





Cover image: '*Circulus vitae - Circle of Life*'

A beautiful floral creation by our award-winning Southern Metropolitan Cemeteries Trust (SMCT) florist team.

Cover photography courtesy of Fiona Scanlon.

Flowers accompany every season of life and love, symbolising feelings and moments that often have no words. Like each flower, our customers have their own unique heritage with layers of interconnected stories and relationships. Often when there are no words, flowers provide a universal language of love, care and compassion.

Continuing the theme of language, the United Nations General Assembly has declared 2019 the International Year of Indigenous Languages, to help promote and protect indigenous languages and improve the lives of those who speak them. To help raise awareness for the importance of preserving Australia's Aboriginal and Torres Strait Islander languages for future generations, please visit [en.iyil2019.org](http://en.iyil2019.org) .

In celebration of the many languages and cultures that make up our community, we have included a language ribbon carrying the words 'Care, Compassion, Community' positioned on the right edge of this report.



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## Introduction

When you enter through our gates, you have arrived at a safe place. No matter your culture, religion or background, our cemeteries and memorial parks provide genuine and personalised care for all Victorians. Underpinned by our purpose and supported by our strategic pillars, our focus is on creating meaningful long-term relationships that meet the expectations of our growing and diverse community.

It is our pleasure to present the many highlights and achievements of the past year, in the ninth Southern Metropolitan Cemeteries Trust (SMCT) Annual Report.

### Our Purpose

*We believe that every person, regardless of their religion, culture or personal preference should be able to honour and celebrate their loved one as they choose.*

Our purpose reflects dignity, respect, choice and inclusion. This is demonstrated consistently with each community interaction and is evident in the long-term relationships formed by those that regularly visit our beautiful locations.

*'I want you to be everything that is you, deep at the centre of your being'*

*– Confucius*

Our personalised services are designed to meet the individual needs and wishes of each family we serve. Our philosophy is to create inclusive spaces that are welcoming as we support the community in their journey through grief.

In a society that places value on convenience and disposability, research shows growth in



loneliness and those feeling isolated by grief and loss. At SMCT, we offer the opportunity for people to pause, reflect and connect with others while moving forward in their own way and their own time.

Catering to over one-third of burials and half of cremations across Victoria annually, our multi-purpose locations are redefining the way the community view cemeteries and memorial parks. Our investment in facilities that encourage the honouring of traditions, the sharing of stories and the coming together of people, demonstrate our commitment to building a genuine long-term relationship with our client families.

Operating within a commercial environment, under the *Cemeteries and Crematoria Act 2003*, our strategic direction is underpinned by our purpose. Our cemeteries and memorial parks have continued to be supportive places of reflection for our diverse community. A full calendar of planned events throughout the year honour and celebrate the lives of thousands of loved ones; offering a safe place of care and connection.

## Our Vision

*Our beautiful, iconic locations empower all communities to honour and celebrate life.*

*We support the living throughout their grief journey, through our innovative approach of personalised care and compassion.*

Our strategic direction has been informed by listening and responding to the evolving needs of the multi-cultural Victorian community. As a trusted and purpose led organisation, we

empower communities, advocate and provide accessible services to all; delivering new and meaningful offerings that are relevant, sustainable and culturally sensitive.

As set out in our 2019-2023 Strategic Plan, we have continued to position our memorial parks as places of community connection, and of care and support for the living.

Our corporate social responsibility is integral in our strategy, where SMCT's clear mandate is to support the Victorian community to uphold the virtues of community connection and welcome the 2.5 million people that visit us annually.

Now in its third year, The Centre for Care & Wellbeing (CCW) is a visible demonstration of our philosophy, supporting over 400 visits a month. The centre provides a safe-haven for those transitioning through grief and loss. In October 2019 our bespoke CCW facility will officially open providing all Victorians with world-class services in an environment that is purpose built. SMCT will offer a broader range of services and increase the hours the centre is open.

*'The Centre has become a lifeline for people who are suffering from broken hearts, but it is a place where broken hearts can begin to mend'*

*- Mary, The Centre for Care & Wellbeing visitor*



*The Centre for Care & Wellbeing's Renee Lococo (CCW Coordinator) with guests*

We are committed to challenging the boundaries and asking 'why' and 'what else', ensuring that our services remain contemporary, and evolve in line with the expectations of the diverse Victorian community.

Aligned with the Australian Government's *Digital Transformation Strategy for 2025*, we will focus on the delivery of holistic customer experiences, as we accelerate towards digital transformation. Our robust research and strong community engagement have provided critical insights that have reinforced this strategic direction. As an organisation, we are committed to continually assessing current and emerging conditions, to ensure we remain agile and have strong foundations in meeting the future needs of our community. Over the past year, our focus has been on building for growth through investment in enterprise-wide technology systems and platforms, underpinned by strong governance.

During FY19, SMCT achieved a cemetery operating revenue of \$64.5m (being \$1.6m or 2.5% above budget) and a total operating result of \$21.6m (being \$7.8m or 56.6% above budget), with a positive contribution towards

the Community Perpetual Maintenance Fund. Throughout the year, we continued to extend culturally specific precincts based on community expectations. The new precincts support our vision of creating places of tranquillity for the community to reflect, honour and celebrate their loved ones.

**Key Accomplishments During the 2019 Financial Year Included:**

- Successful completion of Song He Xin Yuan, the next phase of the Asian influenced Song He Yuan precinct at Springvale Botanical Cemetery.

*'We know our loved ones, our ancestors are being cared for in the traditional beliefs of the Community'*

*- Meng Heang Tak, MP, at Song He Xin Yuan Opening, May 2019*

- Successful construction and release of stage three of the Saint Padre Pio mausoleum at Springvale Botanical Cemetery.
- Development of a three-year Information Technology (IT) Strategy and Business Transformation Plan to meet growing consumer expectations aligned to our strategic direction.
- Completion of the first phase of the Digital Strategy with the lead up to the launch of our new website enabling greater online access and growth through digital opportunities.
- Commenced staged construction of the restoration of the historically significant Sir Charles Hotham monument at Melbourne General Cemetery. In excess of \$400k has been raised via our Historical Restoration Fund.
- Continued to foster a safety culture with a focus on safe work practices and team wellbeing via our employee wellbeing program; *Activate Health*.
- The Café Vita et flores' team was awarded the Silver Medal at the Melbourne International Flower & Garden Show.
- Designed and delivered the second phase of the Enterprise Leadership Program focused on capability development, retention and leadership distribution.
- Maintaining a high level of employee engagement across the organisation for the third consecutive period, reflected in our employee engagement score of 88% (FY18 - 84%, FY17 - 85%).
- Recognition as one of three finalists at the 2018 Worksafe Awards in the 'Best Solution to a Manual Handling Issue' category.

## PRIDE in Our Values

At each and every cemetery and memorial park within our care we pledge to each other and to our client families that we will act with PRIDE:

**Passion** – commitment in heart and mind

**Respect** – by valuing every voice

**Integrity** – doing what is right

**Dedication** – to the needs of our clients and our people

**Empathy** – to listen and reflect with sensitivity

Our values continue to guide our organisational culture and service delivery standards.

The dedication of our people, along with the organisational commitment to building capability, has contributed to SMCT's sustained growth. Enterprise optimisation and operational excellence will continue to be the focus in the coming year as we set the blueprint for an innovative and sustainable organisation. Meeting the changing needs of customers, we will continue to empower our teams to lead, build resilience, adopt a growth mindset and challenge the status quo.

Our employee engagement score of 88% (increasing over three consecutive years) is a testament to the culture and high performing environments we are building across the organisation. Congratulations to each of the PRIDE Award winners recognised at this year's awards ceremony for the exemplary efforts over the past year. We thank each employee for their ongoing support and discretionary efforts.

Our Community Advisory Committee has been instrumental in guiding the vision of our new precincts and ensuring our services are relevant and continue to meet the needs of all Victorians. We thank them for their ongoing



2019 PRIDE Awards - Angela Uilderks (Chief Operating Officer) with a heartfelt farewell to retiring Trust Chairman Sue Renkin

counsel, support, dedication and contribution to selflessly serving the community interest.

A sincere thank you to the Trust and our Executive Leadership Team for leading the organisation with intention. Their vision and focus on strategic objectives, has paved the way to innovate continuously, be adaptive and reinforce our culture of building organisational capabilities. We are farewelling Mr Terry King, Director of Infrastructure and Assets, who has been an integral part of the Executive Leadership Team over the past six years.

SMCT would like to sincerely thank and acknowledge Ms Sue Renkin who has lead with unwavering leadership, foresight, direction and guidance as Chairman to the SMCT Trust. Sue will retire in October 2019.

We are greatly appreciative to the Department of Health and Human Services for their continued guidance and look forward to ongoing collaboration into the future.

Looking ahead, SMCT will continue to actively listen, providing genuine care and

contemporary services with a focus on empowering and advocating for the multi-cultural Victorian community. Guided by our purpose, we will continue to leverage strategic opportunities that will ensure we remain a relevant and sustainable organisation into the future.

In accordance with the *Financial Management Act 1994*, we are pleased to present the Report of Operations for the Southern Metropolitan Cemeteries Trust for the year ending 30 June 2019.

On this day, 7th August 2019. Springvale. Victoria.



**Sue Renkin** Trust Chairman



**Jane Grover** CEO



## The Trust at a Glance

Southern Metropolitan Cemeteries Trust (SMCT) is a purposed, not-for-profit organisation responsible for the perpetual care and maintenance of Bunurong and Cheltenham Memorial Parks, Brighton General, Cheltenham Pioneer, Dandenong Community, Melbourne General, Sorrento Community, Springvale Botanical and St Kilda cemeteries.

SMCT's corporate office is located within the grounds of Springvale Botanical Cemetery, 600 Princes Highway, Springvale, Victoria. The total land area managed by the Trust is 362.3 hectares.

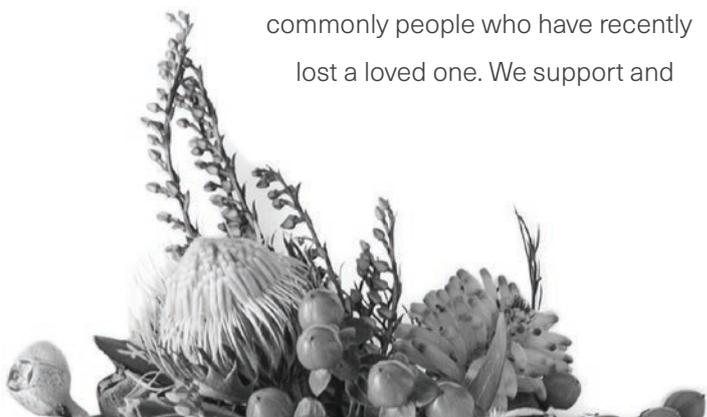
Formed in March 2010, under the *Cemeteries and Crematoria Act 2003*, the Trust, led by Chairman Sue Renkin, reports to the Minister for Health, the Hon. Jenny Mikakos MP, through the Cemetery Sector Governance Support Program of the Department of Health and Human Services (DHHS).

In delivering our purpose, we have come to the understanding that our facilities and services primarily deliver experiences for the living; most commonly people who have recently lost a loved one. We support and

steward the living and our Vision Statement reflects this.

During the reporting period we serviced the needs of more than one third of burials and more than half of the cremations conducted in Victoria, with the key focus being:

- Providing choice and flexibility to the community in the services we provide.
- Supporting families in their journey through grief.
- Meeting the diverse and changing needs of our communities, through extensive community engagement, which informs our service offerings and improves the experience created within our locations.





*SMCT Trust members and CEO as at June 2019: L-R Jane Grover CEO, Leigh Mackay OAM, Julie Busch, Robin Buckham, Sandhya Chakravarty, Sue Renkin, Sam Afra, Roger Chao, Phil Davies and Craig Burke*

## SMCT Trust Members

SMCT is governed by a board of nine highly skilled and experienced Trust members who bring a balance of commercial, not-for-profit and private sector experience.

Trust members hold office for a maximum tenure of three years and are eligible to apply for reappointment. All Trust appointments are made by the Governor-in-Council on the recommendation of the Minister for Health.

The Trust is responsible for stewarding and setting the overall strategic direction of the organisation. Our Trust members bring a great depth of knowledge in their respective fields of expertise, enabling them to respond to emergent strategic conditions.

## Our Current Trust Members

### **Trust Chairman - Sue Renkin**

BBS, MBA, Grad.Dip.Corp.Gov., MAICD, FCDA.

### **Sam Afra**

JP, MAICD.

### **Robin Buckham**

BA, Dip Ed, MCom (Mktg), MAICD.

### **Craig Burke**

BBus (Acc), FCPA, MAICD, CPA.

### **Julie Busch**

BA, Grad.Cert.Shop.Cen.Mgmt., Grad. Dip. Business, GAICD.

### **Sandy Chakravarty**

BEd, MBA, MEc CPA, GAICD.

### **Roger Chao**

BA, B.Ec, Grad.Dip.Bus, MBA, GAICD, FGIA, FAIM, BJ.

### **Phil Davies**

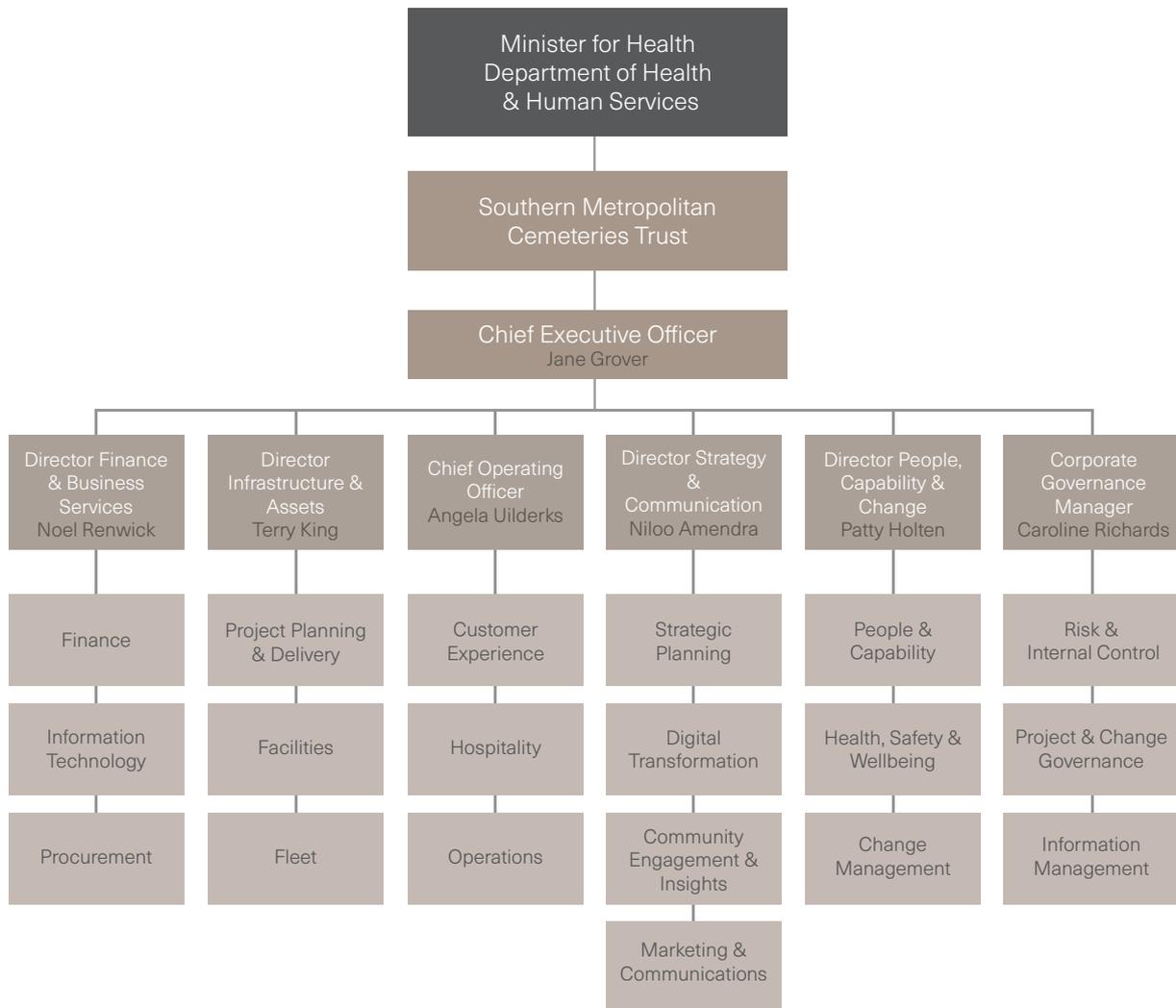
BA (Hons), LLB (Hons), LLM, GAICD.

### **Leigh Mackay OAM**

LLB. GAICD.



# SMCT's Organisational Structure



## Services Performed During the Reporting Period 1 July 2018- 30 June 2019

Cremation	8,932
Interment in graves	3,513
Interment in mausolea	262
Interment of cremated remains	450
	<b>13,157</b>

## Profile and Performance of SMCT Locations

	SMCT	BGC	BMP	CMP	CPC	DCC	MGC	SBC	SCC	STK
Established	March 2010	1854	1995	1933	1865	1857	1852	1901	1886	1855
Hectares (ha)	362.3 ha	12 ha	101 ha	17.2 ha	4.1 ha	4 ha	43 ha	170 ha	3 ha	8 ha
Employees FTE	236.3	0.9	35.2	16.0	0	0	5.9	177.3	1.0	0
Number of Cremations	8,932	N/A	2,455	N/A	N/A	N/A	N/A	6,477	N/A	N/A
Number of Interments	4,225	75	620	388	11	40	292	2,712	64	23
Operating Revenue	\$64,523,114	\$1,416,953	\$10,746,050	\$2,716,281	\$84,558	\$745,413	\$6,131,102	\$42,050,975	\$183,749	\$448,033
Community Events	Yes	No*	Yes	Yes	No*	No	Yes	Yes	No*	Yes

*Reference: Southern Metropolitan Cemeteries Trust (SMCT), Brighton General Cemetery (BGC), Bunurong Memorial Park (BMP), Cheltenham Memorial Park (CMP), Cheltenham Pioneer Cemetery (CPC), Dandenong Community Cemetery (DCC), Melbourne General Cemetery (MGC), Springvale Botanical Cemetery (SBC), Sorrento Community Cemetery (SCC), St Kilda Cemetery (STK)*  
 \* Friends Groups may conduct tours/events.

## Strategic Priorities

During the year, we continued to invest in capability in both people and technology as part of our 2019-2023 Strategic Plan delivery, with a principal focus of serving the Victorian community and strengthening our customer-centric culture to promote sustainable long-term growth.

As a trusted and purposed organisation, we continue to advocate for choice and for offering transparency of information that will empower our communities.

Our Strategic Plan provides a clear focus for the organisation and is used to establish our Annual Plans and Objectives.

The four Strategic Priorities also form the structure of this Report of Operations.

- Embracing Customer Centricity.
- Pursuing Strategic Growth.
- Enhancing Strategic Engagement.
- Investing in People Development.



The following sections highlight the community impacts of the strategic imperatives, the forward thinking, innovation, accountability, governance and administration of the cemeteries and memorial parks within our care. Sections, including 'Spotlight on Sustainability' and 'Looking Forward' will provide insights into the financial year ahead, along with initiatives that support our 2019-2023 Strategic Plan.

## Governance and Accountability

Southern Metropolitan Cemeteries Trust (SMCT) acknowledges that strong governance and accountability are critical to the successful achievement of our strategic imperatives.

Our Corporate Governance Framework ensures that we:

- Act in a truly customer centric manner in everything we do.
- Recognise the importance of consulting and engaging with the community.
- Understand our current and future roles and responsibilities.

We are a community focused organisation, providing burial, cremation and memorialisation services for metropolitan Melbourne and Victoria. We are responsible to the Minister for Health the Hon. Jenny Mikakos MP, who has entrusted SMCT to manage the locations for which we are responsible.

Our strategic decisions are underpinned by care, compassion and companionship and the Victorian community are the heartbeat of our purpose. Our actions are congruent with our corporate social responsibility, to be a trusted community organisation that supports and cares for all Victorians.

During the reporting period, the Trust met eight times and was responsible for:

- Overseeing and appraising the performance of the organisation against strategic objectives.
- Steering and stewarding the strategic direction and business development of the organisation.
- Ensuring that governance arrangements are maintained, together with sound financial management and best practice asset management.
- Ensuring statutory and regulatory obligations are met and that the organisation's risk management systems are active and effective.
- Executive Leadership Team review, measuring results against business plans and strategic objectives.

In addition, we fully recognise our perpetual maintenance and community service obligations, ensuring that funds are set aside for our cemetery and memorial park locations to be maintained in perpetuity for the benefit of all Victorians.



*Annual Meeting - December 2018*

To fulfil these responsibilities and to ensure SMCT is governed and managed in an accountable and responsible way, the organisation maintains a robust Corporate Governance Framework.

## Corporate Governance Framework

We consider strategic risk management, financial sustainability and effective corporate governance to be fundamental principles that underpin the organisation.

A culture of accountability and transparency underpin our approach to corporate governance - with a robust set of values and behaviours instilled for the interest of the public we serve. A commitment to excellence in governance standards produces efficient and effective management of our cemetery locations, along with the long-term sustainability and performance of our organisation.

## Trust Composition

Details of Trust members who held office during the year are listed in this report under the previous section 'The Trust at a Glance'. The composition of the Trust reflects the broad expertise required to oversee the organisation.

