership organisations, investment management, superannuation and private investments.

Other Directorships: Bangay Capital, Tax & Super Australia, Oxil Pty Ltd



Andrew Baxter

Board member since July 2020

BBus(Mktg), FAMI CPM, FAICD

Andrew brings his extensive experience in not only high-profile Chair and Board appointments and has also successfully led two of the country's largest communications agencies, Publicis and Ogilvy, for over a decade as the CEO. Andrew is a regular contributor to The Australian about the future of marketing and has been recognised by Campaign magazine as one of the Top 5 Agency Leaders in Australia and New Zealand, and has won the Australian Marketing Institute's Sir Charles McGrath Award for his significant contribution to the field of marketing.

Other Directorships: Australian Pork (Chair), Tjapukai (Chair), Commtract (Chair), Sydney Symphony Orchestra Holdings Pty Ltd, Sydney Symphony Limited, GrowthOps, OzHarvest



David Heath

Board member since August 2019

BEc(Hons), GCertBusForen, FCPA, FIAA, F Fin, GradDipAppFin, GAICD,

David has over 25 years' experience across all areas of actuarial practice, specialising in general insurance and accident compensation. He is currently a Director and Actuary with Cumpston Sarjeant and is heavily involved in the education of the next generation of actuaries as a lecturer and Honorary Senior Fellow at the University of Melbourne.

Other Directorships: Transport Accident Commission, Cumpston Sarjeant Pty Ltd, Australian Association of Gerontology



Michael Liu

Board member since July 2020

BCom, LLB(Hons)

Michael is currently a Principal at 5i Capital and brings 25 years of extensive financial services experience to the Board. He commenced his career as a lawyer at Allens Arthur Robinson and went on to hold senior executive positions at a global fintech headquartered in London, UBS Investment Bank and Macquarie Bank.

Other Directorships: BankVic, WCM Global Growth Limited

Retired Directors

Chris Henderson *(retired 25 November 2019)*

Terence Lyon *(retired 25 November 2019)*

Philip Fraher *(retired 30 June 2020)*

Richard Bouchier *(retired 3 July 2020)*





Annual Financial Report for year ended 30 June 2020

Foresters Financial Limited ABN 27 087 648 842

Australian Financial Services Licence No. 241421

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Directors' Report

The Directors present their report together with the financial statements of Foresters Financial for the financial year ended 30 June 2020.

Corporate Information

The following persons were members of the Board during the whole of the financial year and up to the date of this report, unless otherwise stated;

Theodore Fleming

Chairman since 1995

Caroline Banhid

Deputy Chair since November 2019
Board member since August 2019

David Heath

Board member since August 2019

Michael Liu

Board member since July 2020

Andrew Baxter

Board member since July 2020

Richard Bouchier

Retired 3 July 2020

Philip Fraher

Retired 30 June 2020

Terence Lyon

Retired 25 November 2019

Christopher Henderson

Retired 25 November 2019

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 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 including:

- Continued growth of the funeral bond business
- Enhancing existing products and marketing them to new customers
- Launching new products to attract new customers
- Enriching the member experience through technology and customer service

The development of new and existing products forms the basis of a growth strategy that will enhance the customer and community experience and deliver sustainable growth to Foresters.

The diversification of product offerings will enhance revenue streams and provide the basis by which Foresters can achieve its long term goals.

The active management of the investment portfolio will deliver financial security and the best possible investment returns to members.

Above all, Foresters will strive to provide for the financial security and well-being of our members whilst enriching 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 strategic and annual business plans.

In order to deliver the long-term strategic and annual business plans, the Board ensures that

Foresters and its employees have sufficient resources, financial or otherwise, to achieve the company's objectives.

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

Performance Measurement

Throughout the year, the Board assesses the performance of Foresters against the objectives documented in the strategic and annual business plans.

The objectives contained in the strategic and annual business plans provide the basis of the performance framework for all staff and align the operations of the business with the achievement of Foresters' objectives.

The Board proactively monitors the implementation of Foresters' objectives.

Director Retirements

Terence Lyon and Christopher Henderson retired on 25 November 2019.

Philip Fraher retired on 30 June 2020.

Richard Bouchier retired on 3 July 2020.

Newly Appointed Directors

Michael Liu and Andrew Baxter were appointed as Directors on 1 July 2020 and 4 July 2020 respectively 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 2020, 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	11	10	19	18
Philip Fraher	11	10	9	8
Terence Lyon	4	4	5	5
Richard Bouchier	11	10	8	8
Christopher Henderson	4	4	5	5
David Heath	10	10	6	6
Caroline Banhidly	10	10	6	6

*Number of meetings held during the time the Director held office or was a member of the committee during the year.

Review of Operations

Foresters' profit after income tax (prior to final bonuses) for the year ended 30 June 2020 was \$3,478,160 (2019 loss: \$3,815,393).

The profit after income tax (inclusive of final bonuses) for the year ended 30 June 2020 was \$1,186,805 (2019 loss: \$7,846,845).

The total assets of Foresters increased by \$20,506,735 (2019: \$8,301,385) in the year ended 30 June 2020 to \$396,819,224 (2019: \$376,312,489).

Foresters' Funds under Management as at 30 June 2020 was \$381,106,170 (2019: \$364,676,084).

The net assets of the Management Fund as at 30 June 2020 was \$15,674,696 (2019: \$11,357,762).

The Management Fund's loss after income tax for the year ended 30 June 2020 was \$1,469,723 (2019 loss: \$13,255,143).

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 others matters or circumstances that have arisen since 30 June 2020 that have significantly affected, or may significantly affect Foresters' operations, the results of those operations, or Foresters' state of affairs in future financial years.

Coronavirus Pandemic

The coronavirus pandemic has not had a material impact on Foresters for the year ended 30 June 2020. Whilst sales of some products slowed in the fourth quarter as social distancing measures impacted the sales network, overall sales for the financial year were ahead of expectations. The pandemic has not adversely impacted Foresters' ability to operate or service its client base.

