



Care Anchored in Compassion

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SOUTHERN  
METROPOLITAN  
CEMETERIES TRUST

Honouring and celebrating life

Annual Report

20  
17



Because our **care** is anchored in compassion, we believe that every person, regardless of their religion, culture or personal preferences, should be able to honour and celebrate the life of their loved one as they choose.

Because our care is **anchored** in our deep commitment to the families we serve, we give them the freedom to do what feels right.

Because our care is anchored **in** respect, we give them the freedom to take their time, to ask the questions they need to, question common practices and to ultimately decide what feels right for them. Every person should have the freedom to honour the life of their loved one in the way that they choose. This is care anchored in **compassion**.



**SOUTHERN  
METROPOLITAN**  
CEMETERIES TRUST

Honouring and celebrating life

Front cover image: *Fly Free #2*, photographed by John Gollings at Melbourne General Cemetery in 2015 and reproduced with the kind permission of the photographer.

This poignant image of heartfelt chalk drawings and touching family messages resonates with the sentiments of internationally renowned grief and loss expert, Dr Alan Wolfelt, "If you are old enough to love you are old enough to mourn."



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# Introduction

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## **Southern Metropolitan Cemeteries Trust (SMCT) represents choice, respect and advocacy for all Victorians.**

Community advocacy is the central foundation to our approach to stakeholder engagement, with a genuine commitment to meaningful conversation across government, industry and the community to seek to understand.

SMCT is dedicated to ensuring long term business sustainability through a balance of innovation, with the introduction of complementary service offerings, and a focus on continuous improvement across our suite of core services.

The focus of SMCT has been on listening and responding to the changing needs of the community. In doing so, SMCT has repositioned offerings to enhance the customer experience.

As a purposed organisation, SMCT continues to embed enterprise principles to optimise a whole of organisation approach. Working within the requirements of the *Cemeteries & Crematoria Act 2003*, SMCT operates with a commercial mindset, acutely aware of both our community service and also our perpetual maintenance obligations.

SMCT strives to ensure that funds retained are re-invested for the benefit of all Victorians, ensuring the long-term sustainability for the eight cemetery and memorial parks locations within our care.

This approach is underpinned by sound financial management and performance.

SMCT has enhanced its financial sustainability with cemetery operating revenue of \$63m (being \$0.8m or 1.3% above budget) and a total operating result of \$25.4m (being \$7.2m or 39.6% above budget).

Throughout the second year of implementation of the 2016-2020 Strategic Plan, we have continued to enhance our complementary service offering, guided by the philosophy of *care anchored in compassion*.

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In a society increasingly focused on efficiency and disposability, SMCT is committed to ensuring that rituals and ceremonies are observed. We are honoured and privileged to provide families and communities with the space and time to grieve and mourn well.

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Our ongoing collaboration with the renowned international author and expert in grief, Dr Alan Wolfelt, has highlighted the vital role cemeteries and memorial parks can play in the mourning process by providing multi-purpose community facilities where people come together to share their grief. We were delighted to host Dr Wolfelt at Bunurong Memorial Park (BMP) and Springvale Botanical Cemetery (SBC) for industry and community seminars held in March 2017.

Our deep and ongoing relationship with families highlighted the need to assist people as they navigate their grief over the longer term. As a result, our initiatives are designed to support families in honouring and celebrating life, allowing us to companion them through their grief journey.

We were delighted to open the Centre for Care & Wellbeing at SBC as an extension of our service offering. The first of its kind in a cemetery in Australia, this ground-breaking initiative provides support services and companionship for the community.

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To embed our philosophy of *care anchored in compassion* we have developed our Five Freedoms, empowering our client families across all of our customer touchpoints and service offerings.

The Five Freedoms:

- 1) You have the freedom to take your time
- 2) You have the freedom to ask the questions you need to
- 3) You have the freedom to question common practices
- 4) You have the freedom to decide what is right
- 5) You have the freedom to honour the life of your loved in the way that you choose.

Our ongoing commitment to listening to the voice of the customer has led to the introduction of digital touchpoints for customer feedback. This initiative enables us to constantly review the customer experience across numerous touch points and provides continuous improvement opportunities to ensure that we remain aligned to what our client families value.

In relation to value offering, the new facilities at BMP continue to be positively embraced by the community with increasing activity within the park. Further BMP developments have continued throughout FY17 with the opening of new areas within Aurora's Rise and the addition of culturally specific graves to meet growing community demand.

The innovation of BMP gained international recognition with the memorial park being awarded 'runner up' in the American Cemetery Awards 2016. More recently, BMP was recognised by the Australian Institute of Architecture as one of the recipients for the Public Architecture Award. Notably, the bespoke design of the Sanctuary Reflection Space was also acknowledged with a commendation at the 2017 Australian Interior Design Awards.