## Independence of Trust Members

On at least an annual basis, Trust members are required to complete a Declaration of Private Interests statement. Declarations of conflicts of interest were required at the beginning of each Trust and Trust sub-committee meeting in line with SMCT's Code of Conduct and Conflict of Interest Policy. Having considered the declared relationships and interests, the Trust considers each Trust member to be independent.

## Board Performance

The Trust is committed to maintaining the highest standards of governance and is

required to review the Trust and its sub-committees' performance regularly. A formal self-assessment is conducted each year to assess the effectiveness against specific objectives contained in the Trust and sub-committee Charters. During the reporting period, the Trust conducted an externally facilitated Board Evaluation of the performance of the Trust, each Trust member and the Chairman.

## Trust Committees

The Trust maintains five sub-committees to help execute Trust responsibilities in a review or advisory capacity unless given other powers by the Trust. A member of the Trust chairs each Committee and has a Charter which specifies the role of the Committee. As part of the Trust's Board Evaluation process, each Committee evaluates its performance annually.

## Community Advisory Committee

The Community Advisory Committee (CAC) is established in accordance with the requirements of section 18D of the *Cemeteries and Crematoria Act 2003*. The CAC performs a highly valued advisory role for the Trust with respect to its community engagement priorities and commitments.

The CAC meets quarterly and comprises ten members, two of which are Trust members and eight of which are voluntary members appointed by the Trust. Chaired by Roger Chao, the CAC's membership includes representation from key multicultural and religious organisations, government and interfaith networks. CAC members offer a genuinely

diverse perspective, providing the organisation with critical insights into the evolving needs and expectations of the communities we serve.

## Finance and Investment Committee

The Finance and Investment Committee is established in accordance with the requirements of section 18B of the *Cemeteries and Crematoria Act 2003*. The Committee, chaired by Phil Davies has an advisory role assisting the Trust in fulfilling its financial management, planning and major financial decision-making functions. It also provides direction and oversight of our investments.

## Audit and Risk Committee

The Audit and Risk Committee is established in accordance with the requirements of section 18B of the *Cemeteries and Crematoria Act 2003*. The Committee, chaired by Sandy Chakravarty, has an advisory role assisting the Trust in fulfilling its governance and compliance, risk management, financial reporting, legislative and regulatory compliance, internal control and audit responsibilities.

## Executive Remuneration and Appointment Committee

The Executive Remuneration and Appointment Committee chaired by Julie Busch, has an advisory role supporting the Trust and providing expertise in the areas of executive performance and remuneration, performance management and the organisation's people and capability framework.

## Infrastructure Planning Committee

The Infrastructure Planning Committee, chaired by Leigh Mackay OAM, has an advisory role assisting the Trust in fulfilling its infrastructure planning and major capital works projects.

During the period the Committee provided oversight of a number of large Springvale Botanical Cemetery infrastructure projects, including the delivery of the third stage of Saint Padre Pio mausoleum and the extensive development of the Song He Xin Yuan precinct. The Centre for Care & Wellbeing was also temporarily relocated to make way for the construction of an all-new purpose-built facility, with planning and earthworks now complete.

## Management Committees

A number of management committees met regularly to enhance cross-functional communication, promote good governance and maximise operational efficiency.

## Health Safety & Wellbeing Committee

The Health Safety & Wellbeing Committee (HSW Committee) is chaired by the HSW Business Partner.

The HSW Committee convened four times during the reporting period, ensuring *Occupational Health and Safety Act 2004* (Vic) and our internal HSW Management Framework obligations were met.

## Attendance at Trust and Committee meetings

1 July 2018 - 30 June 2019

	Meetings Held	Sue Renkin	Leigh Maackay	Julie Busch	Sam Afra	Phil Davies	Roger Chao	Sandy Chakravarty	Craig Burke	Robin Buckham	Liz Grainger (Independent member)
Trust	8	8	7	8	8	7	6	8	6	8	
Audit & Risk Committee	5	4 <sup>(1)</sup>	4	1 <sup>(2)</sup>			1 <sup>(2)</sup>	5	4		3 <sup>(3)</sup>
Community Advisory Committee	4			3			4				
Finance & Investment Committee	8	5 <sup>(1)</sup>				7		7	6		3 <sup>(3)</sup>
Executive Remuneration & Appointment Committee	4	4		4	3 <sup>(4)</sup>	3					
Infrastructure Planning Committee	4	3	4		4					4	

1: Trust Chairman attends in an ex-officio capacity.

2: Member until August 2018.

3: Independent member appointed to the Audit & Risk and Finance & Investment Committees, term ended 31 December 2018.

4: Became Member in February 2019.



*The Sanctuary Reflection Space at Bunurong Memorial Park*

We have embedded and continue to embrace a Safety Leadership Culture throughout our organisation. Further information is provided in the section 'Investing in People Development'.

## Emergency Planning Committee

The Emergency Planning Committee (EPC) comprises members selected by the Executive Leadership Team and includes representatives from Governance & Risk, Health, Safety & Wellbeing and Infrastructure & Assets. The Corporate Governance Manager chairs the Committee.

During the reporting period, the EPC focused on building and testing organisational capability to respond appropriately to both emergency and crisis situations.

## Executive Risk Management Committee

The Executive Risk Management Committee, chaired by the Corporate Governance Manager, provides strategic leadership and governance of our enterprise risk management processes and framework.

## Managing Risk

We operate an Enterprise Risk Management Framework for the management and reporting of risks, which is compliant with the risk management principles contained in the International Risk Management Standard ISO 31000: 2018.

As part of this Framework, we maintain a Trust approved Risk Appetite Statement, which sets the agreed parameters and boundaries under which the organisation may operate.

## Compliance

The principle guiding Act for the cemeteries sector is the *Cemeteries and Crematoria Act 2003*.

Under section 15 of the *Cemeteries and Crematoria Act 2003*, the Trust can delegate certain operational functions and powers. An Instrument of Delegation of Functions and Powers delegates such allowable functions via the Trust's Delegation of Authority Policy.

## Building Act of 1993

All new work and the redevelopment of existing properties conform to the *Building Act 1993, the Building Regulations 2018 and the Building Code of Australia (BCA)*.

## Freedom of Information

Our Corporate Governance Manager was the Principal Officer for Freedom of Information (FOI) applications during the reporting period. FOI requests must be made in writing and can be submitted via email: FOI@smct.org.au (via post: PO Box 1159, Clayton, VIC. 3169).

There were no FOI applications for FY19. In compliance with the spirit of the FOI legislation, all reasonable requests for records of the deceased are granted as required under sections 59 and 60 of the *Cemeteries and Crematoria Act 2003*.

## National Competition Policy

SMCT complies with the Code of Practice relating to the sale and supply of memorialisation goods and services by cemetery trusts and other alternative suppliers in Victorian public cemeteries, facilitated by the DHHS. This Code promotes a fair and equitable environment for the supply of such goods and services and ultimately benefits purchasers.

## Procurement

Our Purchasing Policy and associated purchasing procedures adhere to Victorian Government Purchasing Board principles and comply with Victorian Public Sector values, codes and standards.

In delivering purchasing services, SMCT's business transactions are fair, open and demonstrate the highest levels of integrity and probity, consistent with the public interest.

## Victorian Industry Participation Policy

1 July 2018 - 30 June 2019

Total Number of Contracts is:	Value of Contracts (inc. GST)	Area	Local Content	FTE Jobs	FTE Apprenticeships Retained	Skills/Technology Commitment
Bronze Plaques	\$7,087,915 (5 years)	Metropolitan	100%	10	2	Contractor has delivered on commitments for staff training and skill development.
Song He Yuan Stage 2 Construction (Song He Xin Yuan)	\$19,627,300	Metropolitan	92.06%	5	1	Contractor's commitments for training staff and skills has been met.
Saint Padre Pio Three mausoleum construction	\$3,813,700	Metropolitan	92.21%	24	2	Contractor's commitments for training staff and skills has been met.
Project Total	\$30,528,915					

## Privacy Legislation

We maintain a Privacy Policy and supporting privacy procedures which articulate our practices when dealing with Personal Information. We are committed to complying with the *Victorian Charter of Human Rights and Responsibilities* and the *Privacy and Data Protection Act 2014 (Vic)*.

## Protected Disclosures

SMCT complies with the provisions of the *Protected Disclosures Act 2012 (Vic)* to encourage and facilitate disclosures of improper conduct of public officers or bodies and to provide protection to persons making such disclosures from detrimental action.

To access copies of the procedures established by SMCT contact the Corporate Governance Manager at [privacy@smct.org.au](mailto:privacy@smct.org.au).

Disclosures can be made directly to the Independent Broad-based Anti-corruption Commission at Level 1, North Tower, 459 Collins Street Melbourne, VIC 3000 (Phone: 1300 735 135, Internet: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)).

## Declarations of Pecuniary Interests

Trust members and the Executive Leadership Team have completed a Declaration of Private Interests Statement.

No shares are held by Trust members or Executive employees as nominees or held beneficially in a statutory authority or subsidiary.

There are specific disclosures in the financial statements.

## Attestations

### Compliance with Victorian Government

#### Purchasing Board (VGPB) Policies

I, Jane Grover, certify that Southern Metropolitan Cemeteries Trust has put in place appropriate internal controls and processes to ensure that it has complied with all requirements set out in the VGPB Victorian Government Purchasing Board Policies and have critically reviewed these controls and processes during the year.



Jane Grover  
Accountable Officer  
Southern Metropolitan Cemeteries Trust  
7 August 2019

#### Integrity, Fraud and Corruption

I, Jane Grover, certify that Southern Metropolitan Cemeteries Trust has put in place appropriate internal controls and processes to ensure that integrity, fraud and corruption risks have been reviewed and addressed at the Southern Metropolitan Cemeteries Trust during the year.



Jane Grover  
Accountable Officer  
Southern Metropolitan Cemeteries Trust  
7 August 2019

#### Conflict of Interest and Duty to Disclose

I, Jane Grover, certify that Southern Metropolitan Cemeteries Trust has put in place appropriate internal controls and processes to ensure that it has complied with the

requirements of clause 9 of schedule 1A of the *Cemeteries and Crematoria Act 2003*, and has implemented a Conflict of Interest policy consistent with the minimum accountabilities required by the Victorian Public Sector Commission. Declaration of private interest forms have been completed by all executive staff and members of the Trust, and all declared conflicts have been addressed and are being managed. Conflict of Interest is a standard agenda item for declaration and documenting at each executive board meeting.



Jane Grover  
Accountable Officer  
Southern Metropolitan Cemeteries Trust  
7 August 2019

### **Financial Management Compliance**

#### **Attestation Statement**

I, Sue Renkin, on behalf of the Responsible Body, certify that the Southern Metropolitan Cemeteries Trust has complied with the applicable Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994* and Instructions.



Sue Renkin  
Trust Chairman  
Southern Metropolitan Cemeteries Trust  
7 August 2019

## Compliance with Standard Disclosures – Report of Operations

In compliance with the requirements of *FRD 22H Standard Disclosures* in the Report of Operations, details in respect of the items listed below have been retained by SMCT and are available to the relevant Ministers, Members of Parliament and the public on request (subject to freedom of information requirements, if applicable):

- a. details of publications produced by SMCT and how these can be obtained;
- b. details of changes in prices, fees, charges, rates and levies charged by SMCT;
- c. details of any major external reviews carried out on SMCT;
- d. details of major research and development activities undertaken by SMCT;
- e. details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- f. details of major promotional, public relations and marketing activities undertaken to develop community awareness of promotion of services;
- g. details of assessments and measures undertaken to improve the occupational health and safety of employees;
- h. a general statement on industrial relations and details of time lost through industrial accidents and disputes;
- i. details of all consultancies and contractors including:
  - i. consultants/contractors engaged;
  - ii. services provided; and
  - iii. expenditure committed to for each engagement.



# Strategic Priority ONE

## Embracing Customer Centricity

Our strategies continue to be driven by a clear focus on our customers. We are a customer-centric organisation, always seeking community feedback to improve and shape our diverse service offering.

environment of continuous improvement and long-term organisational sustainability.

We are sensitive to the emotional state of our client families and encourage them to take

*“It is a very difficult situation and I understand that sometimes people don’t understand that the Avenue of Rainbows is where children and babies are buried and this comes with a very different grief... In saying that, I was very surprised and touched when I went to the cemetery today to discover the Christmas baubles around the playground and was moved to know you took on board what we said and implemented change so quickly, it was nice to know we were heard.”*

*Excerpt from an email sent from a parent of a child buried within the Avenue of Rainbows Children’s Area at Bunurong Memorial Park*

Our core purpose is to ensure that every person, regardless of their religion, culture or personal preference, is able to honour and celebrate their loved one as they choose.

the time needed while supporting them with choice, flexibility and transparency throughout the decision making process.

Our commitment drives our ability to deliver on our purpose of customer centricity.

We are committed to caring for the community and are proud of our culture of care and compassion. Our dedicated team genuinely listen to the needs of our client families and appreciate that small gestures of kindness and understanding can touch the hearts of those navigating through grief.

Our collaborative relationships with our community provide valuable insights, fostering an



## KEY OUTCOMES:

- Prioritising the 'Voice of the Customer' to drive continuous improvement
- Creation of a unique precinct – Song He Xin Yuan
- Development of an integrated approach to meeting community needs
- Further enhancing the customer experience through focussing on hospitality services and operations
- Meeting community needs through the new Centre for Care & Wellbeing facility and the new website

## Prioritising the 'Voice of the Customer'

To be a truly customer-centric organisation, it is vital that we continually and proactively listen to the needs of our diverse customers. Our 'Voice of the Customer' initiative combines our digital touchpoint customer feedback data with compliments, complaints and requests for 'works requiring attention'. The aggregation of this information allows us to identify trends and quickly action key opportunities for improvement for the benefit of client families.

Our focus on 'Voice of the Customer' is evident in the increasing gains seen across both the Net Promoter and Easy Score surveys. We are committed, not only to listening but also acting on feedback as part of our commitment to continuous improvement.



*Net Promoter Score and Easy Score results*

## A Unique Long-Term Development - Song He Xin Yuan

The Song He Yuan (SHY) area within Springvale Botanical Cemetery (SBC) was first opened in 2003, providing the Asian community with a dedicated feng shui designed area. The development marked the commencement of a relationship of true collaboration that has resulted in the creation of an extraordinary area for people to honour their loved ones.

During FY18, we established the Lotus Garden on the boundary of the SHY area, to meet the needs of our communities that also appreciate feng shui design elements.

The most significant project during FY19 has been the substantial development of the SHY area, ensuring the needs of the community can be met for the next 15 years. The project involved the development of over 5 hectares of land and the construction and placement



*Song He Xin Yuan Opening - Meng Heang Tak, MP, Sue Renkin (Trust Chairman) and Jane Grover (CEO)*

of key iconography, including a large custom-made bronze bell, a series of bronze monks and intricately designed and constructed pagodas and pavilions. The new Song He Xin Yuan (SHXY) area was officially opened on 19 May 2019 by Mr Meng Heang Tak MP, Member for Clarinda, with key community members and families in attendance. SMCT is honoured to have been able to deliver such a valuable area to the community.

## An Integrated Approach to Meeting Community Needs

Through our engagement strategies and our ongoing analysis of social conditions, we are continually assessing how we can best ensure that we are meeting the current and future needs of the community. During FY19, we further expanded our diverse product offering and implemented dedicated roles to improve customer experience.

### **Dedicated Roles Improving our Offering**

During FY19, we recognised that there was an opportunity to improve how we engage with community groups wishing to create a

footprint within our memorial parks. As such, a dedicated Community Relations role was developed, providing community leaders with a critical point of contact. The establishment of this role has significantly improved the experience for community members while enhancing our depth of understanding of specific community needs, allowing us to provide tailored solutions for the benefit of the community.

Over recent years, we have become aware of the increasing desire to secure graves within our historic locations, such as Melbourne General Cemetery. To enhance our ability to meet this need, a strategic approach for reclaiming unused graves, consistent with the legislative requirements has been established and essential resources allocated. The approach has provided many opportunities for families to purchase graves within desired areas of our historic locations.

### **Saint Padre Pio - Stage Three Mausoleum**

A significant project during FY19 was the construction of the Saint Padre Pio Stage Three mausoleum at SBC. The mausoleum was the

third and final in a series of mausolea at SBC named in honour of Saint Padre Pio. With the considered architectural design, high-quality finishes and bronze features, the acceptance of the new mausoleum by the community has exceeded expectations.

**Establishing Infrastructure for Long Term Community Needs**

We take a strategic and long-term approach to infrastructure planning to meet the current and future needs of our multi-cultural communities. As a result, during FY19 significant investment was made to commence critical infrastructure works at Bunurong Memorial Park (BMP). These works are aligned with the long-term master plan of the site and include the establishment of key arterial roads, design of dams and services towards the northern and southern boundaries of the site. This proactive approach to the establishment of key infrastructure uniquely positions us to be able to meet significant demand in the future, allowing us to be flexible in meeting the diverse and changing needs of the community.

**Further Enhancing the Customer Experience**

For several years, SMCT has been on a journey of improving the customer experience. From FY16 to FY18, we developed and implemented a targeted program of work to assess and enhance touchpoints with our Customer Experience teams (e.g. Contact Centre, Sales, Funeral Director Bookings etc.), providing significant benefits to our customers and our team members.

During FY18, the Customer Experience and Operations teams were brought together under one portfolio with the objective of improving the overall customer experience by uniting team members that provide client care.

Our focus for FY19 was on further developing the Operational teams to ensure that they are ideally positioned to operate in a genuinely customer-centric manner. The key areas of focus are leadership, employee engagement, safety, workforce management, quality



*Saint Padre Pio - Stage Three Mausoleum Opening and Blessing by Auxiliary Bishop Terence Curtin*



*Springvale Botanical Cemetery's Café Vita et flores refurbishment*

assurance and continuous improvement. Guided by SMCT's PRIDE values and our 'One Team' philosophy, the introduction of an Operational Improvement program will run for the next two years.

## Hospitality Services — A Vital Customer Touchpoint

We are acutely aware that the cafés, florists and function rooms across our locations provide a vital touchpoint with the community. As such, SMCT has a clear focus on hospitality services which has been the fastest growing revenue stream in recent years.

During FY18 it was recognised that our hospitality services were exceeding forecast expectations and were operating well ahead of projected capacity targets. As a result, funds were allocated for a refurbishment of both front-of-house and back-of-house areas at SBC. The completion of these works in FY19 has provided additional space and improved work flow practices to cater for increased volumes.

The front-of-house changes have improved the visual appeal of the café and provided additional space to allow us to increase our offerings. We continue to create value for customers by implementing new offerings based on their feedback.

The capability of the SMCT hospitality team is evidenced by our inclusion in the Melbourne International Food & Wine Festival and the Melbourne International Flower & Garden Show. This highly capable and passionate team of chefs, food and beverage specialists, florists and services teams create unique and personalised experiences for our customers.

## Community Care Services

SMCT cares for the living and stewards them through their grief journey. We have a steadfast commitment to caring for the community. We are dedicated to providing choice, flexibility and the most considered support services. We nurture a culture of care and compassion, led by our passionate and supportive employees.

### **The New Centre for Care & Wellbeing**

The Centre for Care & Wellbeing (CCW) was established two years ago to support the community through their grief journey. As a result of positive community acceptance a new purpose-built facility is underway, with completion scheduled late 2019.

The new centre will house beautiful spaces designed for meditation, music and art therapy as well as on-site osteopathy and psychology support services for employees. The building has been thoughtfully created to provide essential support services and to have a positive impact on the lives of our broader community.

### **Development of a New SMCT Website**

Aligned with our digital strategy, our new website will provide customers with greater accessibility and improved interfaces to access relevant information. The site will host a range of convenient resources and tools designed with our customers in mind. Greater transparency and ease of accessing information across each of our locations have been our priorities in developing this new website.

## **Memorial Services**

We believe it is our responsibility to support families in honouring and celebrating the lives of their loved ones. Throughout the year, we host a selection of significant remembrance services to help our communities come together and share in their grief and stories.

On Thursday, August 30th 2018, we hosted the annual Father's Day Remembrance Service at Bunorong Memorial Park (BMP). The special evening brought together those honouring the

legacy of father figures in their lives through this heartfelt service.

On November 4th 2018, the annual Returned and Services League (RSL) State Remembrance Service honoured the lives of brave servicemen and servicewomen at the Springvale War Cemetery. In attendance was RSL State President Dr Robert Webster, Dr Rosalie Triolo and the Premier of Victoria, The Hon. Daniel Andrews MP, along with members of the community.



*Hon. Daniel Andrews, MP, Premier of Victoria at the RSL Remembrance Service, Nov 2018*

On the evening of December 2nd 2018, SBC hosted the annual Children's Christmas Remembrance Service to support families who have lost a child. At the conclusion of the service, Café Vita et flores provided families with food and music to enjoy.

To commemorate the faithful departed and honour all those who have passed, in November we hosted several All Souls Mass services acknowledging important days on the Christian calendar.

Our annual Mother's Day service held at Bunorong Memorial Park on May 9th, was a beautiful celebration to honour women. We welcomed over 200 members of the community to celebrate and remember the mother figures in their own lives, and provided a safe place for them to grieve.



*Christmas Remembrance Service, December 2018*

## Looking Forward

During FY20, we will continue with our steadfast commitment to community, compassion and continuous improvement. Driven by our customer-centric philosophy, we will continue to listen and ensure that across all of our touchpoints the community and our client families receive high-quality service and care.