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.

Bonus Declaration

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

	2020	2019
Flexible Insurance Fund	0.20%	0.75%
Funeral Benefit Fund Exempt	0.40%	1.60%
Funeral Benefit Fund Taxable	0.70%	0.50%
Funeral Benefit Fund Taxable (Members post 1 February 2011)	0.70%	1.20%
State Trustees Funeral Benefit Fund Exempt	0.40%	2.75%
State Trustees Funeral Benefit Fund Taxable	0.00%	1.20%
Bonus Bond Fund No.1	0.00%	0.40%
Education & Savings Fund	0.00%	0.35%
MU Blue Chip Endowment Fund	0.20%	0.65%

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

Foresters Financial 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 2020, Foresters had 80,529 members (2019: 80,339) with a total guarantee of \$80,529 (2019: \$80,339).

Auditor's Independence Declaration

The Auditor's Independence Declaration required under Section 307C of the *Corporations Act 2001* is attached at Page 24 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:



Theodore Fleming

Chairman

Melbourne, 28 September 2020



David Heath

Director

Melbourne, 28 September 2020



RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Foresters Financial Limited for the year ended 30 June 2020, 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.

A handwritten signature in dark ink, appearing to read "Rsm", written in a cursive style.

RSM AUSTRALIA PARTNERS

A handwritten signature in dark ink, appearing to read "K J Dundon", written in a cursive style.

K J DUNDON
Partner

Dated: 29 September 2020
Melbourne, Victoria

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.
RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation



Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
Revenue			
Net investment income	4(a)	11,987,180	19,599,269
Insurance premiums received	4(b)	1,551,265	1,520,633
Fees and commissions	4(c)	44,419	27,569
Other		(293)	-
Total revenue		13,582,571	21,147,471
Expenses			
Ordinary expenses	5	9,138,131	8,405,036
Litigation settlement		-	20,719,645
Distributions to policyholders		2,291,355	4,031,452
Total expenses		11,429,486	33,156,133
Profit / (loss) before income tax		2,153,085	(12,008,662)
Income tax expense (benefit)	6	966,280	(4,161,817)
Profit / (loss) after income tax		1,186,805	(7,846,845)
Other comprehensive income		-	-
Total comprehensive income (loss) / for the year		1,186,805	(7,846,845)

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

Statement of Financial Position

As at 30 June 2020

	Note	2020 \$	2019 \$
Assets			
Cash and cash equivalents	7	50,057,671	23,725,779
Trade and other receivables	8	400,004	287,157
Investments	9	340,770,486	346,155,619
Current tax asset		448,995	887,853
Leased asset	10	1,229,509	-
Property, plant and equipment		112,206	78,614
Deferred tax asset	11	3,249,962	4,394,243
Intangibles	12	550,391	783,224
Total assets		396,819,224	376,312,489
Liabilities			
Trade and other payables	13	2,728,954	2,417,060
Deferred tax liabilities	14	24,801	93,750
Other provisions	15	1,084,842	1,670,068
Lease liabilities	10	1,247,048	-
Members' policy liabilities	16	367,397,324	348,982,161
Total liabilities		372,482,969	353,163,039
Net assets		24,336,255	23,149,450
Equity			
Retained earnings		24,336,255	23,149,450
Total equity		24,336,255	23,149,450

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

Statement of Changes in Equity

For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
Total equity at the beginning of the year		23,149,450	30,996,295
Total comprehensive (loss) / income for the year		1,186,805	(7,846,845)
Transfers from benefit funds		(3,216,200)	(470,000)
Transfers to management fund		3,216,200	470,000
Total equity at the end of the year		24,336,255	23,149,450

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 2020

	Note	2020 \$	2019 \$
Cash flow from operating activities			
Premiums and contributions received		45,692,315	42,097,196
Interest on investments received		10,240,151	9,984,501
Dividends and distributions received		695,275	1,075,564
Payments for operating expenses		(9,290,153)	(27,644,209)
Lease payments - interest		(20,071)	-
Claims and benefits paid		(28,070,871)	(29,579,023)
Income tax paid		547,910	(108,020)
Net cash (used) / provided by operating activities		19,794,556	(4,173,991)
Cash flow from investing activities			
Payment for non-current assets		(256,504)	(280,841)
Net (purchases) / sales of investments		6,864,123	8,913,566
Net cash (used) / provided in investing activities		6,607,619	8,632,725
Cash flow from financing activities			
Lease payments - principal		(70,283)	-
Net cash (used) / provided in financing activities		(70,283)	-
Cash and cash equivalents at the beginning of the year		23,725,779	23,533,624
Net increase / (decrease) in cash held		26,331,892	4,458,734
Cash and cash equivalents at the end of the year	7	50,057,671	23,725,779
Reconciliation of net cash provided / (used) by operating activities			
Operating (loss) / profit after income tax		1,186,805	(7,846,845)
Depreciation and amortisation		455,745	398,477
Unrealised gains from fair value of assets		(1,478,990)	(9,041,879)
Changes in operating assets and liabilities			
Decrease / (increase) in receivables		(112,847)	106,502
Decrease / (increase) in current tax assets		438,858	(128,861)
Decrease / (increase) in deferred tax assets		1,144,281	(3,809,615)
(Decrease) / increase in creditors		311,894	618,290
(Decrease) / increase in lease liabilities		87,822	-
(Decrease) / increase in policy liabilities		18,415,163	15,742,358
(Decrease) / increase in deferred tax liabilities		(68,949)	(191,706)
(Decrease) / increase in income tax payable		-	(139,655)
(Decrease) / increase in provisions		(585,226)	118,943
Net cash (used) / provided by operating activities		19,794,556	(4,173,991)

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

Note 1. Company Information

With effect from 25 November 2019, the company changed its name from Ancient Order of Foresters in Victoria Friendly Society Limited to Foresters Financial Limited.

The financial report is presented for Foresters Financial Limited (Foresters) as an individual entity.

The registered business name of the company is Foresters Financial.

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

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

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

4/417 St Kilda Rd
Melbourne, VIC, 3004

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 28th September 2020.

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 the company.

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 benefit funds and management fund are stated in order to assist readers of the report to understand 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 Appointed Actuary provides an Actuarial Valuation Report and Financial Condition Report. The results of those reports are considered by the Board and utilised to update policy liabilities and 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 reviewed and applied all new accounting standards, amendments and interpretations applicable for the first time in the reporting period. The company has determined that there are no material impacts on the financial statements.

The impacts of accounting standards, amendments and Interpretations not yet effective are disclosed at Note 3.

D. Significant judgements and key assumptions

The preparation of the financial statements requires the use of accounting estimates. It also requires management to exercise judgement in 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.

E. Historical cost convention

The financial statements have been prepared on a historical cost basis except for assets recognised and measured at fair value. Cost is based on 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 in order 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. 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 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 of changes in value with terms to maturity of three months or less.

H. Trade and other receivables

Receivables are recognised for amounts to be received in the future relating to goods and services provided up to the balance date. Debts which are known to be uncollectable are written back through the Statement of Profit or Loss and Other Comprehensive Income.

I. Financial instruments

i. Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

ii. Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either:

- held for trading where they are acquired for the purpose of selling in the short term with an intention of making a profit, or a derivative or;
- designated as such upon initial recognition where permitted.

Fair value movements are recognised in profit or loss.

Note 2. Summary of Significant Accounting Policies (Continued)

iii. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the company intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

J. Income tax

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

- The tax consequences of recovering all assets or settling liabilities are reflected in the financial statements.
- 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.
- A deferred tax asset is recognised to the extent that it is probable that the future tax asset will be realised.
- 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.

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 carried forward tax losses.

K. 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 the election 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.

L. Property, plant and equipment

Property, Plant and equipment are measured on a historical cost basis less depreciation and accumulated impairment losses. Historical cost includes all expenditure 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 when 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.

Where appropriate, 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 as necessary at each balance date.

Leases entered into giving rise to a right of use asset are measured in accordance with AASB 16 Leases and disclosed at Note 10.

M. 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 and 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 expected useful life.

Note 2. Summary of Significant Accounting Policies (Continued)

M. Intangible assets (continued)

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 as necessary, 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 or aligned with contractual terms of use.

N. 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.

O. Leasehold improvements

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

P. Trade and other payables

Liabilities are recognised for amounts to be paid in the future relating to goods and services received up to the balance date. Trade accounts payable are settled within the normal terms and conditions with terms generally ranging from 7 to 60 days.

Q. 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, the carrying amount is the present value of those cash flows.

R. 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 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 reflective of 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.

Note 2. Summary of Significant Accounting Policies (Continued)

S. 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 16)

An insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain event (insured event) adversely affects the policyholder. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

The deposit component of a life insurance contract is split from the life insurance component of a life insurance contract, such that the premiums and claims under the life insurance component are recognised in the income statement as income and expense, and the premiums and claims under the deposit component are recognised in the balance sheet as changes in the life insurance liabilities. Premiums and claims are split when this is practicable and when the components can be measured reliably. Whilst 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% (2019: 80%) for the IOR Sick and Funeral Fund, 110% (2019: 115%) for State Trustees Funds Taxable, 105% (2019: 110%) for the State Trustees Fund Exempt, 120% (2019: 140%) for Funeral Benefit Fund Taxable, 90% (2019: 90%) for Funeral Benefit Fund Exempt, 50% (2019: 50%) for the Victoria Police Benefit Fund and Death and Distress Fund members and 80% (2019: 80%) for Victoria Police Benefit Fund and Death and Distress Fund spouses;
- Sickness benefits of 15% (2019: 24%) 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% (2019: 10%) of contributions for the Death and Distress Fund;
- Future profits for the Sickness and Accident Fund of 70% (2019: 60%) of sickness benefits for Group Sickness;
- Other assumptions as detailed in the table below:

Fund	Gross Interest		Expenses		Tax		Future Bonus Rates	
	2020	2019	2020	2019	2020	2019	2020	2019
IOR Sick and Funeral	1.83%	2.00%	1.25%	0.75%	0.00%	0.00%	1.50%	1.50%
Death and Distress	0.90%	1.38%	2.00%	2.00%	(0.33)%	(0.19)%	0.00%	0.00%
Sickness and Accident	0.96%	1.74%	0.00%	0.00%	0.29%	0.52%	0.00%	0.00%
Victoria Police Benefit	2.22%	2.32%	0.00%	0.00%	0.67%	0.70%	0.00%	0.00%
Funeral Benefit Exempt	1.48%	1.81%	1.40%	1.50%	0.00%	0.00%	0.08%	0.31%
Funeral Benefit Taxable	1.53%	1.82%	1.40%	1.75%	0.04%	0.02%	0.09%	0.05%
STL Trustees Exempt	1.37%	1.70%	1.37%	1.50%	0.00%	0.00%	0.00%	0.20%
STL Trustees Taxable	1.46%	1.77%	1.40%	1.50%	0.02%	0.08%	0.04%	0.19%

Note 2. Summary of Significant Accounting Policies (Continued)

S. Life insurance contracts (continued)

i. Insurance contracts (continued)

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

For the MU Accident Fund, the liability has been taken as 30% (2019: 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. 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 \$110,286 (2019: nil). The assumed cost of sickness benefits has decreased from 24% to 15%. 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 31.

ii. Investment contracts (Refer Note 16)

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 valuation of these policies, which may include any participation benefits vested and any undistributed surplus, is recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which it arises.

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, Brett and Watson Pty Ltd, offer a diverse range of actuarial services with expertise in general insurance, friendly societies and general consulting. Brett and Watson Pty Ltd provide the valuations of member policy liabilities and related balances of Foresters.