Key areas will include:

- A continued focus on the 'Voice of the Customer' to educate our teams and drive improvements.
- A clear focus on our 'One Team' philosophy,

ensuring organisationally we are working collaboratively with a continuous improvement mindset to provide seamless and high-quality delivery of services across all of our touchpoints.

- Expanded services and availability provided through The Centre for Care & Wellbeing.
- Actively engaging our community for feedback and stories to help evolve our service and continually improve our website and digital offering.
- Ensuring ongoing engagement and developing our team capabilities, allowing them to continue to care for the community with compassion.



# Strategic Priority TWO

## Pursuing Strategic Growth

We develop viable and sustainable strategies aligned with our purpose to ensure SMCT remains relevant to the Victorian community and sustainable in the long term.

Leading with purpose and aligned with realising our vision, our strategic growth continues to be guided by an in-depth understanding of conditions and insights from our growing and diverse community.

Operating in a climate of significant social, environmental and technological change, we will remain agile and adaptive to pursuing strategic opportunities and providing service offerings that are relevant and meaningful.

The FY19 financial year was yet another year of consolidated revenue growth and strong economic performance within the investment portfolio that focused on both in-year performance and long-term sustainability.

The strong balance sheet ensures that we can pursue strategic growth opportunities while meeting the obligations of the Community Perpetual Maintenance Fund.

### KEY OUTCOMES:

- The opening of Song He Xin Yuan, the Feng Shui inspired design precinct, an extension of the Song He Yuan at Spingvale Botanical Cemetery (SBC)
- The development and opening of the third stage of the Saint Padre Pio mausoleum at SBC
- Growth in hospitality service offerings
- The development of a new customer-focused website
- Development of the three year Information Technology Strategy and Business Transformation Roadmap

## Meeting Community Needs

### Song He Xin Yuan

In meeting the growing needs of the Victorian Asian community, Song He Xin Yuan is a long-term development with its first stage completed during the financial year. Spanning over five hectares of land, and being the largest of its kind in the southern hemisphere, this precinct is expected to meet growing community demand over the next decade. The experience created within this precinct is unique, with a





*Our culturally inspired function menus*

variety of thoughtful service offerings that will support ongoing revenue opportunities. The iconic features, waterways and sculptures offer the community a place of beauty and connection, engaging the broader community and attracting new customers to the newly developed site.

### **Saint Padre Pio Mausoleum**

Through ongoing engagement with the Italian community, SMCT identified strong demand to develop a third stage of the Saint Padre Pio mausoleum at Springvale Botanical Cemetery. The first stage of the mausolea opened in FY15 and the second stage in FY17. The third stage, designed, constructed and opened during the year has been positively accepted by the Italian community with approx. 52% of the crypts sold during the reporting period.

## **Growth in Hospitality Service Offering**

Hospitality services have seen a substantial growth based on the continuous enhancements of the service offering. Driven

by the exceptional customer experience and customised menu selection based on cultural and personal preferences, this revenue portfolio has seen growth at a consistent 13.5% per annum and currently accounts for 8.3% of consolidated revenue. Essential infrastructure modifications were made during the financial year to accommodate the significant growth, resulting in increased capacity, consistency and enhanced quality. This investment will assist with future growth aspirations.

## **Land Acquisition**

SMCT continues to proactively explore opportunities to secure land acquisitions for the development of a new memorial park. With five of the nine memorial parks within our portfolio reaching end-of-life, there is an urgent need to acquire and develop new memorial parks to meet the demand in Melbourne's multi-cultural South East region. We continue to pursue opportunities to identify suitable land for development.

## Embracing Digital Transformation

In meeting the evolving needs of our customers and providing greater access to information, our digital roadmap will enhance the digital customer experience through extended touchpoints and communication; offering higher levels of engagement and improved growth opportunities.

### A New Customer-Focused Website

Created through a customer-focused lens the new SMCT website provides visitors with a consistent, seamless and responsive (mobile friendly) user interface with convenient and helpful tools that make navigating services and products effortless. With features such as e-commerce and guided experiences, the site is based around accessibility, user experience and extended online services designed to create further sustained opportunities.

### Digital Presence

During the year, we continued to increase our digital reach, and grow awareness of our iconic locations, events and service offerings through both our owned and earned media channels. We will continue to expand and optimise digital channels and solutions in meeting customer expectations and creating opportunities to nurture customer relationships.

## Information Technology and Business Transformation Portfolio

During the year, SMCT developed a three-year Information Technology (IT) Strategy and Business Transformation Roadmap, investing in fit for purpose technology to accelerate

the transformation towards meeting the growing consumer expectations aligned with the Australian Government in their *Digital Transformation Strategy for 2025*.

This is a significant enterprise wide undertaking that will enable us to conceptualise future opportunities through the alignment and integration of systems, processes and governance that are underpinned by modern and connected platforms.

Details of ICT expenditure			
	ICT expenditure	Operational expenditure	Capital expenditure
	Total = A + B	A	B
<b>Total</b>	<b>\$4,254,548</b>	<b>\$2,871,559</b>	<b>\$1,382,989</b>

The first year of the three-year IT Strategy and Business Transformation Roadmap will deliver the following capability to support these strategic objectives:

- Providing 'one view of the customer' through the convergence of multiple internal and external sources for enhanced data and reporting.
- Providing an enterprise view of Reporting with 'one version of the truth'
- Aligning with whole of Government service delivery capability.
- Aligning with compliance frameworks on Cyber and Data security.
- Roadmap and enact initial enhancements and consolidation of the SMCT technology catalogue.
- Roadmap to migrate systems and services to cloud based technologies and solutions.

## IT Risk Management and Compliance

To ensure the availability of IT services and the security of the organisation's IT assets and data, SMCT advocates the inclusion of best practice processes and technologies when defining, operating and monitoring an IT Cyber Security strategy.

The IT Cyber Security strategy will minimise the occurrence and severity of IT security incidents, thus protecting our IT assets and conforming with mandatory external governance processes. The IT Cyber Security strategy will ensure all current and future systems (whether internally managed or managed by vendors) are protected from cyber threats and that all data is private and secure.

## FY19 Financial Performance

Our financial performance objectives focus on revenue and operating results, ensuring we generate an adequate surplus to provide for the Community Perpetual Maintenance Fund and support future growth.

Our ongoing success stems from the combination of listening and responding to the needs of the community and our unwavering organisational mindset of continual improvement, innovation and agility. The diversification and growth of our hospitality revenue stream is a demonstration of sustainable growth and improved customer experience.

The foundations in building capability and governance (both people and technology) have

and will continue to enhance our customer touchpoints and service offerings while enabling us to continue to build an organisation that is sustainable in the long-term.

## Financial Report

The financial report (pp 53 to 118) covers the 12 months from 1 July 2018 to 30 June 2019, with the prior year's comparatives covering the 12 months from 1 July 2017 to 30 June 2018

## Financial Performance

For the financial year ending 30 June 2019, SMCT produced a positive operating result of \$21.6m. This surplus was achieved from cemetery operations revenue of \$64.5m and investment income of \$16.8m and after the impact of the 3% cemetery levy of \$2.4m payable to the Victorian Government.

During the reporting period, SMCT investments (which underpins our perpetual maintenance obligations) have increased by \$16.2m to \$285.9m, through market value gains and distribution reinvestment. This result was achieved amid financial market volatility.

Gross operating margin for the year was \$53.0m (after cost of sales) with significant revenue streams being:

- Grave revenue contributing \$22.4m or 34.6% of total revenue driven by large sales in community areas at Bunurong Memorial Park, Dandenong Community Cemetery and the Springvale Botanical Cemetery (SBC) precincts of Song He Yuan, Lotus Garden and Song He Xin Yuan.



- Sales of mausolea crypts contributed \$10.7m or 16.5% of total income, highlighted by sales from the recently released Saint Padre Pio Three mausoleum at SBC.
- Cremation revenue contributing \$7.1m or 11.0% of total income, with SMCT performing 47.9% of Victoria's cremations during the reporting period.
- Hospitality income continues to show solid growth, with revenue of \$5.4m in FY19, a growth of 6.6% compared to the prior year.
- The ongoing focus on the sale of pre-need services has resulted in unearned income increasing by \$3.4m or 8.3% during the year, with a closing balance of \$44.3m.

to \$44.4m, of which 54.3% relate to personnel costs.

FY19 has been a year of investment in capability and assets with expenditure on capital works and stock projects totalling \$42.6m, highlighted by:

- Construction and delivery of stage two of the Song He Yuan (SHY) extension, known as Song He Xin Yuan (SHXY), opened in May 2019. This project provides long term positive contributions to our Community Perpetual Maintenance Fund.
- The construction and delivery of Saint Padre Pio Stage Three mausoleum at Springvale Botanical Cemetery completes the trilogy of Saint Padre Pio mausolea.

Operating expenses (excluding cemetery levy and investment management fees) amounted

**SUMMARY OF FINANCIAL RESULTS FOR 2019 AND THE PAST FOUR FINANCIAL PERIODS (\$'000)**

	FY19	FY18	FY17	FY16	FY15
<b>Operating Statement</b>					
Income from Transactions	\$64,523	\$63,095	\$63,000	\$54,445	\$59,507
Cost of Goods Sold	(\$11,518)	(\$9,364)	(\$10,304)	(\$7,888)	(\$9,429)
Investment Income	\$16,756	\$14,624	\$14,800	\$11,840	\$12,951
Expenses from Transactions	(\$45,675)	(\$43,795)	(\$39,897)	(\$38,170)	(\$33,978)
Cemetery Levy	(\$2,437)	(\$2,312)	(\$2,185)	(\$1,979)	(\$2,156)
<b>Operating Result</b>	<b>\$21,649</b>	<b>\$22,248</b>	<b>\$25,414</b>	<b>\$18,248</b>	<b>\$36,895</b>
Other Economic Flows Gain/(Loss)*	\$1,800	\$0	\$0	\$0	\$0
Other Comprehensive Income/(Loss)**	\$2,418	\$7,941	\$46,062	(\$4,427)	\$23,088
Comprehensive Result for the Period	\$25,867	\$30,189	\$71,476	\$13,821	\$49,983
<b>Balance Sheet</b>					
Assets					
Investments/Investment Property	\$285,933	\$269,783	\$249,840	\$213,021	\$210,462
All Other Assets	\$232,808	\$220,857	\$204,091	\$167,072	\$150,877
Total Assets	\$518,741	\$490,640	\$453,931	\$380,093	\$361,339
Liabilities					
Unearned Income	\$44,279	\$40,871	\$37,610	\$33,950	\$30,524
All other Liabilities	\$9,759	\$10,933	\$9,270	\$10,566	\$9,060
Total Liabilities	\$54,038	\$51,804	\$46,880	\$44,516	\$39,584
<b>Net Assets</b>	<b>\$464,703</b>	<b>\$438,836</b>	<b>\$407,051</b>	<b>\$335,576</b>	<b>\$321,755</b>
Equity					
Perpetual Maintenance Reserves	\$337,400	\$310,908	\$285,907	\$259,161	\$237,288
Other Equity	\$127,303	\$127,928	\$121,144	\$76,415	\$84,467
<b>Total Equity</b>	<b>\$464,703</b>	<b>\$438,836</b>	<b>\$407,051</b>	<b>\$335,576</b>	<b>\$321,755</b>

\* Other Economic Flows Gain/(Loss) includes market value gains on Investments (FY19). This was recognised in Other Comprehensive Income/(Loss) in previous years (FY18, FY17 and FY16)

\*\* Other Comprehensive Income/(Loss) for FY19 includes the net fair value gain on revaluation of non-financial assets. FY18, FY17 and FY16 also comprises market value gains and losses on available for sale financial investments.

## Financial Performance Objectives

SMCT's operating result of \$21.6m was \$7.8m higher than budget, comprising an over-performance from cemetery operations revenue of \$1.6m and net investment income over-performance of \$9.9m.

Grave revenue across all locations out-performed their budget and represented

34.6% of operating revenue (excluding investments income), continuing to be the most significant contributor to the operating result. Hospitality continues to be the fastest growing revenue stream with \$5.4m of annual revenue. The recent opening of our Saint Padre Pio Three mausoleum in May 2019 has strongly supported the overall achievement of our revenue goals, with mausolea revenue contributing 16.5% to total operating revenue (excluding investment income).

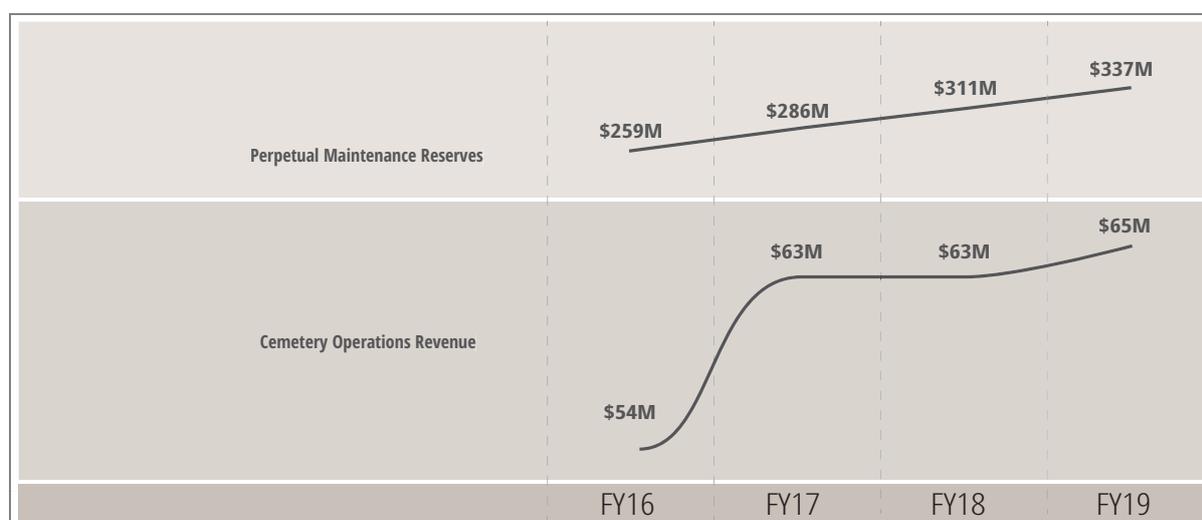
## COMPARISON OF ACTUAL VS. BUDGET FOR THE 12-MONTH PERIOD ENDING 30 JUNE 2019 (\$'000)

	Actual	Budget	Variance
Cemetery Operations Revenue	\$64,523	\$62,922	\$1,601
Cost of Goods Sold	(\$11,518)	(\$10,006)	(\$1,512)
Investment Income	\$16,756	\$6,800	\$9,956
Total Revenue	\$69,761	\$59,716	\$10,045
Operating Expenses	(\$45,675)	(\$43,749)	(\$1,926)
Operating Result before Cemetery Levy	\$24,086	\$15,967	\$8,119
Cemetery Levy	(\$2,437)	(\$2,130)	(\$307)
Operating result	\$21,649	\$13,837	\$7,812

## COMPARISON OF FY19 VS. FY18 KEY FINANCIAL RESULTS

	FY19 (Actual)	FY19 (Budget)	FY19 (Variance)	FY18 (Actual)	FY18 (Budget)	FY18 (Variance)
Cremations	8,932	9,444	(512)	9,391	9,136	255
Interments	4,225	4,342	(117)	4,267	4,330	(63)
Grave Revenue (\$)	22.35m	19.68m	2.67m	22.10m	19.98m	2.12m
Mausolea Crypt Revenue (\$)	10.66m	11.85m	(1.19m)	8.98m	11.26m	(2.28m)
Hospitality Revenue (\$)	5.37m	5.50m	(0.13m)	5.04m	4.60m	0.44m
Cremation Memorial Revenue (\$)	5.57m	5.64m	(0.07m)	5.55m	5.57m	(0.02m)

## PERPETUAL MAINTENANCE RESERVES AND CEMETERY OPERATIONS REVENUE GROWTH FY16- FY19



## Key Influences on Operational Performance Summary

FY19 ACTUAL	8,932
FY19 BUDGET	9,444
FY18 ACTUAL	9,391
FY18 BUDGET	9,136

**Cremations** - Volume of cremations performed were 512 (5.4%) lower than budget. This reduction is in-line with the overall cremation trend across Victoria, with SMCT performing 47.9% of all cremations in Victoria.

**Interments** - Volume of interments were 117 (2.7%) lower than budget, in line with the burial trend across Victoria. Interment revenue was below budget by 2.5%, where SMCT performs 39.5% of all interments in Victoria.

FY19 ACTUAL	4,225
FY19 BUDGET	4,342
FY18 ACTUAL	4,267
FY18 BUDGET	4,330

FY19 ACTUAL	\$22.35M
FY19 BUDGET	\$19.68M
FY18 ACTUAL	\$22.10M
FY18 BUDGET	\$19.98M

**Grave Revenue** - Contributing 34.6% to overall revenue, grave revenue was 13.6% above budget, primarily due to:

- Large sales to communities at Bunurong Memorial Park and Dandenong Community Cemetery;
- High demand for the newly released Song He Xin Yuan at Springvale Botanical Cemetery;
- Grave sales at Melbourne General Cemetery.

**Mausolea Revenue** - Mausolea revenue was 18.7% above the prior year, and 10.1% below budget. This increase over prior year is due to the release of Saint Padre Pio Stage Three mausoleum at Springvale Botanical Cemetery. The lower than budgeted result is due to product mix of ROI sold. Mausolea revenue represents 16.5% of total revenue (excluding investment income).

FY19 ACTUAL	\$10.66M
FY19 BUDGET	\$11.85M
FY18 ACTUAL	\$8.98M
FY18 BUDGET	\$11.26M

FY19 ACTUAL	\$5.37M
FY19 BUDGET	\$5.50M
FY18 ACTUAL	\$5.04M
FY18 BUDGET	\$4.6M

**Hospitality Revenue** - Hospitality revenue was 2.3% below budget, yet recorded growth on prior year of 6.6%. Such growth is being driven by the increasing number of functions held.

**Cremation Memorial Revenue** - Cremation Memorial revenue was slightly above prior year, however marginally (1.2%) below budget.

FY19 ACTUAL	\$5.57M
FY19 BUDGET	\$5.64M
FY18 ACTUAL	\$5.55M
FY18 BUDGET	\$5.57M

## Subsequent Events

There have been no significant events subsequent to the balance sheet date and prior to authorisation for release that require disclosure in the Annual Report.

## Consultants

In FY19, there were 7 consultancies where the total fees payable to the consultancies were \$10,000 or greater. The total expenditure incurred in relation to these consultancies was \$0.8m (excl. GST).

## Looking Forward

In FY20, SMCT will continue to pursue growth through:

- Pursuing land acquisition strategies in planning for the future needs of the community.
- Implementation of the second phase of the IT and Business Transformation Strategy in ensuring integrated enterprise architecture is in place to capture future growth opportunities.
- Activation of the next phases of the digital marketing strategy in growing online presence and increase reach and brand awareness through multiple digital touchpoints.
- Activation of the new Centre for Care & Wellbeing with enhanced service offerings in supporting the wellbeing of both the Victorian community and SMCT employees.

### FY19 CONSULTANCIES

Consultant	Purpose of Consultancy	Start Date	End Date	Total Approved Project Fee	Expenditure 2018-2019	Future Expenditure
Greg Bailey Consulting	Consultancy services relating to operations optimisation	1.7.2018	30.6.2019	\$105,400	\$105,400	-
Working Together	Workplace investigations	13.9.2018	27.9.2018	\$17,695	\$17,695	-
Zenith Surveys	Survey services across various locations	1.7.2018	30.6.2019	\$70,686	\$70,686	-
Speller International	Business Transformation project	20.11.2018	30.6.2019	\$514,706	\$514,706	\$970,660
The Zalt Group	Workplace investigations	9.8.2018	30.6.2019	\$42,913	\$42,913	-
Thoughtpost Governance	Trust evaluation	13.9.2018	21.3.2019	\$30,100	\$30,100	-
LPC Consulting	Preparation of Incident reporting	20.1.2019	20.6.2019	\$23,125	\$23,125	-

*In FY19, there were 4 consultancies where the total fees payable were less than \$10,000 (excl. GST). The sum of these consultancies was \$26,520.*

## Strategic Priority Three

### Enhancing Stakeholder Engagement

The Southern Metropolitan Cemeteries Trust (SMCT) listens to our community and understands social changes that impact today's multifaith, multicultural and multigenerational community. We engage, influence and support relationships to generate mutual value. We demonstrate a contemporary approach to supporting the living through inclusion, respect and community connections.

We recognise the importance and value of ongoing engagement with the various culturally, linguistically and religiously diverse communities.

The official opening of Lotus Garden, Song He Xin Yuan and Saint Padre Pio Stage Three exhibited the strength, passion and unity of our local and diverse Chinese and Italian communities as they came together for these historic occasions. Events held throughout the year demonstrate the very fabric and intention of our organisational vision and purpose, and we look forward to building upon our engagement with all of Victoria's diverse communities in the year ahead and beyond.

#### KEY OUTCOMES:

- Baby Boomer Research in Partnership with Monash University to understand the changing attitudes and values of our multifaith and multicultural community
- Commissioning of Swinburne University Longitudinal research to examine the impact of The Centre for Care & Wellbeing (CCW) services on loneliness post bereavement
- Building SMCT as a trusted brand through extended communication and community programs that identify and celebrate shared values

### Together Strengthening Our Community

Our strategic engagement creates shared value and positive social impact for our customers, communities, suppliers, business partners and governments.