Note 2. Summary of Significant Accounting Policies (Continued)

T. 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.

U. 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 through 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.

V. 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.

W. 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.

X. Changes in accounting policies

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

Y. 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 the 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.

Z. Right of use assets and lease liabilities

i. Right of use assets

A right of use asset is recognised at the commencement date of a lease. The right of use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date of the net of any lease incentives received, any initial direct costs incurred, and, except, where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right of use assets are depreciated on a straight line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain the ownership of the leased asset at the end of the lease term, the depreciation is its estimated useful life. Right of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has not recognised any short term lease liabilities or right of use assets as no such arrangements exist.

ii. Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

Note 2. Summary of Significant Accounting Policies (Continued)

Z. Right of use assets and lease liabilities (continued)

ii. Lease liabilities (continued)

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

Lease payments comprise:

- of fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option when the exercise of the option is reasonably certain to occur and;
- any anticipated termination penalties.

The variable lease payments that do not depend on an index or a rate are expressed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following:

- future lease payments arising from a change in an index or a rate used;
- residual guarantee;
- lease term;
- certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right of use asset, or to profit or loss if the carrying amount of the right of use asset is fully written down.

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 2020 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 17 Insurance Contracts	<p>AASB 17 Insurance Contracts incorporates IFRS 17 Insurance Contracts as issued and amended by the International Accounting Standards Board (IASB).</p> <p>On 25 June 2020, the IASB issued amendments to IFRS 17 Insurance Contracts. One of the amendments to IFRS 17 was to defer the application date to 2023.</p> <p>In July 2020, the Australian Accounting Standards Board (AASB) issued an amendment to AASB 17 including a deferral of the effective date to align with that of IFRS 17.</p> <p>AASB 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The objective of AASB 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.</p>	1 January 2023	1 July 2023	<p>Foresters is participating in a review of the application of AASB 17 being conducted by Mercer Consulting (Australia) and coordinated by the Friendly Societies of Australia (FSA).</p> <p>The aim of the review is to provide a framework for Friendly Societies to apply the calculation, reporting and disclosure requirements of AASB 17.</p> <p>As at 30 June 2020, the final report and recommendations are pending from Mercer Consulting (Australia).</p> <p>Notwithstanding that the final report is due for release, the process has identified that Foresters traditional and risk funds (defined benefit and endowment funds) are likely to be impacted including the valuation methods to be applied to each of the impacted benefit funds.</p> <p>Foresters will consider the recommendations arising from the review conducted by Mercer Consulting and apply AASB 17 no later than the application date of the standard as published by the AASB.</p>

	2020 \$	2019 \$
Note 4. Revenue		
(a) Investment Income		
Interest on investments	9,696,368	10,188,993
Dividends and distribution income	685,518	970,231
Changes in the fair value of securities	1,978,647	8,809,818
Less: direct investment expense	(373,353)	(369,773)
Total investment income	11,987,180	19,599,269
(b) Insurance Premiums Received		
The Police Association of Victoria	1,372,338	1,324,898
Sickness and Accident Fund	86,789	93,737
MU Accident Fund	39,692	45,628
Death and Distress Fund	24,875	25,980
Sick and Funeral Fund	27,571	30,390
Total insurance premiums received	1,551,265	1,520,633
(c) Fees and Commissions		
Fees received	40,153	22,417
Commissions received	4,266	5,152
Total fees and commissions	44,419	27,569
Note 5. Ordinary Expenses		
Employee benefits	2,515,447	2,532,037
Operating expenses	1,427,089	1,666,059
Sales and marketing	717,655	798,157
Occupancy	201,649	278,949
Depreciation and amortisation	455,745	398,477
Lease – deprecation charge	87,822	-
Lease – interest charge	20,071	-
VPA members counselling	366,116	363,000
Claims paid to policyholders	1,606,067	1,897,159
Changes in policy liabilities	1,740,470	471,198
Total ordinary expenses	9,138,131	8,405,036

	2020 \$	2019 \$
Note 6. Income Tax Expense		
Income tax recognised in profit or loss		
Current tax provision	(115,643)	152,715
Adjustment relating to temporary differences	1,076,549	(4,169,546)
Over provision prior year	5,374	(144,986)
Total income tax (benefit)	966,280	(4,161,817)
The amount provided in respect of income tax differs from the amount prima facie payable on operating profit. The difference is reconciled as follows:		
Profit / (Loss) before income tax	2,153,085	(12,008,662)
Prima facie tax on profit (loss) for the period at 30% (2019: 30%)	645,925	(3,602,599)
Add (deduct) tax effect of:		
Non-deductible distributions	687,407	1,209,437
Net non-assessable income	(1,920,137)	(1,422,176)
Non-deductible expenses	24,480	211,359
Other income and allowable deductions	1,639,083	(313,062)
Over provision of tax	5,374	(144,986)
Franking credit rebate	(115,852)	(99,790)
Income tax (benefit)	966,280	(4,161,817)
Note 7. Cash and Cash Equivalents		
Cash management accounts	2,282,557	3,730,843
Deposit at call accounts	47,775,114	19,994,936
Total cash and cash equivalents	50,057,671	23,725,779
Note 8. Trade and Other Receivables		
Prepaid expenses	160,911	132,247
Sundry receivables	239,093	154,910
Total trade and other receivables	400,004	287,157
Note 9. Investments		
Investment in interest bearing securities	309,776,389	314,559,516
Investment in ASX listed securities	7,187,849	7,396,168
Investment in managed funds	23,806,248	24,199,935
Total investments	340,770,486	346,155,619

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.

		2020 \$			2019 \$	
	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	309,776,389	-	-	314,559,516	-	-
Investments in ASX listed securities	7,187,849	-	-	7,396,168	-	-
Investment in managed funds	-	23,806,248	-	-	24,199,935	-
Total investments	316,964,238	23,806,248	-	321,955,684	24,199,935	-

Note 10. Right of Use Asset

With effect from 2 March 2020, the company entered into a commercial premises lease of 4/417 St Kilda Rd, Melbourne, VIC, 3004. The term of the lease is for a period of five years.