Strengthening our vision of honouring and celebrating life, and supporting the living through their grief journey, each year we hold community Remembrance Services. These



*2019 Melbourne Food & Wine Festival hosted event at Melbourne General Cemetery*

include Mother's Day, Father's Day and our special Children's Christmas Remembrance Service.

Regular historical and botanical tours are held at both Springvale Botanical Cemetery (SBC) and Melbourne General Cemetery (MGC) for members of the public and community groups. A special children's tour was introduced, followed by nine themed tours for Halloween at MGC. A new Italian Carlton bus tour provided cultural groups with an informative and historical view of MGC and Lygon Street. The Melbourne Food & Wine event at MGC exhibited our extensive culinary skills with fabulous food and a fascinating cultural tour of famous Mediterranean foodies.

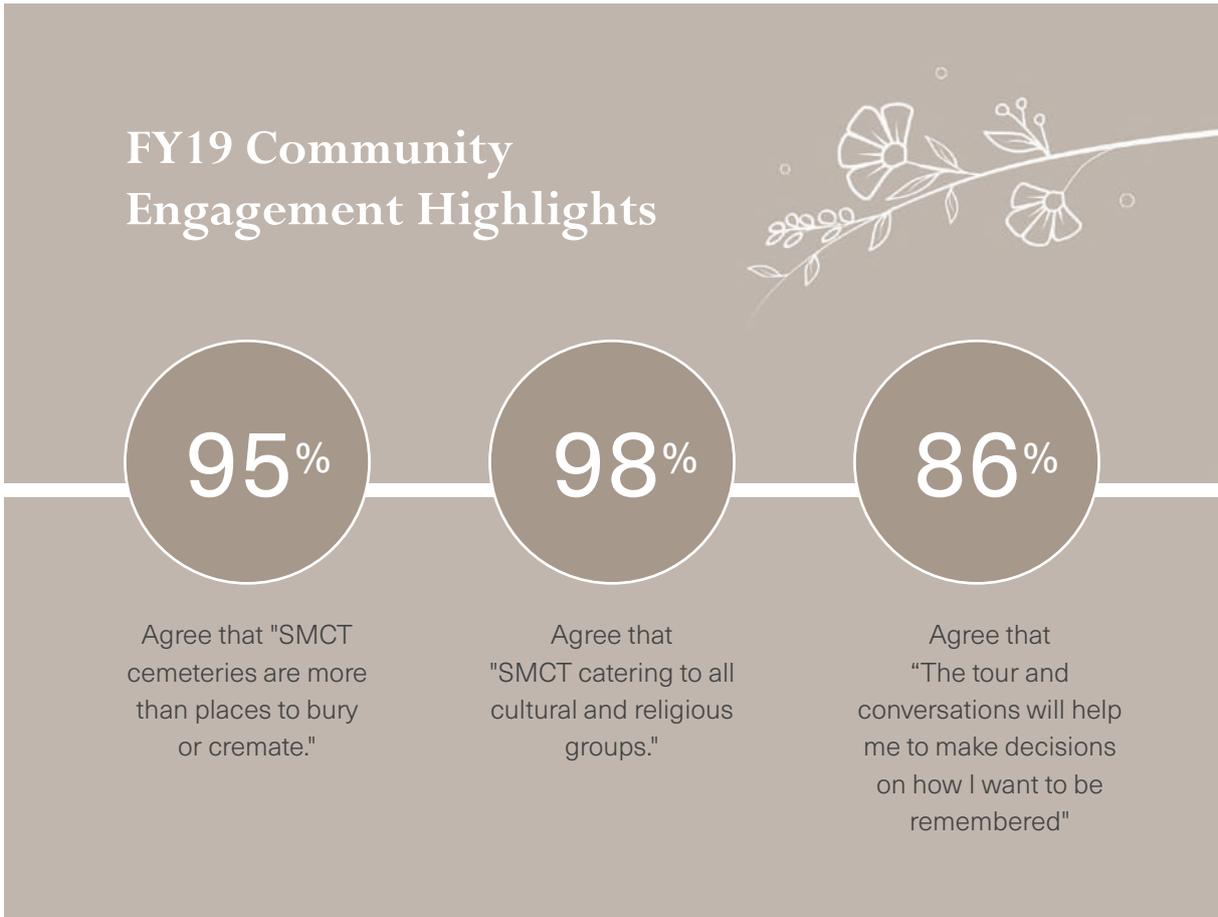
Our Anzac Day tour of Springvale War Cemetery located within SBC remembered and honoured the lives of brave servicemen and servicewomen and attracted the largest ever attendance.

## Life Matters Workshops

Life Matters workshops are a series of free, sensitive, practical, enjoyable and thought-provoking workshops to assist participants contemplate and plan end-of-life. These workshops offer a safe place for participants and include: writing your story with MYLifebook, creating rituals and ceremonies and an introduction to Advance Care Planning.

## Compassion & Care

The Centre for Care & Wellbeing (CCW) has been a sanctuary for many in our community, offering companionship following the death of a loved one and assisting Victorians throughout their journey of grief, loss and mourning. A range of activities focused on health and wellbeing are offered, including meditation, music, art, educational talks, social walks and gentle movement activities. This invaluable service was expanded to provide a satellite site at Bunurong Memorial Park and Melbourne General Cemetery.



Key highlights of community engagement surveys conducted during FY19

## Researching Partnerships

### Monash University Baby Boomers Research

As our customer base continues to shift toward Baby Boomers, it is essential that we understand their changing needs and attitudes. Commencing FY18 and through FY19, research was conducted by Monash University in partnership with SMCT and the Department of Health and Human Services to understand the values, behaviours and attitudes of this segment. The findings have uncovered valuable planning recommendations and service preferences, along with existing industry gaps.

### Swinburne University Longitudinal Study Research

A longitudinal research study has been commissioned with Swinburne University to

assess the impact of services offered by CCW on loneliness post-bereavement. The insights obtained will enable SMCT to further expand and refine services offered at CCW.

## Telling Our Story

To ensure we remain relevant and sustainable in the long term, we demonstrate our social responsibility by supporting our community in line with our purpose. We celebrate our philosophy and success with the 'Telling Our Story' strategy that utilises a range of communication and engagement platforms to encourage positive community conversation. This enables us to build a trusted brand within the community, one that seamlessly connects our organisation brand, identity and culture with the shared values of our community.



*Bill Au (Chairman Chinese Museum), Jane Grover (CEO SMCT), Philip LeLiu (Melbourne City Councillor) and Mark Wang (CEO Chinese Museum) unveiling the bronze bust of David Wang as part of the official Lotus Garden opening ceremony*

## Community Cultural Engagement

In continuing to deepen our relationship with diverse communities, SMCT partnered with the Chinese Museum in the opening event of the Lotus Garden at SBC. The bronze bust of David Wang, the first Chinese-born Melbourne City Councillor was unveiled and now appears prominently within the Feng Shui inspired garden. This event also celebrated Chinese history, culture and traditions.

## Looking Forward

During FY20, we will continue to build strong relationships with the community, government and industry. Further extending the 'Telling Our Story' strategy across a broader audience by optimising our new website and community touchpoints, we will focus on building the SMCT brand as a trusted and purposed organisation that helps create an inclusive and supportive community.

Throughout FY20, we will continue to adapt our service and identify opportunities to increase ongoing connections with the community, educating on the importance of planning and taking time to grieve.

# Strategic Priority Four

## Investing in People Development



2019 PRIDE Award winners with SMCT's Trust and Executive Leadership Team

Behind every building we design, every garden bed we maintain, every plaque we lay, every meal we prepare and every family we support through grief, is a team of committed and passionate Southern Metropolitan Cemeteries Trust (SMCT) employees. Our people are not just important to SMCT; they are SMCT.

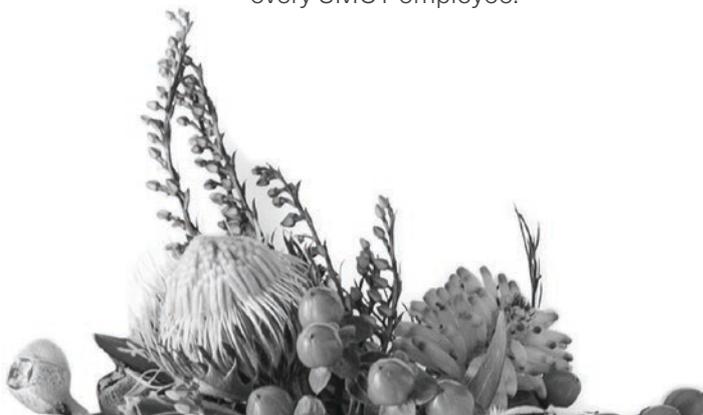
Our understanding and appreciation of this underpins our commitment to the development and engagement of our people and our continued demonstration of genuine care for the health, safety and wellbeing of each and every SMCT employee.

### KEY OUTCOMES:

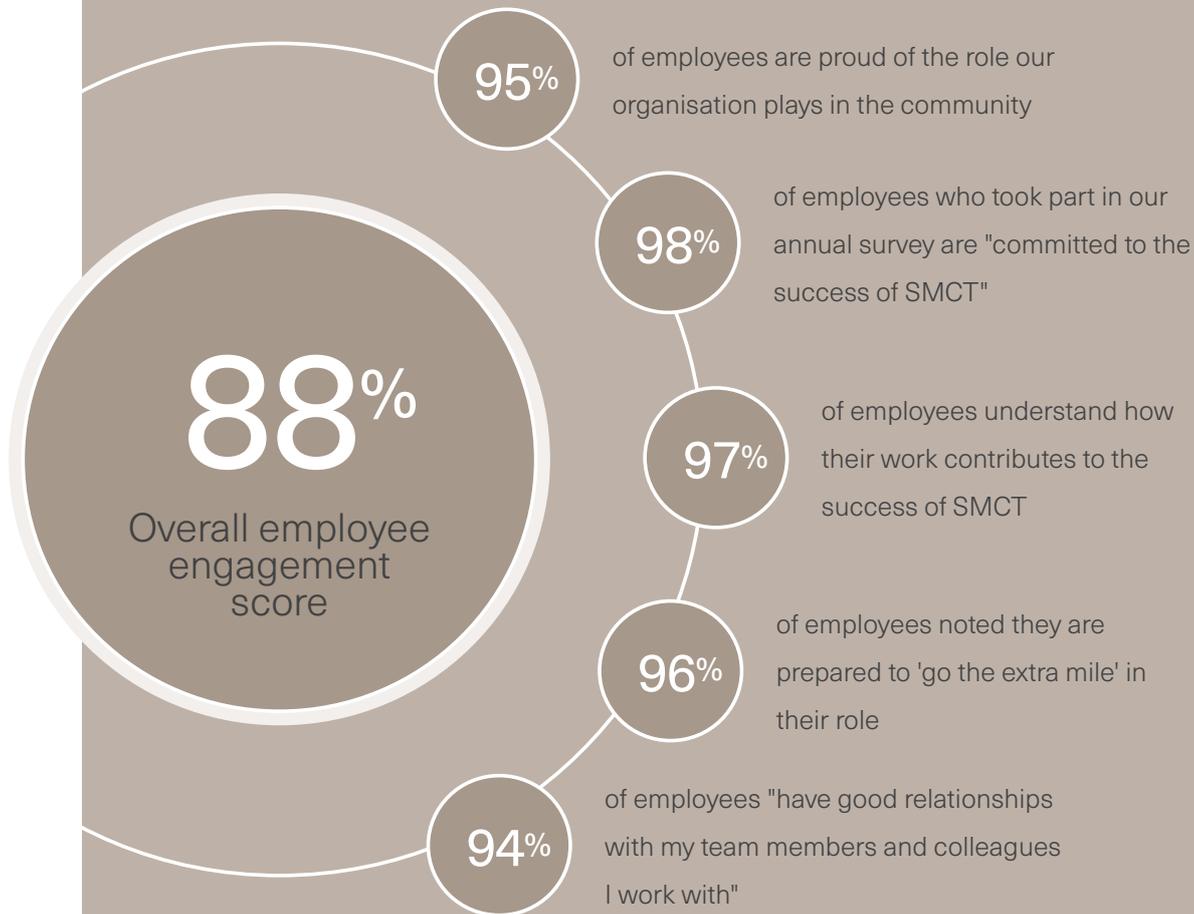
- Employee Engagement Results
- Embedding 'Activate Health'
- Expanding the Enterprise Leadership Program
- Enhanced Safety Outcomes

### A Highly Engaged Workforce

Purpose, wellbeing and recognition are major influencers of employee engagement. Our annual measurement of this key employee metric provides valuable insights that help



## 2019 Employee Engagement Survey Highlights



us better understand how we can continue to create a positive work environment for our people.

We had an 86% participation rate in our annual *'I can make a difference'* survey and achieved an overall employee engagement score of 88%. This represents a year on year increase of 4% and places SMCT significantly above national benchmark scores.

We are proud of our FY19 employee engagement results and will continue to develop a workplace and culture that attracts, motivates, grows and retains the best people.

## Empowering Our People Through Wellbeing



Launched in 2016, our employee wellbeing program; Activate Health has continued to be embraced by our employees, contributing to enhanced employee engagement and organisational safety outcomes.

### FY19 Program Highlights Included:

- Team workshops focused on optimal team performance and mental health including; goal setting, communication and resilience.
- Bi-monthly information sessions focused on mind, body and nutrition.
- Embedding our Early Intervention Program (EIP), incorporating an onsite osteopath. In FY19, over 80 EIP employee treatments were provided.

### Outcomes

- In the annual *'I can make a difference'* engagement survey, 90% of employees believe health and safety is taken seriously at SMCT.
- Furthermore, 84% of employees noted that SMCT care about their health, safety and wellbeing. This represents 26 points above national benchmark scores and an improvement of 4 points on our FY18 results.
- SMCT was recognised as one of three finalists at the *2018 WorkSafe Awards* in the *"Best Solution to a Manual Handling Issue"* category.

## Leadership and Talent Development

Development of our leaders is a crucial underpinning element of building a high performance and highly engaged culture.

Launched in 2017, a key objective of our Enterprise Leadership Program (ELP) was the development of high performing senior leaders to enable the Executive Leadership Team to delegate and share leadership accountability.

Through the expansion of the second cohort in FY19, ELP has created an agile senior leadership team that has built cross functional relationships throughout the organisation, underpinned by a sound understanding of our business. In addition, the team has further developed their people leader skills and in turn, are developing talent with a growth mindset.

Concurrently, we have continued to invest in building the frontline leaders through a series of development programs, appropriate to each stage of their leadership journey.

The development of our leaders has enabled effective succession planning through the identification of ready-talent and future talent.

Our continued focus on building effective leadership was reflected within employee responses to their manager within this years engagement survey, which in FY19 found:

- 89% of our people believed their direct supervisor treats them with respect (4 points up on national benchmark).
- 81% noted that their leader inspired them to be more effective in their role (21 points above benchmark).
- 82% reported they received regular feedback from their direct supervisor (23 points above benchmark).
- 83% noted their leader acknowledges when they have done their job well (11 points above national benchmark).

## The Winners of the PRIDE Awards 2019



The **PASSION** Award  
Steph Filleul-Zama  
Customer Support Consultant



The **RESPECT** Award  
Briony Minehan  
Customer Care Consultant



The **INTEGRITY** Award  
Kelly Nunn  
Operations Manager



The **DEDICATION** Award  
Matt Gourlay  
General Hand Burial



The **EMPATHY** Award  
Cathy Tzouvelis  
Customer Support Consultant



The **WORK WELL, LIVE WELL** Award  
James Balazs  
Operations Manager



The **CEO's** Award  
Georgie Harrex  
Business Partner - Learning & Development



The **CHAIRMAN'S** Award  
Paddy Kelly  
Head Chef

## Targeted 'In Role' Training & Development

We aim to ensure that our people continue to be challenged and fulfilled and recognise that our investment in their training and development leads to better organisational outcomes.

Consistent with our strategic priorities, there was significant investment in safety, compliance and technical training to further develop our people's capabilities and skills.

Training Category	Total no. of training hours
Corporate Induction	842
In-role / Technical	1,163
Leadership	1,416
HSW / Licence, Risk & Compliance	2,189

## Employee Recognition

The annual PRIDE Awards once again provided employees with the opportunity to recognise the achievements of their colleagues.

The PRIDE Awards acknowledge excellence aligned to our organisational values of Passion, Respect, Integrity, Dedication and Empathy.

The 'Live Well, Work Well' Award acknowledges excellence in the areas of health, safety and wellbeing.

Featured above are the 2019 PRIDE Award winners from each category, including the winners of the annual Chairman and CEO Awards.

## A Diverse and Inclusive Culture

Aligned with our Equal Employment Opportunity (EEO) Policy, SMCT PRIDE values and SMCT Code of Conduct (based on VPS Code of Conduct), our focus is on creating a workplace that cultivates diverse views and an inclusive mindset. This focus has driven better organisational decisions, increased innovation and a more engaged workforce.

At 30 June 2019, 55% of Trust members and 71% of Executive Leadership Team were female, and females represented 50% of senior management, up from 40% last year. Overall, 47% of our workforce is female.

Our focus on hiring people with diverse experience continued in FY19, with our workforce spanning three generations, and employees ranging in age from 19 to 71 years and tenure ranging from 1 to 35 years.

Our diverse and multifunctional teams have seen our people work in cross-functional groups to deliver an outstanding service experience to the Victorian community. As we have connected teams, a culture of knowledge-sharing has developed, further embedding our 'One Team' culture that works as a network, rather than a collection of independent business units.

### AGE DISTRIBUTION

(headcount, not FTE equivalent)

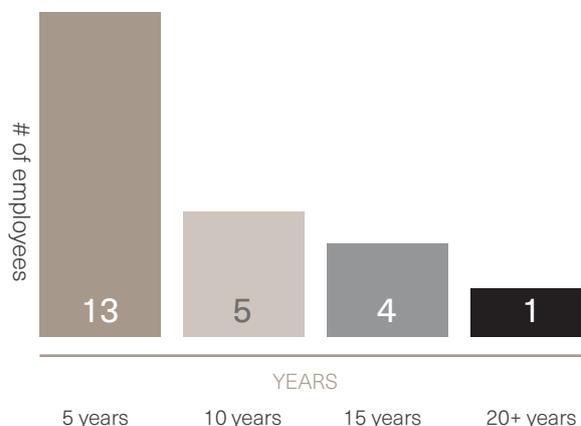
Age	FY19	FY18
Under 25	19	21
25-34	62	62
35-44	77	70
45-54	81	91
55-64	49	48
65 and Over	6	1
<b>Total (excl. vacancies)</b>	<b>294</b>	<b>293</b>

### GENDER DISTRIBUTION

(headcount, not FTE equivalent)

Gender	FY19	FY18
Male	142	153
Female	152	140
Self described	00	00
<b>Total (excl. vacancies)</b>	<b>294</b>	<b>293</b>

### SERVICE MILESTONES REACHED BETWEEN JULY 2018 - JUNE 2019



### FLEXIBLE WORKING ARRANGEMENTS

(headcount, not FTE equivalent)

Working Arrangements	FY19	FY18
Full Time	224	232
Part Time	41	35
Casual	29	26
<b>Total (excl. vacancies)</b>	<b>294</b>	<b>293</b>

## TERMS OF EMPLOYMENT (FTE)

Terms of Employment	FY19	FY18
Award (Hospitality & Retail)	8.5	15.2
Contract	88.6	98.0
The Southern Metropolitan Cemeteries Trust Outdoor Enterprise Agreement 2017	90.6	94.6
The Southern Metropolitan Cemeteries Trust Indoor Enterprise Agreement 2015 - 2019	48.6	57.0
<b>Total (excl. vacancies)</b>	<b>236.3</b>	<b>264.8</b>

## Enhanced Safety Outcomes

We are committed to the health and safety of our employees and contractors. Outcomes achieved during the reporting period are demonstrated by the reported performance indicators. These reflect the ongoing strengthening of our safety practices, behaviours and safety leadership culture across our organisation.

WorkSafe Performance Indicators	July 2018 to June 2019
SMCT Work Safe Insurance Premium Rate	2.3%
SMCT Performance Rating	0.5%
SMCT Performance Rating (compared with Industry average)	+ 47.05%

Occupational Violence Statistics	FY19
Work Cover accepted claims with an occupational violence cause per 100 FTE	0
Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	0
Number of occupational violence incidents reported	0
Number of occupational violence incidents reported per 100 FTE	0
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	0%

Occupational Health and Safety	FY19	FY18	FY17
a) The number of reported hazards/incidents for the year per 100 full-time equivalent staff members	Total Incidents: 746 Staff No: 294 Per 100 staff: 254	Total Incidents: 701 Staff No: 293 Per 100 staff: 239	Total Incidents: 299 Staff No: 29 Per 100 staff: 103
b) The number of 'lost time' standard claims for the year per 100 full-time equivalent staff members	Total claims: 3 Per 100 staff: 1.02	Total claims: 5 Per 100 staff: 1.71	Total claims: 8 Per 100 staff: 2.75
c) The average cost per claim for the year (including payments to date and an estimate of outstanding claim costs as advised by WorkSafe)	\$23,152	\$34,012	\$19,424

*A focus on strengthening our safety behaviours and practices have lead to a positive increase in the reporting of near-misses/hazards.*

## Looking Forward

In line with our commitment to proactively supporting team wellbeing, a focus on mental health in our Activate Health program will underpin and systematically support employee physical and mental wellbeing in FY20.

Activate Health will include targeted procedures, systems and development programs that consciously shape positive mental health to foster a mentally healthy workplace.

FY20 will also continue a strong focus on addressing the opportunities that come with digital transformation, including the creation of an integrated people strategy that meets current needs while ensuring we are set up for a flexible, consumer-centric digital future.

As an organisation, we will remain relentless in our pursuit of a high performance, 'One Team' culture that attracts and retains the talent and capabilities required to achieve our strategic priorities, ensures organisational sustainability and provides a pivotal service to the Victorian community.



*Jane Grover (CEO) with employees John Wright and Mark Andrews celebrating the 2019 PRIDE Awards*



## Spotlight on Sustainability

The Southern Metropolitan Cemeteries Trust (SMCT) is committed to sustainability best practices for the short and long term preservation of the beautiful, natural environments under our care.

As per the Sustainability & Environmental Management Policy, SMCT is committed to ensuring all activities undertaken by the Trust are managed in a socially and environmentally responsible manner, for the long-term benefit of the communities we serve.

With each new project undertaken, considerable effort is applied to minimise our impact with the selection of long-life construction materials, along with solar and water capture initiatives.

We foster an organisational culture that is both socially and environmentally sensitive and responsible.

### Carbon Emissions Report

As part of our organisational responsibilities, we report annually on total carbon emissions to the Department of Health and Human Services and the

Environmental Protection Authority (EPA).

This data provides a benchmark and basis for comparison to evaluate our strategies and action plans.

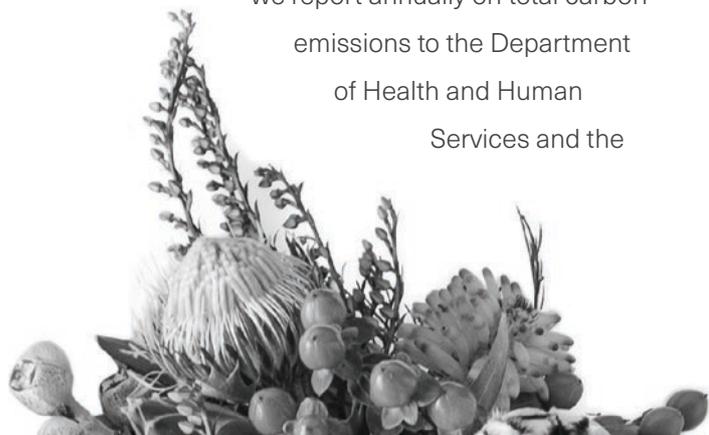
In FY19, SMCT's total carbon emissions were 8,176 tonnes, an increase of 1,621 tonnes (24.7%) compared to the year prior. As expected and highlighted in the FY18 report, this was due to the significant construction projects completed within the year.

The notable project contributors were Springvale Botanical Cemetery's (SBC) all-new Song He Xin Yuan (SHXY), Saint Padre Pio Stage Three mausoleum, along with key product development within both SBC and Bunurong Memorial Park (BMP).

### Identifying SMCT's Top Carbon Producers

#### Construction Materials

The largest source that contributed to the year on year emissions increase (167%) was concrete used in the construction of SHXY and Saint Padre Pio Stage Three mausoleum. Other areas that were influenced by significant project works included 'fuel used by contractors' along with 'waste to landfill'.



## SMCT CARBON FOOTPRINT ANNUAL DATA

Year	Total Emissions (tonnes CO <sup>2</sup> equivalent)	Var (%)	Emmissions per FTE (tonnes CO <sup>2</sup> equivalent)	Var (%)	Comments
FY15	7571	16.4%	27	(4.8%)	Decrease in construction projects
FY16	9398	24.1%	31	14.3%	Increase in construction projects
FY17	6459	(31.3%)	28	(9.9%)	Decrease in construction activities and solar electricity generation
FY18	6555	1.49%	23	(18%)	Stable
FY19	8176	24.7%	34	49.4%	Increase in construction projects

### Electricity

Purchased electricity remains the highest contributor to our environmental impact, making up 31.1% (reduced 1% from FY18), or 1168 tonnes CO<sub>2</sub>-e. To counter increases, we continue to explore and adopt energy saving best practices, including the installation of additional solar panels with each new construction. In FY20, the completion of The Centre for Care & Wellbeing will see 8 new solar panels installed, bringing the total number of SMCT's solar panels to 773.

### Natural Gas

Natural Gas made up 14.3% of our total FY19 carbon emissions, with the use across cremations, general heating and commercial kitchens. Increased activity across our hospitality services has contributed to an overall increase of 29 tonnes (3%) year on year, marginally offset by the lower number of cremations performed, compared to last year.

### Waste to Landfill

In FY19 total waste to landfill numbers increased by 852 tonnes (21%), the majority of this was due to construction activity that was significantly higher than in FY18. A 22% increase across Melbourne General Cemetery, was a result of grave soils relocated to other SMCT properties as part of updated site

procedures and active waste management efforts.

### Employee Commuting

Employee commuting remained steady year on year, contributing to 6.5% (531 tonnes) of our total carbon footprint. The Employee Commuting data is collected from each employee and includes transport mode, distance travelled and vehicle capacity.

## Looking Forward

We will continue to remain vigilant in FY20 with low impact sustainable design principles and the construction of new facilities to ensure we are sourcing the most suitable and environmentally responsible materials for the long-term benefit of the environment.

Continued focus on extending our onsite electricity production and reducing overall purchased electricity with the introduction of an additional 8 solar panels from the completion in late 2019 of The Centre for Care & Wellbeing.

Improved water management within BMP with the planning of a new water capture dam in 2021, which will supply water to natural vegetation and gardens throughout the site.



## Looking Forward

In line with our purpose and Strategic Plan 2019-2023, we will continue to listen, anticipate and respond with relevant and meaningful service offerings based on community expectations into the future.

We operate within a continually shifting economic, technological and social environment, and our strategies are positioned to take advantage of opportunities while managing risks for a sustainable future.

Underpinned by respect, inclusion, dignity and care, SMCT's service offering will meet the cultural and personal preferences of our diverse Victorian communities. As such, we will continue to pursue a culture of innovation, agility and continuous improvement in stewarding the community as they journey through grief and positioning memorial parks to be multi-use community assets.

As a purpose-driven and trusted organisation, we will persist in advocating for the Victorian community through transparent information, education and greater awareness. We will further build on the strong foundation that memorial parks are places for the living and invest in enhancing experiences to support those transitioning through grief and loss.

Our people capabilities are the foundation that underpins the successful delivery of our strategy. As such, we will continue to focus on investing in building people capabilities to ensure the organisation continues to improve and grow in its thinking and delivery.

### Strategic Priorities for FY20

In ensuring we deliver on the overarching strategic priorities of embracing customer centricity, pursuing strategic growth, enhancing strategic engagement and investing in people development, we will undertake the following key projects in FY20:

#### **Embracing Customer Centricity**

- Develop a comprehensive plan to build awareness and acceptance from key stakeholders in acquiring land for the development of a new Community Memorial Park.
- Continue to enhance operational rigour and foster an environment of continuous improvement in the delivery of services to the community.

### Pursuing Strategic Growth

- Delivery of the next phase of the IT and Business Transformation Roadmap Strategy, a program of work that will provide the organisation with a robust governance framework, foundational capabilities including enterprise IT architecture, master data repository and a data warehouse to leverage data-driven growth opportunities.
- Further optimise digital channels, increase customer touch points and leverage future revenue opportunities.

### Enhancing Strategic Engagement

- Develop and activate extended services provided by The Centre for Care &

Wellbeing to improve community support for those navigating grief.

### Investing in People Development

- Continue to embed a safety culture by building capable and committed leaders via an enhanced Safety Leadership Program, which supports positive organisational safety outcomes.
- Expand the employee wellbeing program, Activate Health, with a focus on early intervention and mental health to support and underpin a safe and supportive work environment.







## Financial Statements

### Southern Metropolitan Cemeteries Trust

#### Trust member's, accountable officer's and chief finance & accounting officer's declaration

The attached financial statements for Southern Metropolitan Cemeteries Trust ("SMCT" or "The Trust") have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the Financial Management Act 1994, Australian Charities and Not-For-Profit Commission Act 2012, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2019 and the financial position of The Trust at 30 June 2019.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 7th August 2019.

**Sue Renkin**  
Trust Chairman  
Springvale  
7 August 2019

**Jane Grover**  
Accountable Officer  
Springvale  
7 August 2019

**Noel Renwick**  
Chief Finance & Accounting Officer  
Springvale  
7 August 2019

# Independent Auditor's Report

## To the Board of the Southern Metropolitan Cemeteries Trust

<b>Opinion</b>	<p>I have audited the financial report of the Southern Metropolitan Cemeteries Trust (the cemetery) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2019</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• trust member's, accountable officer's and chief finance &amp; accounting officer's declaration.</li> </ul> <p>In my opinion the financial report is in accordance with Part 7 of the <i>Financial Management Act 1994</i> and Division 60 of the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, including:</p> <ul style="list-style-type: none"> <li>• presenting fairly, in all material respects, the financial position of the cemetery as at 30 June 2019 and of its financial performance and its cash flows for the year then ended</li> <li>• complying with Australian Accounting Standards and Division 60 of the <i>Australian Charities and Not-for-profits Commission Regulations 2013</i>.</li> </ul>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the cemetery in accordance with the auditor independence requirements of the <i>Australian Charities and Not-for-profits Commission Act 2012</i> and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the cemetery is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the <i>Financial Management Act 1994</i> the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the cemetery's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor's responsibilities for the audit of the financial statements and to issue an auditor's report on the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the cemetery's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the cemetery's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the cemetery to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Board with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



MELBOURNE  
9 August 2019

Travis Derricott  
*as delegate for the Auditor-General of Victoria*

Comprehensive Operating Statement for the financial year ended 30 June 2019

	Note	2019 \$000	2018 \$000
<b>Income</b>			
Cemetery operations income	2.1	64,523	63,095
Cost of sales	3.1	(11,518)	(9,364)
		53,005	53,731
Investment income	2.1	16,756	14,624
<b>Total income</b>		<b>69,761</b>	<b>68,355</b>
<b>Expenses</b>			
Employee expenses	3.1	(24,064)	(23,273)
Administrative costs	3.1	(4,831)	(3,873)
Maintenance and operating costs	3.1	(4,130)	(3,808)
Investment management expenses	3.1	(1,325)	(1,298)
Audit fees	8.5	(121)	(141)
Other operating expenses	3.1	(2,564)	(2,706)
Depreciation and amortisation	4.4	(8,640)	(8,696)
Cemetery levy	3.1	(2,437)	(2,312)
<b>Total expenses</b>		<b>(48,112)</b>	<b>(46,107)</b>
<b>Net result from transactions</b>		<b>21,649</b>	<b>22,248</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on financial instruments	3.2	1,800	-
<b>Total other economic flows included in net result</b>		<b>1,800</b>	<b>-</b>
<b>Net result</b>		<b>23,449</b>	<b>22,248</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Net fair value revaluation on non-financial assets		2,418	132
<b>Items that may be reclassified subsequently to net result</b>			
Net fair value gains/(losses) on available for sale financial investments		-	7,809
<b>Total other comprehensive income</b>		<b>2,418</b>	<b>7,941</b>
<b>Comprehensive result for the year</b>		<b>25,867</b>	<b>30,189</b>

The comprehensive operating statement should be read in conjunction with the accompanying notes.

**Financial Statements - Southern Metropolitan Cemeteries Trust**  
Notes to the Financial Statements for the year ended 30 June 2019

**Balance Sheet as at 30 June 2019**

	Note	2019 \$000	2018 \$000
<b>Current Assets</b>			
Cash and cash equivalents	6.2	7,923	23,734
Receivables	5.1	15,353	13,528
Prepayments		386	242
Inventories	4.6	20,395	8,972
<b>Total current assets</b>		<b>44,057</b>	<b>46,476</b>
<b>Non-current assets</b>			
Inventories	4.6	18,424	16,019
Intangible assets	4.3	1,657	325
Investment properties	4.5	3,120	2,950
Property, plant and equipment	4.2	168,670	158,037
Investments and other financial assets	4.1	282,813	266,833
<b>Total non-current assets</b>		<b>474,684</b>	<b>444,164</b>
<b>TOTAL ASSETS</b>		<b>518,741</b>	<b>490,640</b>
<b>Current liabilities</b>			
Unearned income	5.3	44,279	40,871
Payables	5.2	5,948	7,081
Provision for employee benefits	3.3	2,780	2,717
Other provisions	5.4	518	479
<b>Total current liabilities</b>		<b>53,525</b>	<b>51,148</b>
<b>Non-current liabilities</b>			
Provision for employee benefits	3.3	513	656
<b>Total non-current liabilities</b>		<b>513</b>	<b>656</b>
<b>TOTAL LIABILITIES</b>		<b>54,038</b>	<b>51,804</b>
<b>Net assets</b>		<b>464,703</b>	<b>438,836</b>
<b>EQUITY</b>			
Contributed capital		63,674	63,064
Accumulated surplus		23,419	12,174
Physical asset revaluation surplus	4.2 (f)	40,210	37,792
Available for sale investment revaluation surplus		0	14,898
Perpetual maintenance surplus		337,400	310,908
<b>TOTAL EQUITY</b>		<b>464,703</b>	<b>438,836</b>

*The balance sheet should be read in conjunction with the accompanying notes*

Statement of changes in equity for the financial year ended 30 June 2019

	Note	Physical asset revaluation surplus \$000	Available for sale investment revaluation surplus \$000	Perpetual maintenance surplus \$000	Contributed capital \$000	Accumulated surplus \$000	Total \$000
<b>Balance at 1 July 2017</b>		<b>37,660</b>	<b>7,089</b>	<b>285,907</b>	<b>61,468</b>	<b>14,927</b>	<b>407,051</b>
Net result for the year		-	-	-	-	22,248	22,248
Other comprehensive income for the year		-	7,809	-	-	-	7,809
Transfer to/(from) accumulated surplus		-	-	25,001	-	(25,001)	-
Valuation gain/(loss)	4.2	132	-	-	-	-	132
Amalgamation of Sorrento Cemetery Trust		-	-	-	1,596	-	1,596
<b>Balance at 30 June 2018</b>		<b>37,792</b>	<b>14,898</b>	<b>310,908</b>	<b>63,064</b>	<b>12,174</b>	<b>438,836</b>
Net result for the year		-	-	-	-	23,449	23,449
Transfer to/(from) accumulated surplus		-	-	26,492	-	(26,492)	-
Opening balance adjustment on adoption of AASB 9	4.1	-	(14,898)	-	-	14,898	-
Transfer to contributed capital		-	-	-	610	(610)	-
Valuation gain/(loss)	4.2	2,418	-	-	-	-	2,418
<b>Balance at 30 June 2019</b>		<b>40,210</b>	<b>-</b>	<b>337,400</b>	<b>63,674</b>	<b>23,419</b>	<b>464,703</b>

*The statement of changes in equity should be read in conjunction with the accompanying notes*

**Financial Statements - Southern Metropolitan Cemeteries Trust**  
Notes to the Financial Statements for the year ended 30 June 2019

**Cash flow statement for the financial year ended 30 June 2019**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$000</b>	<b>\$000</b>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from customers		68,901	66,608
Goods and services tax received from the ATO		5,379	3,068
Investment income receipts		16,756	14,624
<b>Total receipts</b>		<b>91,036</b>	<b>84,300</b>
<b>Payments</b>			
Payments to suppliers and employees		(71,248)	(56,819)
Goods and services tax paid to the ATO		(2,795)	(2,782)
<b>Total payments</b>		<b>(74,043)</b>	<b>(59,601)</b>
<b>Net cash flows from / (used in) operating activities</b>	8.1	<b>16,993</b>	<b>24,699</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(18,643)	(5,176)
Proceeds from sale of property, plant and equipment		19	721
Payments for investments		(14,180)	(11,894)
<b>Net cash flows from / (used in) investing activities</b>		<b>(32,804)</b>	<b>(16,349)</b>
<b>Cash flows from financing activities</b>			
Proceeds from amalgamation of Sorrento Cemetery Trust		-	1,366
<b>Net cash flows from / (used in) financing activities</b>		<b>-</b>	<b>1,366</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(15,811)</b>	<b>9,716</b>
Cash and cash equivalents at the beginning of the financial year		23,734	14,018
<b>Cash and cash equivalents at the end of the financial year</b>	6.2	<b>7,923</b>	<b>23,734</b>

*The cash flow statement should be read in conjunction with the accompanying notes*



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## Financial Statements - Southern Metropolitan Cemeteries Trust

Notes to the Financial Statements for the year ended 30 June 2019

### Note 1: Summary of Significant Accounting Policies

#### Basis of Presentation

These financial statements are presented in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

These annual financial statements represent the audited general purpose financial statements for Southern Metropolitan Cemeteries Trust ("SMCT") for the year ending 30 June 2019. The report provides users with information about SMCT's stewardship of resources entrusted to it.

#### Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994*, *Australian Charities and Not-For-Profit Commission Act 2012*, and applicable AASBs, which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB 101 *Presentation of Financial Statements*.

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury & Finance, and relevant Standing Directions (SDs) authorised by the Assistant Treasurer.

SMCT is a not-for profit entity and therefore applies the additional AUS paragraphs applicable to "not-for-profit" entities under the AASBs.

The annual financial statements were authorised for issue by the Trust Members of SMCT on 9th August 2019.

#### Reporting Entity

The financial statements include all the controlled activities of SMCT. Its principal address is:

Springvale Botanical Cemetery  
Princes Highway  
Springvale, Victoria 3171

A description of the nature of SMCT's operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

The SMCT reporting entity comprises: Brighton General Cemetery, Bunurong Memorial Park, Cheltenham Memorial Park, Cheltenham Pioneer Cemetery, Dandenong Community Cemetery, Melbourne General Cemetery, Springvale Botanical Cemetery, St. Kilda Cemetery and Sorrento Community Cemetery.

### Basis of Accounting Preparation and Measurement

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies have been applied in preparing the financial statements for the year ended 30 June 2019, and the comparative information presented in these financial statements for the year ended 30 June 2018.

The financial statements are prepared on a going concern basis.

These financial statements are presented in Australian dollars, the functional and presentation currency of SMCT.

All amounts shown in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated. Minor discrepancies in tables between totals and sum of components are due to rounding.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AABSs that have significant effects on the financial statements and estimates relate to:

- The fair value of land, buildings and plant and equipment (refer to Note 4.2 Property, Plant and Equipment); and
- Employee benefit provisions are based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.3 Employee Benefits in the Balance Sheet).

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

### Amalgamations and Mergers

The Governor in Council under section 8 of the Cemeteries and Crematoria Act 2003 appointed SMCT to manage the Sorrento Community Cemetery and transfer all of the assets and liabilities, duties and obligations and records and registers of the Sorrento Community Cemetery Trust to SMCT. This order came into effect on 12 December 2017 and is relevant for comparative purposes only.

### Goods and Services Tax

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flow.

Commitments and contingent assets and liabilities are presented on a gross basis.

### Contributed Capital

Consistent with the requirements of *AASB 1004 Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of SMCT.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

Other transfers that are in the nature of contributions or distributions or that have been designated as contributed capital are also treated as contributed capital.

### Property, Plant and Equipment Revaluation Surplus

The physical asset revaluation surplus is used to record increments and decrements on the revaluation of non-current physical assets.

### Financial Assets Available-for-Sale Revaluation Surplus

The available-for-sale revaluation investment surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the surplus which relates to that financial asset is effectively realised and is recognised in the comprehensive operating statement. Where a revalued financial asset is impaired that portion of the surplus which relates to that financial asset is recognised in the comprehensive operating statement.

### Perpetual Maintenance Reserve Policy

Under Section 12 of the *Cemeteries and Crematoria Act 2003*, SMCT must have regard to the perpetual maintenance obligations in respect of the cemeteries for which it is responsible. Consequently, SMCT makes an annual transfer from its accumulated surplus to a perpetual maintenance reserve. The amount of the transfer is based on a percentage of the total revenue generated from each right

of interment in the most recent financial year, amortised on a straight-line basis over the period for which the maintenance obligation may accrue. The transfer rate is determined by SMCT annually, taking into account current demand forecasts and SMCT's inventory development plans. The following percentage rates and amortisation periods applied for the years ending 30 June 2019 and 30 June 2018:

Right of Interment	Transfer Rate Year ending 30 June 2019	Transfer Rate Year ending 30 June 2018	Amortisation Period
Cremation Memorial	60%	60%	Over shorter period of tenure and 100 years
Grave	90%	90%	100 years
Mausolea Crypt	70%	70%	100 years

The reserve transfer is not considered a reliable estimate of the future obligation and is indicative only. Accordingly, no provision for these future costs has been recognised in these financial statements.

Financial Statements - Southern Metropolitan Cemeteries Trust  
Notes to the Financial Statements for the year ended 30 June 2019

Note 2: Funding delivery of our Services

SMCT receives income from the supply of services to enable it to fulfil its objectives. SMCT may also receive grants from government.

Structure

2.1: Income from Transactions

Note 2.1: Income from Transactions

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
<b>2 (a) Cemetery Operations Income</b>		
Grave	22,353	22,103
Interment	5,043	4,956
Mausolea crypts	10,659	8,977
Cremation	7,104	7,341
Cremation memorial	5,567	5,554
Other operating income	3,665	3,677
Memorialisation	4,722	4,778
Profit on disposal of property, plant and equipment	37	668
Retail	5,373	5,041
<b>Total cemetery operations income</b>	<b>64,523</b>	<b>63,095</b>
<b>2 (b) Investment income</b>		
Interest income	210	249
Distributions	15,505	13,171
Other Investment Income	1,041	1,204
<b>Total investment income</b>	<b>16,756</b>	<b>14,624</b>

### Income Recognition

Income is recognised in accordance with *AASB 118 Revenue* and is recognised to the extent that it is probable that the economic benefits will flow to SMCT and the income can be reliably measured at fair value. Unearned income at reporting date is reported as unearned income, in accordance with the guidance below.