The right of use is classified as property, plant and equipment on the balance sheet.

There are no guarantees, restrictions or commitments that require disclosure in the financial statements other than those presented below.

Accounting Standard AASB 16 Leases has been applied for the first time during the reporting period.

Given the commercial premises lease was entered into during the reporting period and that no long term leases existed at the commencement of the reporting period, restatement of opening balances and comparative information has not been required.

The right of use asset and lease liability is disclosed in the Financial Statements as follows:

Balance Sheet 30 June 2020

Category	Disclosure	Amount
Right of use asset	Leased asset	\$1,317,331
Accumulated depreciation	Leased asset	(\$87,822)
Lease liability	Lease liabilities	\$1,247,048

Note 10. Right of Use Asset (Continued)

Statement of Profit or Loss and Other Comprehensive Income 30 June 2020

Category	Disclosure	Amount
Depreciation charge	Ordinary expenses	\$87,822
Interest expense	Ordinary expenses	\$20,071

Statement of Cash Flows 30 June 2020

Category	Disclosure	Amount
Lease payments	Lease payments - principal	\$70,283
Lease interest	Lease payments - interest	\$20,071

As at 30 June 2020, the company has the following lease commitments with respect to the right of use asset:

Lease payments	Amount
No later than one year	\$276,217
Later than one year but no later than five years	\$1,121,628
Total - Lease Payments	\$1,397,845

	2020 \$	2019 \$
Note 11. Deferred Tax Asset		
The balance comprises temporary differences attributable to:		
Tax losses carried forward	2,794,963	3,772,798
Employee entitlements	96,994	85,338
Accrued expenses	129,547	121,851
Directors' retirement allowance	228,458	415,682
Other	-	(1,426)
Total deferred tax asset	3,249,962	4,394,243

	2020 \$	2019 \$
Note 12. Intangible Assets		
Work in progress	48,870	12,621
Management rights	2,500,000	2,500,000
Less: Accumulated Amortisation	(2,437,500)	(2,187,500)
Intangible assets	654,451	534,445
Less: Accumulated Amortisation	(215,430)	(76,342)
Total intangible assets	550,391	783,224
Movements in carrying amounts		
Balance at the beginning of the year	783,224	851,768
Additions	156,255	257,798
Amortisation expense	(389,088)	(326,342)
Total intangible assets	550,391	783,224
Note 13. Trade and Other Payables		
Suppliers and creditors	861,125	1,305,382
Accrued general expenses	625,781	755,678
Funeral Trusts (refer Note 33)	1,242,048	356,000
Total trade and other payables	2,728,954	2,417,060
Note 14. Deferred Tax Liabilities		
The balance comprises temporary differences attributable to:		
Net restructure expenditure amortised	24,801	93,750
Total deferred tax liabilities	24,801	93,750
Note 15. Other Provisions		
Annual leave	143,295	112,625
Long service leave	180,019	171,835
Directors' retirement allowance	761,528	1,385,608
Total other provisions	1,084,842	1,670,068

	2020 \$	2019 \$
Note 16. Members' Policy Liabilities		
Investment contracts:		
Bonus Bond Fund 1	1,538,148	1,800,127
Flexible Insurance Fund	15,875,795	17,098,656
Education and Savings Fund	983,618	1,297,416
Funeral Benefit Fund (Exempt and Taxable)	269,354,844	246,620,836
STL Funeral Fund (Exempt and Taxable)	22,528,299	23,832,578
MU Blue Chip Endowment Fund	23,962,333	27,408,066
Total investment contracts	334,243,037	318,057,679
Insurance contracts:		
Sickness and Accident Fund	145,558	155,984
Sick and Funeral Fund	32,826,731	30,679,565
The Police Association of Victoria Benefit Fund	110,286	-
Death and Distress Fund	63,712	80,933
MU Accident Fund	8,000	8,000
Total insurance contracts	33,154,287	30,924,482
Total members' policy liabilities	367,397,324	348,982,161

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.

	2020 \$ Market Observable Level 2	2019 \$ Market Observable Level 2
Investment contract policy liabilities	334,243,037	318,057,679
Insurance contract policy liabilities	33,154,287	30,924,482
	367,397,324	348,982,161

Note 17. Superannuation Guarantee Contributions

During the year Foresters has made contributions in respect of employee's superannuation to a complying superannuation fund in accordance with the Legislative requirements. Defined contributions of 9.50% (2019: 9.50%) for the year totalled \$162,908 (2019: \$160,337).

	2020 \$	2019 \$
Note 18. Auditor's Remuneration		
Total of all remuneration received or due and receivable by the auditor in connection with:		
Audit of Foresters' financial statements	138,000	128,500
Other professional review services	30,125	53,766
Total auditor's remuneration	168,125	182,266
Note 19. Actuary's Remuneration		
Total of all remuneration received or due and receivable by the actuary in connection with:		
Actuary's statutory functions	109,190	104,000
Other services	15,740	59,920
Total actuary's remuneration	124,930	163,920

Note 20. Directors and Key Management Personnel

Directors during the reporting period

	Compensation	2020 \$	2019 \$
Theodore Fleming – Chairman			
Caroline Banhidý – Deputy Chairman	Short term employee benefits	875,734	815,408
David Heath – Director			
Philip Fraher – Director (retired 30 June 2020)	Post employment benefits	640,641	-
Richard Bouchier – Director (retired 3 July 2020)	Other long term benefits	23,072	54,685
Terence Lyon – Director (retired 25 November 2019)			
Christopher Henderson – Director (retired 25 November 2019)			
	Total compensation	1,539,447	870,093

Key Management Personnel

Craig Bell – Chief Executive Officer

Note 21. 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

There no related party transactions during the reporting period. In 2018-19 Fleming and Rhoden Lawyers of which Mr. Theodore Fleming is a principal, received \$583 on standard commercial terms for legal services rendered to Foresters.