### Cemetery Operations Income

Fees received for the rights of interment for graves, cremation memorials and mausolea crypts are recognised as revenue at the time of purchase except for the memorialisation portion which is recognised at the time of interment.

Fees received for interment, cremation and certain memorialisation products such as granite and plaques are recognised as revenue in the period that the goods or services are provided.

Fees received in advance of service provision are recorded as unearned income in accordance with Note 5.3.

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

### Interest Income

Interest revenue is recognised on a time proportionate basis that takes in account the effective yield of the financial asset and allocates the interest over the relevant period.

### Distribution Income

Distribution income is recognised when the right to receive payment is established.

Distributions represent the income arising from SMCT's investment in financial assets.

### Sale of Investments

The gain/(loss) on the sale of investments is recognised when the investment is realised.

### Disposal of Non-Financial Assets

Any gain or loss on the sale of non-financial assets is recognised in the net result at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying amount of the asset at that time.

Financial Statements - Southern Metropolitan Cemeteries Trust  
Notes to the Financial Statements for the year ended 30 June 2019

Note 3: The Cost of Delivering Our Services

This section provides an account of the expenses incurred by SMCT in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

Structure

- 3.1 Expenses from transactions
- 3.2 Other economic flows
- 3.3 Employee benefits in the Balance Sheet
- 3.4 Superannuation

Note 3.1: Expenses From Transactions

	Note	2019 \$000	2018 \$000
<b>3 (a) Cost of sales</b>			
Rights of interment		7,387	5,599
Memorialisation		1,913	1,732
Retail		1,890	1,711
Other		328	322
<b>Total cost of sales</b>		<b>11,518</b>	<b>9,364</b>
<b>3 (b) Cemetery levy</b>			
Cemetery levy		2,437	2,312
<b>Total cemetery levy</b>		<b>2,437</b>	<b>2,312</b>
<b>3 (c) Expenses from transactions</b>			
Employee expenses (i)		24,064	23,273
Administrative costs		4,831	3,873
Maintenance and operating costs		4,130	3,808
Audit fees	8.5	121	141
Investment management expenses		1,325	1,298
Other operating expenses		2,564	2,706
<b>Total expenses from transactions</b>		<b>37,035</b>	<b>35,099</b>
<b>Total Operating expenses from transactions</b>		<b>50,990</b>	<b>46,775</b>
Depreciation and amortisation	4.4	8,640	8,696
<b>Total Non-Operating expenses from transactions</b>		<b>8,640</b>	<b>8,696</b>
<b>Total expenses from transactions</b>		<b>59,630</b>	<b>55,471</b>

(i) Includes superannuation expense of \$2.2m (2018: \$2.2m) as disclosed in note 3.4.

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Financial Statements - Southern Metropolitan Cemeteries Trust  
Notes to the Financial Statements for the year ended 30 June 2019

### Cost of Sales

Costs of sales are recognised when the sale of an item occurs by transferring the cost or value of the item/s from inventories.

### Employee Expenses

Employee expenses include:

- wages and salaries;
- fringe benefits tax;
- leave entitlements;
- termination payments;
- workcover premiums;
- superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

### Cemetery Levy

In accordance with Section 18Q of the *Cemeteries and Crematoria Act 2003*, SMCT is required to pay a percentage of its gross earnings, as defined by the

Department of Health and Human Services, to the Consolidated Fund held by the State of Victoria. 'Gross Earnings' is currently defined as cemetery operations income and investment income, excluding donations, government grants, profit or loss on sale of investments and other assets and assets received free of charge. The levy rate for this reporting period is 3% (2018: 3%).

### Other Operating Expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and include cleaning of facilities, training and development, security and water rates.

### Supplies and Consumables

Supplies and services costs are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

## Note 3.2: Other Economic Flows

### Net gain/(loss) on financial instruments at fair value

Net gain/(loss) on financial instruments at fair value

**Total net gain/(loss) on financial instruments at fair value**

**Total other gains/(losses) from other economic flows**

	2019 \$000	2018 \$000
	1,800	-
	<b>1,800</b>	-
	<b>1,800</b>	-

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value; and
- reclassified amounts relating to available-for-sale financial instruments from the reserves to net result due to a disposal or derecognition of the financial instrument. This does not include reclassification between equity accounts due to machinery of government changes or 'other transfers' of assets.

Financial Statements - Southern Metropolitan Cemeteries Trust  
Notes to the Financial Statements for the year ended 30 June 2019

Note 3.3: Employee benefits in the balance sheet

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current provisions</b>		
Employee benefits		
Annual leave		
unconditional and expected to be settled within 12 months	874	964
unconditional and expected to be settled after 12 months	146	156
Long service leave		
unconditional and expected to be settled within 12 months	294	333
unconditional and expected to be settled after 12 months	1,080	864
Continuity of service - conditional and expected to be settled within 12 months	41	51
Rostered days off - unconditional and expected to be settled within 12 months	61	67
	<b>2,496</b>	<b>2,435</b>
<b>Provision for On-Costs</b>		
Annual Leave - unconditional and expected to be settled within 12 months	105	116
Annual Leave - unconditional and expected to be settled after 12 months	17	19
Long Service Leave - unconditional and expected to be settled within 12 months	35	41
Long Service Leave - unconditional and expected to be settled after 12 months	127	106
	<b>284</b>	<b>282</b>
<b>Total current provisions</b>	<b>2,780</b>	<b>2,717</b>
<b>Non-current provisions</b>		
Long service leave - conditional and expected to be settled after 12 months	459	584
On-costs on non-current employee provisions	54	72
<b>Total non-current</b>	<b>513</b>	<b>656</b>
<b>Total provisions for employee benefits</b>	<b>3,293</b>	<b>3,373</b>

**Notes:**

Employee benefits consist of annual leave and long service leave accrued by employees. On-costs such as worker's compensation insurance are not employee benefits and are reflected as a separate provision. The amounts disclosed are present values.

Financial Statements - Southern Metropolitan Cemeteries Trust  
Notes to the Financial Statements for the year ended 30 June 2019

Note 3.3 (a): Employee benefits and related on-costs

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current employee benefits</b>		
Annual leave	1,020	1,120
Long service leave	1,374	1,197
Continuity of service	41	51
Rostered days off	61	67
<b>Total Current Provisions</b>	<b>2,496</b>	<b>2,435</b>
<b>Non-current employee benefits</b>		
Long service leave	459	584
<b>Total non-current employee benefits</b>	<b>459</b>	<b>584</b>
Current on-costs	284	282
Non-current on-costs	54	72
<b>Total on-costs</b>	<b>338</b>	<b>354</b>
<b>Total employee benefits and on-costs</b>	<b>3,293</b>	<b>3,373</b>

Note 3.3 (b) Movement in on-costs provision

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
<b>Balance at the start of the period</b>	<b>354</b>	<b>347</b>
Additional provisions recognised	-	7
Unwinding of discount and effect of changes in the discount rate	(9)	-
Reduction due to transfer out	(7)	-
<b>Balance at the end of the period</b>	<b>338</b>	<b>354</b>

### Employee Benefit Recognition

Provision is made for benefits accruing to employees in respect of annual leave, long service leave, continuity of service and rostered days off, for services rendered to the reporting date as an expense during the period the services are delivered.

### Provisions

Provisions are recognised when SMCT has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a liability 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.

### Annual Leave, Rostered Days Off and Continuity of Service

Liabilities for annual leave, rostered days off and continuity of service are recognised in the provision for employee benefits as 'current liabilities' because SMCT does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for annual leave, rostered days off and continuity of service are measured at:

- Nominal value – if SMCT expects to wholly settle within 12 months; or
- Present value – if SMCT does not expect to wholly settle within 12 months.

### Long service leave (LSL)

Liability for LSL is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where SMCT does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

- Nominal Value – if SMCT expects to wholly settle within 12 months; and
- Present value – if SMCT does not expect to settle a component of this current liability within 12 months.

Conditional LSL is disclosed as a non-current liability. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flows.

### On-Costs Related to Employee Expense

Provision for on-costs, such as workers compensation and superannuation are recognised separately from provisions for employee benefits.

### Note 3.4: Superannuation

Fund	PAID CONTRIBUTION FOR THE YEAR		CONTRIBUTION OUTSTANDING AT YEAR END	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<b>Defined benefit plans <sup>(i)</sup></b>				
LASB/Vision superannuation fund	172	207	-	-
Other				
<b>Defined contribution plans:</b>				
Vision Super	946	1,039	88	38
Other	1,053	953	103	-
<b>Total</b>	<b>2,171</b>	<b>2,199</b>	<b>191</b>	<b>38</b>

(i) The bases for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

Employees of SMCT are entitled to receive superannuation benefits and SMCT contributes to both defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

#### Defined Contribution Superannuation Plans

In relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period. Contributions to defined contribution superannuation plans are expensed when incurred.

The defined contribution funds receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with the Superannuation Guarantee Legislation (9.5%).

SMCT's current contribution ranges between 9.5% and 13.0%.

No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of their chosen superannuation fund.

#### Defined Benefit Superannuation Plans

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by SMCT to the superannuation plans in respect of the services of current SMCT staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan and are based upon actuarial advice.

The name and details of the major employee superannuation funds and contributions made by SMCT are disclosed above.

## Financial Statements - Southern Metropolitan Cemeteries Trust

Notes to the Financial Statements for the year ended 30 June 2019

Unfunded Defined Benefit Superannuation Liability - SMCT makes employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (LASF). Known as Vision Super since 2002, it is a not-for-profit industry fund for cemeteries and certain other agencies. Vision Super is the Trustee of both the defined benefit plan (closed since 1993) and the Super Save (accumulation) fund.

In accordance with regulations, the Fund's Trustees are required to complete an actuarial review of superannuation funds at least every three years to ensure the current assets are

adequate to meet the benefits that have previously been promised to members. On the basis of the results of the most recent full actuarial investigation at 30th June 2017, SMCT's current contribution is 13% of the superannuation salary.

### Superannuation Liabilities

Based on the advice from the Fund's Trustees, SMCT does not recognise any unfunded defined benefit liability in respect of the superannuation plans as at 30 June 2019.

### Note 4: Key Assets to Support Service Delivery

SMCT controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to SMCT to be utilised for delivery of those outputs.

#### Structure

- 4.1 Investments and Other Financial Assets
- 4.2 Property, Plant and Equipment
- 4.3 Intangible Assets
- 4.4 Depreciation and Amortisation
- 4.5 Investment Property
- 4.6 Inventories

Financial Statements - Southern Metropolitan Cemeteries Trust  
Notes to the Financial Statements for the year ended 30 June 2019

Note 4.1: Investments and Other  
Financial Assets

**Non-Current**

Managed Investment Schemes

- Available for sale
- Fair value through profit and loss

**Total other financial assets**

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
	-	266,833
	282,813	-
	<b>282,813</b>	<b>266,833</b>

The financial investments held by SMCT are fair value through profit and loss (2018: available for sale investments).

SMCT has applied, for the first time, AASB 9 Financial Instruments for the 2019 financial year, and has elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment. Accordingly, SMCT has not restated comparative periods in the year of initial application.

As a result:

- any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period with differences recognised in opening retained earnings; and
- financial assets and provision for impairment have not been reclassified and/or restated in the comparative period.

On initial application, SMCT has reviewed the classification of investments in line with the requirements of AASB 9. Consequently, investments have been reclassified from Available for Sale to Fair Value Through Profit and Loss. In line with the transitional requirements above, an adjustment has been

recognised in retained earnings against the Available for sale investment revaluation reserve.

**Investments and Other Financial Assets**

SMCT classifies its other financial assets between current and non-current assets based on the purpose for which the assets were acquired. Management determines the classification of its other financial assets at initial recognition.

SMCT assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

All financial assets, except those measured at fair value through the comprehensive income statement are subject to annual review for impairment.

In order to determine an appropriate fair value as at 30 June 2019 for its portfolio of financial assets, SMCT used the market value of investments held provided by the portfolio managers.

SMCT regards this investment as Level 2 according to the *AASB 13 Fair Value Measurement* definition. "Level 2 inputs are

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inputs other than quoted prices include within level 1 that are observable for the asset or liability, either directly or indirectly”.

### Managed Investment Schemes

SMCT invests in managed funds which are not quoted in an active market, but are based on an unquoted price determined by the fund.

### Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- SMCT retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through’ arrangement; or
- SMCT has transferred its rights to receive cash flows from the asset and either:

- has transferred substantially all the risks and rewards of the asset; or

- has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where SMCT has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of SMCT’s continuing involvement in the asset.

### Impairment of Financial Assets

At the end of each reporting period, SMCT assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through the comprehensive income statement, are subject to annual review for impairment.

Where the fair value of an investment in an equity instrument at balance date has reduced by 20 percent or more than its cost price or where its fair value has been less than its cost price for a period of 12 or more months, the financial asset is treated as impaired.

## Note 4.2: Property, Plant and Equipment

<b>4.2 (a) Gross carrying amount and accumulated depreciation</b>	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Cemetery infrastructure land at fair value	15,470	13,296
<b>Total land</b>	<b>15,470</b>	<b>13,296</b>
Buildings, infrastructure and improvements at fair value	156,118	141,788
Less accumulated depreciation	(12,997)	(6,255)
<b>Total buildings, infrastructure and improvements</b>	<b>143,121</b>	<b>135,533</b>
Plant and equipment at fair value	10,580	9,634
Less accumulated depreciation	(6,075)	(5,023)
<b>Total plant and equipment</b>	<b>4,505</b>	<b>4,611</b>
Office equipment, furniture and fittings at fair value	7,048	5,896
Less accumulated depreciation	(2,714)	(2,034)
<b>Total office equipment, furniture and fittings</b>	<b>4,334</b>	<b>3,862</b>
<b>Capital works in progress at cost</b>	<b>1,240</b>	<b>735</b>
<b>Total property, plant and equipment</b>	<b>168,670</b>	<b>158,037</b>

## 4.2 (b) Reconciliation of property, plant and equipment (public administration purpose groups)

Reconciliations of the carrying amounts of each class of asset for SMCT at the beginning and end of the previous and current financial year are set out below.

	Cemetery Infrastructure Land	Buildings, Infrastructure and Improvements	Plant and Equipment	Office Equipment, Furniture and Fittings	Capital Works in Progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2017</b>	<b>13,321</b>	<b>139,015</b>	<b>4,600</b>	<b>3,815</b>	<b>629</b>	<b>161,380</b>
Additions	-	2,260	-	47	3,478	5,785
Capital works expensed	-	-	-	-	(539)	(539)
Transfers to completed assets	-	662	1,146	609	(2,364)	51
Transfers to other asset class	(17)	(108)	-	-	(469)	(594)
Disposals	(8)	-	(45)	-	-	(53)
Depreciation expense	-	(6,304)	(1,089)	(607)	-	(8,000)
Revaluation of PPE	-	8	-	-	-	8
<b>Balance at 1 July 2018</b>	<b>13,296</b>	<b>135,533</b>	<b>4,611</b>	<b>3,862</b>	<b>735</b>	<b>158,037</b>
Additions	-	12,455	-	-	5,980	18,436
Capital works expensed	-	-	-	-	(897)	(897)
Transfers to completed assets	-	1,911	942	1,147	(4,369)	(369)
Transfers to other asset class	(74)	-	-	-	(209)	(283)
Disposals	-	-	(3)	-	-	(3)
Depreciation expense	-	(6,778)	(1,045)	(675)	-	(8,499)
Revaluation of PPE	2,248	-	-	-	-	2,248
<b>Balance at 30 June 2019</b>	<b>15,470</b>	<b>143,121</b>	<b>4,505</b>	<b>4,334</b>	<b>1,240</b>	<b>168,670</b>

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### Land and Buildings and Leased Assets Carried at Valuation

The Valuer-General Victoria undertook to re-value all of SMCT's owned and leased land and buildings to determine their fair value. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation was 30 June 2017.

In compliance with FRD 103H, in the year ended 30 June 2019, SMCT's Management conducted an annual assessment of the fair value of land. To facilitate this, management obtained from the Department of Treasury and Finance, the Valuer General Victoria indices for the financial year ended 30 June 2018 and 30 June 2019. The indexed cumulative values for 30 June 2018 and 30 June 2019 were compared to individual assets written down value at 30 June 2019 to determine the change in their fair values. The Department of Health and Human Services approved a managerial revaluation of the land asset class of \$2.2m. The effective date of the valuation was 30 June 2019.

#### 4.2 (c) Fair value measurement hierarchy for assets

##### Cemetery infrastructure land at fair value

Non-specialised land

Specialised land

##### Total of land at fair value

##### Buildings, infrastructure and improvements at fair value

Non-specialised buildings

Specialised buildings

##### Total of buildings at fair value

##### Plant and equipment at fair value

- Plant and equipment

##### Total of plant and equipment at fair value

##### Office equipment, furniture and fittings at fair value

- Office equipment, furniture and fittings

Total office equipment, furniture and fittings at fair value

Carrying amount as at 30 June 2019	Fair value measurement at end of reporting period using:		
	Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(i)</sup>
\$000	\$000	\$000	\$000
7,062	-	7,062	-
8,408	-	-	8,408
<b>15,470</b>	<b>-</b>	<b>7,062</b>	<b>8,408</b>
4,300	-	4,300	-
138,821	-	-	138,821
<b>143,121</b>	<b>-</b>	<b>4,300</b>	<b>138,821</b>
4,505	-	-	4,505
<b>4,505</b>	<b>-</b>	<b>-</b>	<b>4,505</b>
4,334	-	-	4,334
<b>4,334</b>	<b>-</b>	<b>-</b>	<b>4,334</b>
<b>167,430</b>	<b>-</b>	<b>11,362</b>	<b>156,068</b>

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	Carrying amount as at 30 June 2018	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(i)</sup>
	\$000	\$000	\$000	\$000
<b>Cemetery infrastructure land at fair value</b>				
Non-specialised land	6,000	-	6,000	-
Specialised land	7,296	-	-	7,296
<b>Total of land at fair value</b>	<b>13,296</b>	<b>-</b>	<b>6,000</b>	<b>7,296</b>
<b>Buildings, infrastructure and improvements at fair value</b>				
Non-specialised buildings	4,300	-	4,300	-
Specialised buildings	131,233	-	-	131,233
<b>Total of buildings at fair value</b>	<b>135,533</b>	<b>-</b>	<b>4,300</b>	<b>131,233</b>
<b>Plant and equipment at fair value</b>				
- Plant and equipment	4,611	-	-	4,611
<b>Total of plant and equipment at fair value</b>	<b>4,611</b>	<b>-</b>	<b>-</b>	<b>4,611</b>
<b>Office equipment, furniture and fittings at fair value</b>				
- Office equipment, furniture and fittings	3,862	-	-	3,862
<b>Total office equipment, furniture and fittings at fair value</b>	<b>3,862</b>	<b>-</b>	<b>-</b>	<b>3,862</b>
	<b>157,302</b>	<b>-</b>	<b>10,300</b>	<b>147,002</b>

**Note**

(i) Classified in accordance with the fair value hierarchy.

There have been no transfers between levels during the period (2018: no transfers).

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**4.2 (d) Reconciliation of Level 3 fair value**

	Cemetery infrastructure land at fair value	Buildings, infrastructure and improvements at fair value	Plant and equipment at fair value	Office equipment, furniture and fittings at fair value
<b>30 June 2019</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Opening Balance</b>	<b>7,296</b>	<b>131,233</b>	<b>4,611</b>	<b>3,862</b>
Purchases (sales)	-	14,366	942	1,148
Transfers in (out) of Level 3				
- Transfers to other asset classes	(74)	-	-	-
Gains or losses recognised in net result				
- Depreciation	-	(6,778)	(1,045)	(675)
- Disposal of asset	-	-	(3)	-
<b>Subtotal</b>	<b>7,222</b>	<b>138,821</b>	<b>4,505</b>	<b>4,334</b>
Items recognised in other comprehensive income				
- Revaluation	<b>1,186</b>	-	-	-
<b>Subtotal</b>	<b>1,186</b>	-	-	-
<b>Closing Balance</b>	<b>8,408</b>	<b>138,821</b>	<b>4,505</b>	<b>4,334</b>

	Cemetery infrastructure land at fair value	Buildings, infrastructure and improvements at fair value	Plant and equipment at fair value	Office equipment, furniture and fittings at fair value
<b>30 June 2018</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Opening Balance</b>	<b>7,321</b>	<b>134,715</b>	<b>4,600</b>	<b>3,815</b>
Purchases (sales)	-	2,815	1,146	654
Transfers in (out) of Level 3				
- Transfers to other asset classes	(17)	-	-	-
Gains or losses recognised in net result				
- Depreciation	-	(6,304)	(1,089)	(608)
- Disposal of asset	(8)	8	(45)	-
<b>Closing Balance</b>	<b>7,296</b>	<b>131,233</b>	<b>4,611</b>	<b>3,862</b>

### Identifying Unobservable Inputs (level 3) Fair Value Measurements

Level 3 fair value inputs are unobservable valuation inputs for an asset or liability. These inputs require significant judgement and assumptions in deriving fair value for both financial and non-financial assets.

Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Assumptions about risk include the inherent risk in a particular valuation technique used to measure fair value (such as a pricing risk model) and the risk inherent in the inputs to the valuation technique. A measurement that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one when pricing the asset or liability i.e., it might be necessary to include a risk adjustment when there is significant measurement uncertainty. For example, when there has been a significant decrease in the volume or level of activity when

compared with normal market activity for the asset or liability or similar assets or liabilities, and SMCT has determined that the transaction price or quoted price does not represent fair value.

SMCT shall develop unobservable inputs using the best information available in the circumstances, which might include SMCT's own data. In developing unobservable inputs, SMCT may begin with its own data, but it shall adjust this data if reasonably available information indicates that other market participants would use different data or there is something particular to SMCT that is not available to other market participants. SMCT need not undertake exhaustive efforts to obtain information about other market participant assumptions. However, SMCT shall take into account all information about market participant assumptions that is reasonably available. Unobservable inputs developed in the manner described above are considered market participant assumptions and meet the object of a fair value measurement.

### Non-Specialised Land, Non-Specialised Buildings and Artwork

Non-specialised land, non-specialised buildings and artworks are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

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For non-specialised land and non-specialised buildings, an independent valuation was performed by independent valuers (Valuer General Victoria) to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2017. In June 2019, a managerial valuation was carried out in accordance with FRD 103H to revalue the land to its fair value.

To the extent that non-specialised land, non-specialised buildings and artworks do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

### Specialised Land and Specialised Buildings

The market approach is also used for specialised land and specialised buildings although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the assets being valued. Specialised assets contain significant, unobservable adjustments; therefore these assets are classified as Level 3 under the market based direct comparison approach. The financial statements adopt a CSO allowance of 95%. That is, fair value is calculated as 5% of the unrestricted land value.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that it is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement and takes into account the use of the asset that is physically possible, legally permissible and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For SMCT, the depreciated replacement cost method is used for the majority of specialised buildings, adjusting for the associated depreciation. As depreciation adjustments are considered as significant and unobservable inputs in nature, specialised buildings are classified as Level 3 for fair value measurements.

An independent valuation of SMCT's specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation was 30 June 2017. In June 2019, a managerial valuation was carried out in accordance with FRD 103H to revalue the land to its fair value.

### Plant and Equipment

Plant and equipment is held at carrying amount (depreciated cost). When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, the depreciated replacement cost is used to estimate the fair value. Unless there is market evidence that current replacement costs are significantly different from the original

acquisition cost, it is considered unlikely that depreciated replacement cost will be materially different from the existing carrying amount.

There were no changes in valuation techniques throughout the period to 30 June 2019.

For all assets measured at fair value, the current use is considered the highest and best use.

#### 4.2 (e) Property, plant and equipment – fair value determination

Asset Class	Likely Valuation Approach	Significant inputs (Level 3 only)
Specialised Land - nine cemetery sites	Market approach	Community Service Obligations Adjustments
Specialised buildings - buildings and improvements over nine cemetery sites	Depreciated replacement cost approach	Direct cost per square metre Cost per unit
Specialised buildings - infrastructure over nine cemetery sites	Depreciated replacement cost approach	Useful life of specialised infrastructure Cost per Unit
Plant and equipment	Depreciated replacement cost approach	Cost per Unit Useful life
Office equipment, furniture and fittings - nine cemetery sites	Depreciated replacement cost approach	Cost per Unit Useful life

The significant unobservable inputs have remain unchanged from 2018.

## Property, Plant and Equipment

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and accumulated impairment loss. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a merger/machinery of government are transferred at their carrying amount.

**Crown land** is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses. Crown land is subject to a 95% community service obligation (CSO) adjustment.

**Land and buildings** are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and accumulated impairment loss.

**Plant, equipment and vehicles** are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and accumulated impairment

loss. Depreciated historical cost is generally a reasonable proxy for fair value because of the short lives of the assets concerned.

## Leasehold Improvements

The cost of a leasehold improvement is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

## Revaluations of Non-Current Physical Assets

Non-current physical assets are measured at fair value and are revalued in accordance with FRD 103H Non-current physical assets. This revaluation process normally occurs at least every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increments or decrements arise from differences between an asset's carrying amount and fair value.

Revaluation increments are recognised in 'other comprehensive income' and are credited directly in equity to the asset revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that same class of asset previously recognised as an expense in net result, the increment is recognised as income in the net

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result. Revaluation decrements are recognised in 'other comprehensive income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. Revaluation increases and revaluation decreases relating to individual assets within an asset class are

offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation surplus is not normally transferred to accumulated surplus on derecognition of the relevant asset.

**Note 4.2 (f): Physical Asset Revaluation Surplus**

**Property, Plant and Equipment Revaluation Surplus**

Balance at the beginning of the reporting period

Revaluation Increment

- Land (refer Note 4.2(b))

- Investment property (refer Note 4.5(a))

- Buildings, infrastructure and improvements

**Balance at the end of the reporting period\***

**\* Represented by:**

- Land

- Buildings, infrastructure and improvements

- Plant and equipment

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Balance at the beginning of the reporting period	37,792	37,660
Revaluation Increment		
- Land (refer Note 4.2(b))	2,248	-
- Investment property (refer Note 4.5(a))	170	124
- Buildings, infrastructure and improvements	-	8
<b>Balance at the end of the reporting period*</b>	<b>40,210</b>	<b>37,792</b>
<b>* Represented by:</b>		
- Land	3,600	1,182
- Buildings, infrastructure and improvements	35,261	35,261
- Plant and equipment	1,349	1,349
	<b>40,210</b>	<b>37,792</b>

**Fair Value Hierarchy**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. The levels are as follows:

Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### Note 4.3 Intangible assets

#### Note 4.3 (a): Intangible assets – Gross carrying amount and accumulated amortisation

	2019 \$000	2018 \$000
Capitalised computer software	4,083	3,753
Capital works in progress costs	1,138	-
Accumulated amortisation	(3,564)	(3,428)
<b>Total intangible assets</b>	<b>1,657</b>	<b>325</b>

#### Note 4.3 (b): Intangible assets - Reconciliation of the carrying amount by class of asset

	Capitalised computer software	Capital works in progress	Total
	\$000	\$000	\$000
<b>Balance at 1 July 2017</b>	<b>915</b>	-	<b>915</b>
Additions	106	-	106
Amortisation (note 4.4)	(696)	-	(696)
<b>Balance at 30 June 2018</b>	<b>325</b>	-	<b>325</b>
Additions	335	1,138	1,473
Amortisation (note 4.4)	(141)	-	(141)
<b>Balance at 30 June 2019</b>	<b>519</b>	<b>1,138</b>	<b>1,657</b>

### Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance such as computer software and development costs.

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it

is expected that additional future economic benefits will flow to SMCT.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

When the recognition criteria in *AASB 138 Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation/ amortisation and impairment.

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An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the

expenditure attributable to the intangible asset during its development.

Intangible produced assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life.

#### Note 4.4: Depreciation and amortisation

##### Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis at rates that allocate the asset's value, less any estimated residual value over its estimated useful life.

#### Depreciation and amortisation

##### Depreciation

Buildings, infrastructure and improvements

Plant and equipment

Office equipment, furniture and fittings

##### Total depreciation

##### Amortisation

Computer software

##### Total amortisation

##### Total depreciation and amortisation

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
	6,778	6,304
	1,045	1,089
	676	607
	<b>8,499</b>	<b>8,000</b>
	141	696
	<b>141</b>	<b>696</b>
	<b>8,640</b>	<b>8,696</b>

## Amortisation

Amortisation is allocated to intangible non-produced assets with finite useful lives on a systematic (typically straight-line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The consumption of intangible non-produced assets with finite useful lives is classified as amortisation. The amortisation period and the amortisation method for an intangible asset with a finite

useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the asset concerned is tested as to whether its carrying amount exceeds its recoverable amount.

The following table indicates the expected useful lives of non-current assets on which the depreciation and amortisation charges are based.

	2019	2018
Buildings	14 to 50 years	14 to 50 years
Plant and equipment	2 to 50 years	2 to 50 years
Infrastructure and improvements	5 to 100 years	5 to 100 years
Other equipment, furniture and fittings	3 to 25 years	3 to 25 years
Computer software	3 to 5 years	3 to 5 years

## Note 4.5: Investment property

### Note 4.5 (a): Movements in carrying value for investment properties as at 30 June 2019

	Note	2019 \$000	2018 \$000
<b>Balance at beginning of period</b>		<b>2,950</b>	<b>2,710</b>
Asset revaluation reserve		170	124
Transfer from buildings and land categories	4.2 (b)	0	116
<b>Balance at end of period</b>		<b>3,120</b>	<b>2,950</b>

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For investment properties measured at fair value, the current use of the asset is considered the highest and best use.

The fair value of SMCT's investment properties at 30 June 2019 have been arrived on the basis of an independent valuation carried out by Valuer-General Victoria (performed at 30 June 2019).

### Investment Properties

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of SMCT.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial

acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to SMCT.

Subsequent to initial recognition at cost, investment properties are revalued to fair value, determined annually by independent valuers. Fair values are determined based on a market comparable approach that reflects recent transaction prices for similar properties. Investment properties are neither depreciated nor tested for impairment.

Rental revenue from leasing of investment properties is recognised in the comprehensive operating statement in the periods in which it is receivable on a straight-line basis over the lease term.

#### Note 4.5 (b): Fair value measurement hierarchy for investment properties

	Carrying amount as at 30 June 2019	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(i)</sup>
	\$000	\$000	\$000	\$000
Investment properties	3,120	-	3,120	-
	<b>3,120</b>	-	<b>3,120</b>	-

	Carrying amount as at 30 June 2018	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(i)</sup>
	\$000	\$000	\$000	\$000
Investment properties	2,950	-	2,950	-
	<b>2,950</b>	-	<b>2,950</b>	-

(i) classified in accordance with the fair value hierarchy

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2019.

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Notes to the Financial Statements for the year ended 30 June 2019

Note 4.6: Inventories

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current</b>		
<b>Work in progress/undeveloped land</b>		
Land: interment purposes	1,526	1,676
Grave foundations/beams	12,200	1,504
Mausolea crypts	-	61
	<b>13,726</b>	<b>3,241</b>
<b>Finished Goods</b>		
Consumables/maintenance stores	103	92
Land: interment purposes	155	82
Grave foundations/beams	2,717	2,572
Mausolea crypts	3,474	2,748
Cremation memorials	116	145
Other	104	92
	<b>6,669</b>	<b>5,731</b>
<b>Total current inventories</b>	<b>20,395</b>	<b>8,972</b>
<b>Non-current</b>		
<b>Finished goods</b>		
Land: interment purposes	619	713
Grave foundations/beams	7,405	5,487
Mausolea crypts	7,494	7,801
Cremation memorials	2,906	2,018
<b>Total non-current inventories</b>	<b>18,424</b>	<b>16,019</b>
<b>Total inventories</b>	<b>38,819</b>	<b>24,991</b>
<b>Represented by:</b>		
Consumables/maintenance stores	103	92
Land: interment purposes	2,300	2,471
Grave foundations/beams	22,322	9,563
Mausolea crypts	10,968	10,610
Cremation memorials	3,022	2,163
Other	104	92
<b>Total inventories</b>	<b>38,819</b>	<b>24,991</b>

## Financial Statements - Southern Metropolitan Cemeteries Trust

Notes to the Financial Statements for the year ended 30 June 2019

Inventories include goods and other property held either for sale or for distribution at zero or nominal consideration, or for consumption in the ordinary course of business operations. It excludes depreciable assets.

Inventories include land allocated for interment purposes held for sale. Inventory of land allocated for interment purposes is measured at the lower of cost and net realisable value on the basis of weighted average cost and includes adjacent land and landscaping that add to the amenity of the land for interment.

Inventories are classified as either works in progress or finished goods. Works in progress includes undeveloped land designated for interment purposes and expenditure on inventories partially constructed, but not

available for sale. Finished goods represent inventories available for sale to customers including developed land to be used for interment purposes.

Inventories also include stock held in maintenance stores, stocks of pre-cast concrete lined graves, pre-poured foundations for graves, memorial wall niches, mausolea crypts and granite. These inventories are measured at the lower of cost and net realisable value. Cost for these inventories is determined on the basis of weighted average cost.

Inventories expected to be sold/utilised within 12 months are recorded as current, with the balance as non-current assets.

## Note 5: Other assets and liabilities

This section sets out those assets and liabilities that arose from SMCT's operations.

### Structure

- 5.1 Receivables
- 5.2 Payables
- 5.3 Unearned income
- 5.4 Other provisions

#### Note 5.1: Receivables

	2019 \$000	2018 \$000
<b>Current</b>		
<b>Contractual</b>		
Trade debtors	1,884	1,874
Accrued investment income	1,005	1,022
Sundry debtors	12,238	10,504
<b>Statutory</b>		
GST receivable	226	128
<b>Total Current Receivables</b>	<b>15,353</b>	<b>13,528</b>
<b>Total Receivables</b>	<b>15,353</b>	<b>13,528</b>

### Receivables Recognition

Receivables consist of:

- Contractual receivables, which consists of debtors in relation to goods and services and accrued investment income. These receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. SMCT holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.
- Statutory receivables, which predominantly includes amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable. Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment) but are not classified as financial instruments for disclosure purposes. SMCT applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivable are initially recognised at fair value plus any directly attributable transaction cost.

Financial Statements - Southern Metropolitan Cemeteries Trust  
Notes to the Financial Statements for the year ended 30 June 2019

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with *AASB 136 Impairment of Assets*.

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. SMCT is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various geographical areas. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

### Doubtful Debts

Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful debts are classified as other economic flows included in net result.

Management has reviewed the ageing of receivables and determined that no significant amounts are past due.

### Note 5.2: Payables

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current Contractual</b>		
Trade Creditors	1,133	2,676
Accrued Salaries, Wages and On-costs	934	784
Accrued Cemetery Levy	2,437	2,311
Accrued and Other Creditors	1,444	1,310
<b>Total Payables</b>	<b>5,948</b>	<b>7,081</b>

The normal credit terms for accounts payable are Nett 30 days.

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Notes to the Financial Statements for the year ended 30 June 2019

Payables Recognition

Payables consist of:

- contractual payables classified as financial instruments and measured at amortised cost. Accounts payable and salaries and wages payable represent liabilities for goods and services provided to the SMCT prior to the end of the financial year that are unpaid; and
- statutory payables, that are recognised

and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts

Maturity analysis of payables

Please refer to Note 7.1(b) for the maturity analysis of payables.

Note 5.3: Unearned income

**Current**

Deposits received in advance

**Total Unearned Income**

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
	44,279	40,871
	<b>44,279</b>	<b>40,871</b>

Unearned income represents monies received in advance of service provision for items including interment, cremation and certain memorialisation products such as granites and plaques. These monies are recorded as revenue in the year that the good or services are provided.

As SMCT does not have an unconditional right to defer the provision of service, the liability for prepaid fees is recorded as a current liability. Prepaid fees are recorded at their nominal contractual value.

Note 5.4: Other provisions

**Provision for loss on onerous contracts**

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
<b>Balance at beginning of period</b>	<b>479</b>	<b>502</b>
Amount taken to operating statement	39	(23)
<b>Total provision for loss on onerous contracts</b>	<b>518</b>	<b>479</b>

Provisions are recognised when either a legal or constructive obligation, as a result of a past event, exists at the balance sheet date and where the amount of the obligation can be reliably estimated, and the future sacrifice of economic benefits is probable. A provision will also be recognised for onerous contracts where the unavoidable costs of meeting the contractual obligations exceed the economic benefits that are expected to be received under the contract.

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 a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

A provision is recognised in relation to pre-paid fees where the cost of providing the purchased goods and/or services is expected to be greater than the amount received/revenue to be recognised and the current service cost can be reliably measured. The provision represents the present value of the expenditure required to provide the goods and/or service, less the amount of revenue to be recognised.

At this time SMCT is aware that there will be ongoing significant cash outflows for future expenditure on perpetual maintenance of the Cemeteries under its control but is unable to calculate a sufficiently reliable estimate of any related present obligation which may arise under the accounting standards and accordingly has not recognised a value for this obligation in these financial statements.

## Note 6: How We Finance Our Operations

This section provides information on the sources of finance utilised by SMCT during its operations and other information related to financing activities of SMCT.

This section includes disclosures of balances that are financial instruments. Note: 7.1 provides additional, specific financial instrument disclosures.

Structure

6.1 Commitments for Expenditure

### Note 6.1: Commitments for Expenditure

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
<b>Capital commitments</b>		
Inventory	421	22,242
Property, plant and equipment	3,295	581
Intangible assets	2,515	-
<b>Total capital commitments</b>	<b>6,231</b>	<b>22,823</b>
<b>Operating expenditure commitments</b>		
Electricity, Gas, Other	2,822	4,487
<b>Total operating expenditure commitments</b>	<b>2,822</b>	<b>4,487</b>
<b>Total commitments</b>	<b>9,053</b>	<b>27,310</b>
<b>Capital commitments</b>		
Not longer than 1 year	6,231	22,823
<b>Total capital commitments</b>	<b>6,231</b>	<b>22,823</b>
<b>Operating expenditure commitments</b>		
Not longer than 1 year	1,923	2,092
Longer than 1 year and not longer than 5 years	899	2,395
<b>Total operating expenditure commitments</b>	<b>2,822</b>	<b>4,487</b>
<b>Total commitments</b>		
Not longer than 1 year	8,154	24,915
Longer than 1 year and not longer than 5 years	899	2,395
<b>Total commitments</b>	<b>9,053</b>	<b>27,310</b>

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed at their nominal value and are inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the Balance Sheet.

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Notes to the Financial Statements for the year ended 30 June 2019

Note 6.2 Cash and cash equivalents

	2019 \$000	2018 \$000
Cash on Hand	11	10
Cash at Bank	7,912	23,724
<b>Total Cash and Cash Equivalents</b>	<b>7,923</b>	<b>23,734</b>

Cash and Cash Equivalents

Cash and cash equivalents recognised on the Balance Sheet comprise cash on hand and in banks, deposits at call and highly liquid investments (with an original maturity date of three months or less), which are held

for the purpose of meeting short term cash commitments rather than for investment purposes, which are readily convertible to known amounts of cash and are subject to insignificant risk of charges in value.

Note 7: Risks, Contingencies and Valuation Uncertainties

SMCT is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for SMCT is related mainly to fair value determination.

Structure

7.1 Financial Instruments

7.2 Contingent Assets and Contingent Liabilities

Note 7.1: Financial Instruments

Categories of Financial Instruments  
2019

From 1 July 2018, SMCT applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

Categories of financial assets under AASB 9:

Financial Assets at Amortised Cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through profit and loss:

- the assets are held by SMCT to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

SMCT recognises the following assets in this category:

- cash and deposits; and
- receivables (excluding statutory receivables).

### Financial Assets at Fair Value Through Profit and Loss

Equity instruments that are held for trading as well as derivative instruments are classified as fair value through profit and loss. Other financial assets are required to be measured at fair value through profit and loss unless they are measured at amortised cost or fair value through other comprehensive income.

However, as an exception to those rules above, SMCT may, at initial recognition, irrevocably designate financial assets as measured at fair value through profit and loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

SMCT recognises its managed investment schemes as fair value through profit and loss.

### Impairment of Financial Assets Under AASB 9 – Applicable From 1 July 2018

From 1 July 2018, SMCT has been recording the allowance for expected credit loss for the relevant financial instruments, replacing AASB 139's incurred loss approach with AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include SMCT's contractual receivables and statutory receivables.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through profit and loss are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there has been no impairment loss.

### Contractual Receivables at Amortised Cost

SMCT applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. SMCT has grouped contractual receivables on shared credit risk characteristics and days past due and selected the expected credit loss rate based on SMCT's past history, existing market conditions, as well as forward looking estimates at the end of the financial year.

On this basis, SMCT determines the opening loss allowance on initial application date of

## Financial Statements - Southern Metropolitan Cemeteries Trust

Notes to the Financial Statements for the year ended 30 June 2019

AASB 9 and the closing loss allowance at end of the financial year to be Nil.

Credit loss allowance is classified as other economic flows in the profit and loss.

Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

In prior years, a provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired.

### Statutory Receivables

SMCT's non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

The statutory receivables are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As a result, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses. No loss allowance

recognised at 30 June 2018 under AASB 139.

No additional loss allowance required upon transition into AASB 9 on 1 July 2018.

### Categories of Financial Instruments 2018

**Receivables and cash** are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). SMCT recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables);
- available-for-sale investments

### Available-for-sale financial instrument

**assets** are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'Other economic flows – other comprehensive income' until the investment is disposed. Movements resulting from impairment are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'Other economic flows

– other comprehensive income' is transferred to other economic flows in the net result.

**Financial liabilities at amortised cost**

are initially recognised on the date they originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss over the period of the interest-bearing liability, using the effective interest rate method. SMCT recognises the following liabilities in this category:

- payables (excluding statutory payables)

**Derecognition of financial assets:** A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired.  
**Derecognition of financial liabilities:** A financial

liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

**Impairment of financial assets:** At the end of each reporting period, SMCT assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

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Notes to the Financial Statements for the year ended 30 June 2019

Note 7.1 (a): Financial instruments: categorisation

<b>2019</b>	<b>Financial assets at amortised cost</b>	<b>Financial Assets at Fair Value Through Profit and Loss</b>	<b>Contractual Financial Liabilities at Amortised Cost</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Contractual Financial Assets</b>				
Cash and cash equivalents	7,923	-	-	7,923
Receivables				
- Trade Debtors	1,884	-	-	1,884
- Other Receivables	13,243	-	-	13,243
Investments and other financial assets				
- Managed investment / units	-	282,813	-	282,813
<b>Total Financial Assets<sup>(i)</sup></b>	<b>23,050</b>	<b>282,813</b>	<b>-</b>	<b>305,863</b>
<b>Financial Liabilities</b>				
Payables	-	-	5,948	5,948
<b>Total Financial Liabilities<sup>(ii)</sup></b>	<b>-</b>	<b>-</b>	<b>5,948</b>	<b>5,948</b>
<b>2018</b>	<b>Contractual financial assets - loans and receivables</b>	<b>Contractual financial assets - available for sale</b>	<b>Contractual financial liabilities at amortised cost</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Contractual Financial Assets</b>				
Cash and cash equivalents	23,734	-	-	23,734
Receivables				
- Trade Debtors	1,874	-	-	1,874
- Other Receivables	11,526	-	-	11,526
Investments and other financial assets				
- Managed investment / units	-	266,833	-	266,833
<b>Total Financial Assets<sup>(i)</sup></b>	<b>37,134</b>	<b>266,833</b>	<b>-</b>	<b>303,967</b>
<b>Financial Liabilities</b>				
Payables	-	-	7,081	7,081
<b>Total Financial Liabilities<sup>(ii)</sup></b>	<b>-</b>	<b>-</b>	<b>7,081</b>	<b>7,081</b>

(i) The total amount of financial assets disclosed here excludes statutory receivables (i.e. GST input tax credit recoverable)

(ii) The total amount of financial liabilities disclosed here excludes statutory payables (i.e. Taxes payables)

## Note 7.1 (b): Maturity analysis of Financial Liabilities as at 30 June

The following table discloses the contractual maturity analysis for SMCT's financial liabilities. For interest rates applicable to each class of liability refer to individual notes to the financial statements.

2019	Note	Carrying Amount	Not past due and not impaired	Maturity Dates			
				Less than 1 Month	1-3 Months	3 months - 1 Year	1-5 Years
				\$000	\$000	\$000	\$000
<b>Financial Liabilities</b>							
<i>At amortised cost</i>							
Payables	5.2	5,948	5,787	120	37	-	4
<b>Total Financial Liabilities</b>		<b>5,948</b>	<b>5,787</b>	<b>120</b>	<b>37</b>	<b>-</b>	<b>4</b>
<b>2018</b>							
<b>Financial Liabilities</b>							
<i>At amortised cost</i>							
Payables	5.2	7,081	6,536	531	7	7	-
<b>Total Financial Liabilities</b>		<b>7,081</b>	<b>6,536</b>	<b>531</b>	<b>7</b>	<b>7</b>	<b>-</b>

Ageing analysis of financial liabilities excludes statutory financial liabilities (i.e. GST payable)

### Liquidity Risk

Liquidity risk arises when SMCT is unable to meet obligations associated with financial liabilities when they fall due.

#### Policy in Managing Liquidity Risk

SMCT's objectives in managing liquidity risk is to ensure that all obligations will be met as they fall due, while ensuring maximum funds are available for investment to meet longer term perpetual maintenance requirements.

SMCT manages liquidity risk by monitoring cash flows to ensure sufficient funds are maintained in the transactional bank account to meet liabilities as they fall due. Daily monitoring occurs, with monthly reports delivered to management regarding the cash flow position and cash flow forecasts. SMCT believes this policy ensures sufficient funds are held to allow for the proper administration of SMCT.

SMCT has assessed this risk as minimal considering the positive position of current assets.

#### Maximum Exposure to Liquidity Risk

The maximum exposure to liquidity risk is the carrying amounts of financial liabilities 'Payables'.

#### Note 7.2: Contingent assets and contingent liabilities

##### Non-Quantifiable

Perpetual Maintenance

SMCT has an obligation under the *Cemeteries and Crematoria Act 2003* to manage and maintain each public cemetery for which it is responsible. As stated in section 12 of the Act, in exercising its functions, SMCT must have regard to its obligations in relation to the funding of the perpetual maintenance of each public cemetery.

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Notes to the Financial Statements for the year ended 30 June 2019

Note 8: Other Disclosures

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

Structure

- 8.1 Reconciliation of net result for the year to net cash inflow / (outflow) from operating activities
- 8.2 Responsible persons disclosures
- 8.3 Remuneration of Executive officers
- 8.4 Related parties
- 8.5 Remuneration of auditors
- 8.6 Ex-gratia expenses
- 8.7 AASBs issued that are not yet effective
- 8.8 Events occurring after the balance sheet date
- 8.9 Change in accounting policy
- 8.10 Glossary of terms and style conventions

Note 8.1: Reconciliation of Net Result for the Year to Net Cash Inflow / (outflow) From Operating Activities

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Net result for the year	23,449	22,248
<b>Non-cash flows in operating surplus</b>		
Depreciation/amortisation	8,640	8,696
Net (gain)/loss on disposal of property, plant and equipment	(16)	(668)
Provision for doubtful debts	-	(25)
Net (gain)/loss on financial instruments at fair value	(1,800)	-
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in receivables	(1,825)	(2,505)
(Increase)/decrease in prepayments	(144)	(68)
(Increase)/decrease in inventories	(13,545)	(7,899)
Increase/(decrease) in payables	(1,133)	1,622
Increase/(decrease) in provisions	(41)	37
Increase/(decrease) in unearned income	3,408	3,261
<b>Net cash flows from/(used in) operating activities</b>	<b>16,993</b>	<b>24,699</b>

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Notes to the Financial Statements for the year ended 30 June 2019

Note 8.2: Responsible Persons Disclosures

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period:

	<u>PERIOD</u>
<b>Responsible Ministers:</b>	
The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services	1/07/2018 - 29/11/2018
The Honourable Jenny Mikakos, Minister for Health, Minister for Ambulance Services	29/11/2018 - 30/06/2019
<b>Governing boards</b>	
Sue Renkin (Chairman)	1/07/2018 - 30/06/2019
Julie Busch	1/07/2018 - 30/06/2019
Sam Afra	1/07/2018 - 30/06/2019
Leigh Mackay	1/07/2018 - 30/06/2019
Roger Chao	1/07/2018 - 30/06/2019
Sandhya Chakravarty	1/07/2018 - 30/06/2019
Phil Davies	1/07/2018 - 30/06/2019
Craig Burke	1/07/2018 - 30/06/2019
Robin Buckham	1/07/2018 - 30/06/2019
<b>Accountable officers</b>	
Jane Grover	1/07/2018 - 30/06/2019

Remuneration of Responsible Persons

The number of Responsible Persons are shown in their relevant income bands:

<b>Income Band</b>	<b>2019 No.</b>	<b>2018 No.</b>
\$0 - \$9,999	-	4
\$10,000 - \$19,999	8	7
\$30,000 - \$39,999	1	1
\$310,000 - \$319,999	-	1
\$340,000 - \$349,999	1	-
<b>Total Numbers</b>	<b>10</b>	<b>13</b>

	<b>2019 \$000</b>	<b>2018 \$000</b>
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	495	454

Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' Financial Report.

### Note 8.3: Remuneration of Executive Officers

The number of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

<b>Remuneration of Executive Officers (including Key Management Personnel Disclosed in Note 8.4)</b>	<b>Total Remuneration</b>	
	<b>2019 \$000</b>	<b>2018 (iii) \$000</b>
Short-term Benefits	1,137	1,131
Post-employment Benefits	107	106
Other Long-term Benefits	27	26
<b>Total Remuneration<sup>i</sup></b>	<b>1,271</b>	<b>1,263</b>
<b>Total Number of Executives</b>	<b>6</b>	<b>6</b>
<b>Total Annualised Employee Equivalent<sup>ii</sup></b>	<b>5.8</b>	<b>6.0</b>

<sup>i</sup> The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of SMCT under AASB 124 Related Party Disclosures and are also reported within Note 8.4 Related Parties.

<sup>ii</sup> Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

<sup>iii</sup> Prior year comparatives have changed as Management has reviewed those who were identified as Executive Officers in the prior period and determined that some staff did not meet the definition of Executive Officer per FRD 21C and have amended the 2018 comparative figures accordingly.

Total remuneration payable to executives during the year included a number of executives who received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided in exchange for services rendered, and is disclosed in the following categories:

#### Short-term Employee Benefits

Salaries and wages, annual leave or sick leave

that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

#### Post-employment Benefits

Pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

#### Other Long-term Benefits

Long service leave, other long-service benefit or deferred compensation.

**Note 8.4: Related Parties**

SMCT is a wholly owned and controlled entity of the State of Victoria. Related parties of SMCT include:

- all key management personnel (KMP) and their close family members;
- Cabinet ministers (where applicable) and their close family members; and

- all Cemetery Trusts and public-sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

KMP of SMCT are those people with the authority and responsibility for planning, directing and controlling the activities of SMCT, directly or indirectly.

**The Board of Directors and the Executive Directors of SMCT are deemed to be KMPs.**

<b>KMPs</b>	<b>Position Title</b>
Sue Renkin	Chair of SMCT
Julie Busch	Trust Member
Sam Afra	Trust Member
Leigh Mackay	Trust Member
Roger Chao	Trust Member
Sandhya Chakravarty	Trust Member
Phil Davies	Trust Member
Craig Burke	Trust Member
Robin Buckham	Trust Member
Jane Grover	Chief Executive Officer
Angela Uilderks	Executive
Noel Renwick	Executive
Patty Holten	Executive
Niloo Amendra	Executive
Terry King	Executive
Caroline Richards	Executive

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Notes to the Financial Statements for the year ended 30 June 2019

The compensation detailed below is reported in \$000 and excludes the salaries and benefits the Portfolio Ministers receive. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

	2019 \$000	2018 \$000
<b>Compensation - KMPs</b>		
Short-term Employee Benefits	1,597	1,553
Post-employment Benefits	141	138
Other Long-term Benefits	33	32
<b>Total</b>	<b>1,771</b>	<b>1,723</b>

### Significant Transactions with Government Related Entities

During the year SMCT had related entity transactions with the Department of Health and Human Services, being the payment of the 2017-18 cemetery levy of \$2.3 million (2016-17 \$2.2 million). The levy payable to the Department of Health and Human Services in respect of 2018-19 is \$2.4m (2017-18 was \$2.3m).

### Transactions with KMPs and Other Related Parties

There were no related party transactions with Cabinet Ministers required to be disclosed in 2019.

There were no related party transactions required to be disclosed for SMCT Board of Directors, Chief Executive Officer and Executive Directors in 2019.

Given the breadth and depth of State government activities, related parties transact

with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public-Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with SMCT, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties. There were no related party transactions with Cabinet Ministers required to be disclosed in 2019.

Financial Statements - Southern Metropolitan Cemeteries Trust  
Notes to the Financial Statements for the year ended 30 June 2019

Note 8.5: Remuneration of Auditors

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
<b>Victorian Auditor-General's Office</b>		
Audit of financial statement	89	87
	<b>89</b>	<b>87</b>
<b>Other providers</b>		
Audit fees other	32	54
	<b>32</b>	<b>54</b>
<b>Total Audit Fees</b>	<b>121</b>	<b>141</b>

Note 8.6: Ex-Gratia Expenses

SMCT has not made any ex-gratia payments during the current reporting period or previous reporting period. The Trust also has not written off any amounts during the current reporting period or previous reporting period.

Note 8.7: AASBs Issued That Are Not Yet Effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2019 reporting period. The Department of Treasury and Finance assesses the impact of all these new standards and advises SMCT of their applicability and early adoption where applicable.

As at 30 June 2019, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. SMCT has not and does not intend to adopt these standards early.

Financial Statements - Southern Metropolitan Cemeteries Trust  
 Notes to the Financial Statements for the year ended 30 June 2019

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017 for Not-for-Profit entities.	1 Jan 2019	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. Revenue from grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as the performance obligations attached to the grant are satisfied. Management estimates the impact to be a reduction in revenue of approximately \$1.09m in the first year only of implementation, being the year ended 30 June 2020.
AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for-Profit Public- Sector Licensors	AASB 2018-4 amends AASB 15 and AASB 16 to provide guidance for revenue recognition in connection with taxes and Non-IP licences for Not-for-Profit entities.	1 Jan 2019	AASB 2018-4 provides additional guidance for not-for-profit public-sector licenses, which include: <ul style="list-style-type: none"> <li>• Matters to consider in distinguishing between a tax and a license, with all taxes being accounted for under AASB 1058;</li> <li>• IP licenses to be accounted for under AASB 15; and</li> <li>• Non-IP, such as casino licenses, are to be accounted for in accordance with the principles of AASB 15 after first having determined whether any part of the arrangement should be accounted for as a lease under AASB 16.</li> </ul>

Financial Statements - Southern Metropolitan Cemeteries Trust  
Notes to the Financial Statements for the year ended 30 June 2019

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<p>AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for-Profit Entities</p>	<p>AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15.</p> <p>This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events.</p>	<p>1 Jan 2019</p>	<p>This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include:</p> <p><b>AASB 9</b></p> <ul style="list-style-type: none"> <li>Statutory receivables are recognised and measured similarly to financial assets.</li> </ul> <p><b>AASB 15</b></p> <ul style="list-style-type: none"> <li>The ‘customer’ does not need to be the recipient of goods and/or services;</li> <li>The “contract” could include an arrangement entered into under the direction of another party;</li> <li>Contracts are enforceable if they are enforceable by legal or ‘equivalent means’;</li> <li>Contracts do not have to have commercial substance, only economic substance; and</li> <li>Performance obligations need to be ‘sufficiently specific’ to be able to apply AASB 15 to these transactions.</li> </ul>
<p>AASB 16 Leases</p>	<p>The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.</p>	<p>1 Jan 2019</p>	<p>The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability.</p> <p>In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge.</p> <p>There will be no change for lessors as the classification of operating and finance leases remains unchanged.</p> <p>Management estimates the impact to be the recognition of a lease liability of approximately \$99 thousand at 1 July 2019, being the first year of implementation.</p> <p>In addition, Management will recognise a leased asset in the amount of \$99 thousand and will amortise the asset over the remaining term of the lease.</p>

Financial Statements - Southern Metropolitan Cemeteries Trust  
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Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2018-8 Amendments to Australian Accounting Standards – Right of Use Assets of Not-for- Profit entities	<p>This standard amends various other accounting standards to provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right of use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. This Standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply this option.</p>	1 Jan 2019	<p>Under AASB 1058, not-for-profit entities are required to measure right-of-use assets at fair value at initial recognition for leases that have significantly below-market terms and conditions.</p> <p>For right-of-use assets arising under leases with significantly below market terms and conditions principally to enable the entity to further its objectives (peppercorn leases), AASB 2018-8 provides a temporary option for Not-for-Profit entities to measure at initial recognition, a class or classes of right-of-use assets at cost rather than at fair value and requires disclosure of the adoption.</p> <p>The State has elected to apply the temporary option in AASB 2018-8 for not-for-profit entities to not apply the fair value provisions under AASB 1058 for these right-of-use assets.</p> <p>In making this election, the State considered that the methodology of valuing peppercorn leases was still being developed.</p>
AASB 1058 Income of Not- for-Profit Entities	<p>AASB 1058 will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 Contributions. The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public-sector context, AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.</p>	1 Jan 2019	<p>Grant revenue is currently recognised up front upon receipt of the funds under AASB 1004 Contributions.</p> <p>The timing of revenue recognition for grant agreements that fall under the scope of AASB 1058 may be deferred. For example, revenue from capital grants for the construction of assets will need to be deferred and recognised progressively as the asset is being constructed.</p> <p>The impact on current revenue recognition of the changes is the potential phasing and deferral of revenue recorded in the operating statement.</p> <p>Management estimates there to be no impact in the application of this standard for the first time.</p>

Financial Statements - Southern Metropolitan Cemeteries Trust  
 Notes to the Financial Statements for the year ended 30 June 2019

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 17 Insurance Contracts	<p>The new Australian standard eliminates inconsistencies and weaknesses in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities.</p> <p>This standard currently does not apply to the not-for-profit public-sector entities.</p>	1 Jan 2019	The assessment has indicated that there will be no significant impact for the public sector
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	<p>This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.</p>	1 Jan 2019	The standard is not expected to have a significant impact on the public sector.

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 Notes to the Financial Statements for the year ended 30 June 2019

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 1059 Service Concession Arrangements: Grantor	This standard applies to arrangements that involve an operator providing a public service on behalf of a public- sector grantor. It involves the use of a service concession asset and where the operator manages at least some of the public service at its own direction. An arrangement within the scope of this standard typically involves an operator constructing the asset used to provide the public service or upgrading the assets and operating and maintaining the assets for a specified period of time.	1 Jan 2020 (The State is intending to early adopt AASB 1059 for annual reporting periods beginning on or after 1 January 2019)	For an arrangement to be in scope of AASB 1059 all of the following requirements are to be satisfied: <ul style="list-style-type: none"> <li>• Operator is providing public services using a service concession asset;</li> <li>• Operator manages at 'least some' of public services under its own discretion;</li> <li>• The State controls / regulates:                             <ul style="list-style-type: none"> <li>– what services are to be provided;</li> <li>– to whom; and</li> <li>– at what price</li> </ul> </li> <li>• State controls any significant residual interest in the asset.</li> </ul> If the arrangement does not satisfy all the above requirements the recognition will fall under the requirements of another applicable accounting standard.
AASB 2018-5 Amendments to Australian Accounting Standards – Deferral of AASB 1059	This standard defers the mandatory effective date of AASB 1059 from 1 January 2019 to 1 January 2020.	1 Jan 2020 (The State is intending to early adopt AASB 1059 for annual reporting periods beginning on or after 1 January 2019)	This standard defers the mandatory effective date of AASB 1059 for periods beginning on or after 1 January 2019 to 1 January 2020. As the State has elected to early adopt AASB 1059, the financial impact will be reported in the financial year ending 30 June 2019, rather than the following year.

### Note 8.8: Events Occurring After the Balance Sheet Date

There are no events occurring after the Balance Sheet Date.

### Note 8.9: Change in Accounting Policy

#### Transition impact of first time adoption of AASB 9 on balance sheet

Balance Sheet	Amount at 30/6/2018	Reclassification	Restated amount at 1/7/2018
	\$000	\$000	\$000
Available for sale	266,833	(266,833)	-
Financial assets at fair value through profit and loss	-	266,833	266,833
<b>Total financial assets</b>	<b>266,833</b>	<b>-</b>	<b>266,833</b>
Accumulated surplus	12,178	14,898	27,076
Available for sale investment revaluation surplus	14,898	(14,898)	-
<b>Total equity</b>	<b>27,076</b>	<b>-</b>	<b>27,076</b>

### Note 8.10: Glossary of Terms and Style Conventions

#### Actuarial gains or losses on superannuation defined benefit plans

Actuarial gains or losses are changes in the present value of the superannuation defined benefit liability resulting from:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- the effects of changes in actuarial assumptions.

#### Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset.

#### Comprehensive Result

The net result of all items of income and expense recognised for the period. It is the aggregate of net result and other comprehensive income.

#### Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

#### Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense reduces the 'net result for the year'.

### Employee Benefits Expenses

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

### Ex gratia Expenses

Ex-gratia expenses mean the voluntary payment of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability, or claim against the entity.

### Financial Asset

A financial asset is any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual or statutory right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or

- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

### Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

### Financial Liability

A financial liability is any liability that is:

- A contractual obligation:
  - to deliver cash or another financial asset to another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
- A contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another

## Financial Statements - Southern Metropolitan Cemeteries Trust

Notes to the Financial Statements for the year ended 30 June 2019

financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

### Financial Statements

A complete set of financial statements comprises:

- Balance sheet as at the end of the period;
- Comprehensive operating statement for the period;
- A statement of changes in equity for the period;
- Cash flow statement for the period;
- Notes, comprising a summary of significant accounting policies and other explanatory information;
- Comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 Presentation of Financial Statements; and
- A statement of financial position at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

### Interest income

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

### Investment properties

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of the State of Victoria.

### Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other comprehensive income'.

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets.

### Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

### Payables

Includes short and long term trade debt and accounts payable, grants, taxes and interest payable.

### Produced assets

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films, and research and development costs (which does not include the startup costs associated with capital projects).

### Public non-financial corporation sector

The public non-financial corporation (PNFC) sector comprises bodies (such as SMCT) mainly engaged in the production of goods and services (of a non-financial nature) for sale in the market place at prices that aim to recover most of the costs involved (e.g. water and port authorities). In general, PNFCs are legally distinguishable from the governments which own them.

### Receivables

Includes amounts owing from government through appropriation receivable, short and long term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

### Sales of goods and services

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods

and services, fees from regulatory services and work done as an agent for private enterprises.

It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

### Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of SMCT.

### Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows in an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

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Notes to the Financial Statements for the year ended 30 June 2019

### Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts. The notation used in the tables is as follows:

zero, or rounded to zero

(xxxx) negative numbers

2019 current year

2018 prior year



Care Compassion Community

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SOUTHERN  
METROPOLITAN  
CEMETERIES TRUST

Honouring and celebrating life

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The Southern Metropolitan Cemeteries Trust (SMCT) is a not-for-profit, community based organisation that cares for Bunurong and Cheltenham Memorial Parks, and Brighton General, Cheltenham Pioneer, Dandenong Community, Melbourne General, Sorrento Community, Springvale Botanical and St Kilda cemeteries.