Note 22. Subsequent Events

There are no matters or circumstances that have arisen since 30 June 2020 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

The company has no commitments for expenditure as at 30 June 2020 other than the lease of 4/417 St Kilda Rd, Melbourne, VIC 3004 as disclosed at Note 10.

Note 24. Coronavirus Pandemic

The coronavirus pandemic has not materially impacted the application of accounting policies, judgements or estimation techniques relied upon when preparing the financial statements.

The assumptions utilised in determining the member policy liabilities are based on the observed experience to 30 June 2020.

Where appropriate, the allowance for random stress factors, which apply for two years after the valuation date, have been increased to allow for the potential impact of the coronavirus.

Each of the benefit funds impacted by the increase in random stress factors have the capacity to meet the higher Insurance Risk charges.

Accounting policies have been applied consistently between reporting periods.

The coronavirus pandemic has not caused a need for disclosure of any events subsequent to balance date.

Note 25. Funeral Transfer Fund

During the reporting period APRA approved the Benefit Fund Rules of the Funeral Transfer Fund.

The objectives of the Fund are to pay various transportation expenses for pre-paid funeral plan or funeral bond policy holders.

The fund commenced on 1 July 2020.

As at 30 June 2020, the Funeral Transfer Fund had no assets or liabilities.

Note 26. 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

Note 26. Financial Risk Management (Continued)

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.

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 27. Sensitivity Analysis

A. Interest Rate Risk

The investments of Foresters are subject to risks associated with financial assets (Note 26). 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

For the purpose of the analysing interest rate risk, the effect of a 0.50% (2019: 0.50%) interest rate increase and 0.50% (2019: 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.

Category	2020 \$		2019 \$	
	Net Profit/(Loss)	Net Assets	Net Profit/(Loss)	Net Assets
Adjusted by +0.5% increase	495,987	22,679,158	(13,685,795)	21,472,317
Net Profit / (Loss) before income tax	2,153,084	-	(12,008,662)	-
Net Assets	-	24,336,255	-	23,149,450
Adjusted by -0.5% decrease	3,810,181	25,993,352	(10,331,529)	24,826,583

B. Price Risk

For the purpose of the analysing price risk, the effect of a 10.00% (2019: 10.00%) increase and 10.00% (2019: 10.00%) decrease in equity prices on profit/(loss) and net assets is shown in the table below.

Category	2020 \$		2019 \$	
	Net Profit/(Loss)	Net Assets	Net Profit/(Loss)	Net Assets
Adjusted by +10% increase	3,088,189	25,271,360	(10,935,760)	24,222,352
Net Profit / (Loss) before income tax	2,153,084	-	(12,008,662)	-
Net Assets	-	24,336,255	-	23,149,450
Adjusted by -10% decrease	1,217,979	23,401,150	(13,081,564)	22,076,548

Note 28. Exposure to Interest Rate Risk

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

Category	As at 30 June 2020 \$			Total	Weighted average interest rates
	1 year or less	Over 1 year to 5 years	Over 5 years		
Assets:					
Financial assets:					
Cash and cash equivalents	50,057,671	-	-	50,057,671	0.79%
Trade and other receivables	239,093			239,093	Nil
Other financial assets	138,648,897	141,261,756	60,859,833	340,770,486	2.84%
Non-financial assets:					
Prepaid expenses	160,911	-	-	160,911	Nil
Plant and equipment	1,341,715	-	-	1,341,715	Nil
Current income tax and deferred tax	448,995	3,249,962	-	3,698,957	Nil
Intangible and other assets	550,391	-	-	550,391	Nil
Total assets	191,447,673	144,511,718	60,859,833	396,819,224	
Liabilities:					
Financial liabilities:					
Trade and other payables	2,728,954	-	-	2,728,954	Nil
Non-financial liabilities:					
Policy liabilities	42,359,897	-	325,037,427	367,397,324	Nil
Income tax payable and deferred tax	-	24,801	-	24,801	Nil
Lease liability	1,247,048	-	-	1,247,048	4.85%
Other liabilities	1,084,842	-	-	1,084,842	Nil
Total liabilities	47,420,741	24,801	325,037,427	372,482,969	
Net assets	144,026,932	144,486,917	(264,177,594)	24,336,255	

Note 28. Exposure to Interest Rate Risk (Continued)

As at 30 June 2019 \$					
Category	1 year or less	Over 1 year to 5 years	Over 5 years	Total	Weighted average interest rates
Assets:					
Financial assets:					
Cash and cash equivalents	23,725,779	-	-	23,725,799	1.50%
Trade and other receivables	154,910	-	-	154,910	Nil
Other financial assets	140,544,753	131,172,779	74,438,087	346,155,619	3.21%
Non-financial assets:					
Prepaid expenses	132,247	-	-	132,247	Nil
Plant and equipment	78,614	-	-	78,614	Nil
Current income tax and deferred tax	887,853	4,394,243	-	5,282,096	Nil
Intangible and other assets	783,224	-	-	783,224	Nil
Total assets	166,307,380	135,567,022	74,438,087	376,312,489	
Liabilities:					
Financial liabilities:					
Trade and other payables	2,417,060	-	-	2,417,060	Nil
Non-financial liabilities:					
Policy liabilities	47,604,266	-	301,377,895	348,982,161	Nil
Income tax payable and deferred tax	-	93,750	-	93,750	Nil
Lease liability	-	-	-	-	Nil
Other liabilities	1,670,068	-	-	1,670,068	Nil
Total liabilities	51,691,394	93,750	301,377,895	353,163,039	
Net assets	114,615,986	135,473,272	(226,939,808)	23,149,450	

Note 29. Statutory Benefit Fund Income and Expenses

For the Period Ended 30 June 2020 \$

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	22,680	12,659	-	(40,471)	-	-	-	-	-	(5,132)	-	(5,132)	16,063	-	10,931
Flexible Insurance	289,356	-	-	(244,960)	-	-	-	78	(30,985)	13,489	(46,036)	(32,547)	163,882	-	131,335
Education and Savings	16,416	5,460	-	(24,716)	-	-	-	-	-	(2,840)	(5,166)	(8,006)	10,632	3,800	6,426
Funeral Benefit (Exempt and Taxable)	8,682,687	-	-	(4,546,190)	-	-	(352,519)	-	(1,696,334)	2,087,644	(1,135,250)	952,394	1,136,049	-	2,088,443
State Trustees Ltd (Exempt and Taxable)	172,651	-	-	(352,659)	-	-	(99,390)	-	(28,045)	(307,443)	21,657	(285,786)	482,716	-	196,930
MU Blue Chip Endowment	433,537	-	-	(386,697)	(14,225)	-	-	1,437	(48,174)	(14,122)	(69,216)	(83,338)	256,642	-	173,304
Total investment contracts	9,617,327	18,119	-	(5,595,693)	(14,225)	-	(451,909)	1,515	(1,803,558)	1,771,596	(1,234,011)	537,585	2,065,984	3,800	2,607,369
Insurance Contracts:															
Sickness and Accident	828	86,789	-	(24,634)	(21,288)	10,426	-	-	-	52,121	(2,421)	49,700	162,598	(120,000)	92,298
MU Accident	5,554	39,692	-	(17,862)	(500)	-	(6,001)	-	-	20,883	(10,843)	10,040	613,871	(100,000)	523,911
Sickness and Funeral	2,234,377	27,571	-	(284,370)	(606,421)	(1,657,831)	-	-	(489,333)	(776,007)	-	(776,007)	5,807,260	(2,600,000)	2,431,253
Police Association	58,658	1,372,338	-	(480,318)	(513,430)	(110,286)	-	-	-	326,962	(81,358)	245,604	2,832,692	(400,000)	2,678,296
Death and Distress	6,768	24,875	-	(13,832)	(8,000)	17,221	-	-	-	27,032	(7,883)	19,149	309,283	-	328,432
Total insurance contracts	2,306,185	1,551,265	-	(821,016)	(1,149,639)	(1,740,470)	(6,001)	-	(489,333)	(349,009)	(102,505)	(451,514)	9,725,704	(3,220,000)	6,054,190
Total all contracts	11,923,512	1,569,384	-	(6,416,709)	(1,163,864)	(1,740,470)	(457,910)	1,515	(2,292,871)	1,422,587	(1,336,516)	86,071	11,791,688	(3,216,200)	8,661,559

Note 29. Statutory Benefit Fund Income and Expenses (Continued)

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 30. Statutory Benefit Fund Assets, Liabilities and Unallocated Surplus

As at 30 June 2020 \$

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	851,625	-	701,304	-	-	1,552,929	-	3,850	1,538,148	1,541,998	10,931
Flexible Insurance	4,946,430	-	11,119,471	-	-	16,065,901	36,971	21,800	15,875,795	15,934,566	131,335
Education and Savings	691,767	-	304,595	-	-	996,362	4,435	1,883	983,618	989,936	6,426
Funeral Benefit (Exempt and Taxable)	23,006,807	32,945	249,928,759	-	-	272,968,511	835,591	689,633	269,354,844	270,880,068	2,088,443
State Trustees Ltd (Exempt and Taxable)	162,853	-	22,564,200	-	28,448	22,755,501	-	30,272	22,528,299	22,558,571	196,930
MU Blue Chip Endowment	9,672,470	-	14,551,441	-	-	24,223,911	55,269	33,005	23,962,333	24,050,607	173,304
Total investment contracts	39,331,952	32,945	299,169,770	-	28,448	338,563,115	932,266	780,443	334,243,037	335,955,746	2,607,369
Insurance Contracts:											
Sickness and Accident	364,618	-	-	-	-	364,618	2,410	124,352	145,558	272,320	92,298
MU Accident	644,046	-	-	-	-	644,046	10,628	101,507	8,000	120,135	523,911
Sickness and Funeral	439,813	-	37,451,417	-	-	37,891,230	-	2,633,246	32,826,731	35,459,977	2,431,253
Police Association	2,240,569	-	1,063,873	-	-	3,304,442	77,332	438,528	110,286	626,146	2,678,296
Death and Distress	83,770	-	316,342	-	-	400,112	7,647	321	63,712	71,680	328,432
Total insurance contracts	3,772,816	32,945	38,831,632	-	-	42,604,448	98,017	3,297,954	33,154,287	36,550,258	6,054,190
Total all contracts	43,104,768	32,945	338,001,402	-	28,448	381,167,563	1,030,283	4,078,397	367,397,324	372,506,004	8,661,559

Note 30. Statutory Benefit Fund Assets, Liabilities and Unallocated Surplus (Continued)

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 31. Statutory Benefit Funds Policy Liabilities

As at 30 June 2020 \$

Benefit Fund	Value of policy liabilities 1 July 2019	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
Investment Contracts:								
Bonus Bond	1,793,031	7,096	81,105	(343,084)	-	-	-	1,538,148
Flexible Insurance	16,971,406	127,250	630,911	(1,884,757)	30,985	-	-	15,875,795
Education and Savings	1,292,771	4,645	70,643	(384,441)	-	-	-	983,618
Funeral Benefit (Exempt and Taxable)	243,906,176	2,714,660	42,542,124	(21,504,450)	1,696,334	-	-	269,354,844
State Trustees Ltd (Exempt and Taxable)	23,438,202	394,376	838,897	(2,171,221)	28,045	-	-	22,528,299
MU Blue Chip Endowment	27,230,393	177,673	31,000	(3,524,907)	48,174	-	-	23,962,333
Total investment contracts	314,631,979	3,425,700	44,194,680	(29,812,860)	1,803,538	-	-	334,243,037
Insurance Contracts:								
Sickness and Accident	155,984	-	-	-	-	(10,426)	-	145,558
MU Accident	8,000	-	-	-	-	-	-	8,000
Sickness and Funeral	30,072,280	607,286	-	-	489,333	1,657,832	-	32,826,731
Police Association	-	-	-	-	-	110,286	-	110,286
Death and Distress	80,933	-	-	-	-	(17,221)	-	63,712
Total insurance contracts	30,317,197	607,286	-	-	489,333	1,740,471	-	33,154,287
Total all contracts	344,949,176	4,032,986	44,494,680	(29,812,860)	2,292,871	1,740,471	-	367,397,324

Note 31. Statutory Benefit Funds Policy Liabilities (Continued)

As at 30 June 2019 \$								
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
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 32. Statutory Benefit Fund Capital Adequacy

For the Period Ended 30 June 2020 \$

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	1,552,929	1,538,148	3,850	10,931	-	-	-	-	-	-	-	-	-	-	-	0%
Flexible Insurance	16,028,930	15,875,795	21,800	131,335	-	-	-	-	-	-	-	-	-	-	-	0%
Education and Savings	991,927	983,618	1,883	6,426	-	-	-	-	-	-	-	-	-	-	-	0%
Funeral Benefit (Exempt and Taxable)	272,132,920	269,354,844	689,633	2,088,443	-	-	-	-	-	-	-	-	-	-	-	0%
State Trustees Ltd (Exempt and Taxable)	22,755,501	22,528,299	30,272	196,930	-	-	-	-	-	-	-	-	-	-	-	0%
MU Blue Chip Endowment	24,168,642	23,962,333	33,005	173,304	-	-	-	-	-	-	-	-	-	-	-	0%
Total investment contracts	337,630,849	334,243,037	780,443	2,607,369	-	-	-	-	-	-	-	-	-	-	-	
Insurance Contracts:																
Sickness and Accident	362,208	145,558	124,352	92,298	140,915	233,213	554	26,160	(437)	-	-	-	-	26,276	206,937	887%
MU Accident	633,418	8,000	101,507	523,911	-	523,911	902	239,937	(720)	-	-	-	-	240,119	283,793	218%
Sickness and Funeral	37,891,230	32,826,731	2,633,246	2,431,253	-	2,431,253	744,267	384,199	(225,182)	-	517,655	(1,420,938)	-	-	2,431,253	0%
Police Association	3,227,110	110,286	438,528	2,678,296	-	2,678,296	367,404	1,578,489	(255,156)	-	-	-	-	1,690,737	987,559	158%
Death and Distress	392,465	63,712	321	328,432	-	328,432	2,260	56,194	(1,764)	-	-	-	-	56,689	271,743	579%
Total insurance contracts	42,506,431	33,154,287	3,297,954	6,054,190	140,915	6,195,105	1,115,387	2,284,979	(483,259)	-	517,655	(1,420,938)	-	2,013,821	4,181,285	-
Management Fund	19,274,719	-	3,600,023	15,674,696	(3,866,424)	11,808,272	16,594	1,537,000	(13,189)	969,894	-	-	5,745,880	2,510,299	9,297,972	190%
Total all contracts	399,405,949	367,397,324	7,672,370	24,336,255	(3,725,509)	18,003,377	1,131,981	3,821,979	(496,448)	969,894	517,655	(1,420,938)	5,745,880	4,524,120	13,479,257	145%

Note 32. Statutory Benefit Fund Capital Adequacy (Continued)

For the Period Ended 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 all contracts	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 33. Trustee

Foresters Financial Limited is 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 deeds, funds held in trust are required to be held separately from those of the company. Notwithstanding this, the assets and liabilities of the trusts have been disclosed in the company's financial statements as required by Australian Accounting Standards (refer Note 13).

Directors' Declaration

In the Directors' opinion:

- The attached financial statements and notes thereto comply with the *Corporations Act 2001*, applicable Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- The attached financial statements and notes there to give a true and fair view of Foresters' financial position as at 30 June 2020 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, 28 September 2020



David Heath

Director

Melbourne, 28 September 2020

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INDEPENDENT AUDITOR'S REPORT To the Members of Foresters Financial Limited

Opinion

We have audited the financial report of Foresters Financial Limited ("the company"), which comprises the statement of financial position as at 30 June 2020, 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 Foresters Financial 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 2020 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.

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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 2020; 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.

RSM AUSTRALIA PARTNERS

K J DUNDON
Partner

Dated: 29 September 2020
Melbourne, Victoria

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CONSULTING ACTUARIES

Appointed Actuary's Statement

I have undertaken actuarial valuations in respect of each of the Benefits Funds of the Foresters Financial Limited (the Society) as at 30 June 2020 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.

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 2015-2017 for the IOR Sick and Funeral Fund, 110% for State Trustees Fund Taxable, 105% for the State Trustees Fund Exempt, 120% 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 15% of contributions for the Victoria Police Benefit Fund;

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- (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 70% of sickness benefits for Group Sickness, and
- (f) other assumptions as detailed below:

<u>Fund</u>	<u>Gross Interest % pa</u>	<u>Expenses %pa</u>	<u>Tax %pa</u>	<u>Future Bonus Rate %pa</u>
Death and Distress	0.90	2.00	-0.33	0.00
Sickness and Accident	0.96	0.00	0.29	0.00
Victoria Police Benefit	2.22	0.00	0.67	0.00
IOR Sick and Funeral	1.84	1.25	0.00	1.50
Funeral Benefit Exempt	1.48	1.40	0.00	0.08
Funeral Benefit Taxable	1.53	1.40	0.04	0.09
State Trustees Exempt	1.37	1.37	0.00	0.00
State Trustees Taxable	1.46	1.40	0.02	0.04

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 30% of one year's premium (net of fees).



B A Watson
Director
Brett & Watson Pty Ltd
Consulting Actuaries

28 September 2020

Foresters Financial 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 Limited

Registered office and principal place of business is:
Level 4, 417 St Kilda Rd
Melbourne VIC 3004

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



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