Key accomplishments during FY17 included:

- The continued activation of BMP and the opening of the Customer Care facility including specially designed viewing rooms, to increase flexibility and choice for customers.
- The launch of the trial phase for the Centre for Care & Wellbeing at SBC to provide a safe haven for those journeying through grief.
- Continued focus on enhancing the Customer Experience through training, coaching and improved standards and processes.
- Development of a Digital Strategy and implementation road map to increase customer touchpoints and optimise online engagement.
- Participation in the Melbourne Food & Wine Festival with the inaugural Italian Culinary Heritage Tour at Melbourne General Cemetery (MGC). This event showcased the hospitality offering of our food and beverage division and increased community engagement with the valuable cultural heritage of this iconic cemetery location.
- The completion and opening of stage two of the Saint Padre Pio Mausoleum at SBC.
- Scoping and first stages of construction for the new Saint Michael the Archangel Mausoleum – the final mausoleum for MGC.
- Development and implementation of the Employee Wellbeing program *Activate Health* aligned to our Employee Value Proposition (EVP) that supports the ongoing engagement and commitment of employees, aiding retention and attracting new talent.
- Development of Safety Leadership capabilities across the organisation, fostering a proactive approach to safety and wellbeing and creating a 'safety first' mindset.

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To optimise our customer centric approach, SMCT is focused on building a high performing, enterprise culture. The extraordinary efforts of employees throughout the year are deeply appreciated and highly valued. It was inspiring to see a record number of peer nominations for the annual Bill Harry PRIDE Awards.

Our sincere gratitude is extended to our employees for their dedicated efforts throughout the reporting period, which truly are the foundation of the organisation's success.

We also acknowledge and thank the Trust members and executive leadership team for the vision and guidance across all aspects of operations. The moral courage to embrace new initiatives is what enables us to innovate and continually enhance the customer experience.

A sincere thank you is also extended to our Community Advisory Committee, which provides invaluable insights to guide our engagement and consultation practice. We acknowledge their dedication and contribution, and thank them for their collective endeavours.

The Trust is committed to maintaining strong and positive relations with the Department of Health and Human Services. We are greatly appreciative of their guidance and support and look forward to ongoing collaboration into the future.

Moving forward, SMCT will continue to progress targeted initiatives and developments to respond to the evolving needs of the Victorian community. As a purposed, value driven organisation, our philosophy of *care anchored in compassion* will guide our service offering enhancements.

We will continue to embed a culture of care across our organisation and focus on increasing our agility to meet the strategic opportunities and challenges ahead.

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 2017.

On this day, 2 August 2017. Springvale, Victoria.

**Sue Renkin** Trust Chairman



A black and white signature of Sue Renkin, written in a cursive style.



**Jane Grover** CEO

A black and white signature of Jane Grover, written in a cursive style.

# The Trust at a Glance

**During the reporting period the Trust built on strong foundations to further our strategic approach to growth, which is informed by deepening and expanding our relationships with the increasingly diverse Victorian community.**

The Southern Metropolitan Cemeteries Trust (SMCT) was formed in March 2010, under the *Cemeteries and Crematoria Act 2003* and reports to the Minister for Health, via the Cemeteries and Crematoria Regulation Unit of the Department of Health and Human Services (DHHS).

SMCT is a purposeful organisation responsible for the care and maintenance of Bunurong and Cheltenham Memorial Parks, and Brighton General, Cheltenham Pioneer, Dandenong Community, Melbourne General, Springvale Botanical and St Kilda cemeteries.

The corporate office is located within the grounds of Springvale Botanical Cemetery, Princes Highway, Springvale, Victoria.

## **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 Vision**

We will create and nurture sustainable, beautiful, iconic and distinctive locations to honour and celebrate life. We will set the standard by providing our communities with world-class services and facilities across every aspect of our business.

## **PRIDE in Our Values**

At each and every cemetery and memorial park within our care we pledge to each other and to our clients 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



*Banjo's Garden, Bunurong Memorial Park*

## SMCT Trust Members

SMCT is governed by a board of nine highly skilled and experienced Trust members who bring a balance of not-for-profit, public and private sector experience. The Trust, led by Chairman Sue Renkin, reports to the Minister for Health, the Hon. Jill Hennessy MP, through the Cemeteries and Crematoria Regulation Unit of the DHHS.

The Trust is responsible for setting the overall strategic direction of the organisation and the Trust members bring a great deal of breadth and depth in their respective fields of expertise to addressing emergent strategic conditions.

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.



*Back Row L-R: J. Busch, L. Mackay, S. Renkin (Chairman), B. Oates  
Front Row L-R: S. Afra, M. Mills, G. Mason, R. Jones, S. Shipp*

## Our Current Trust Members

Trust Chairman - Sue Renkin, BBS, MBA,  
Grad.Dip.Corp.Gov., MAICD, FCDA.

Sam Afra, JP, MAICD.

Julie Busch, BA, Grad.Cert.Shop.Gen.Man.,  
Grad. Dip. Bus, GAICD.

Richard Jones, MBus., Grad.Dip.Bus.Tech., FCPA,  
ACSA, AFIN.

Leigh Mackay, LLB, GAICD.

Gaye Mason, MBA, Grad.Dip.App.Corp.Gov., Grad.Dip.  
App.Info.Sys., B.Bus. (Acct.), FCPA, FAICD, AGIA & ACIS.

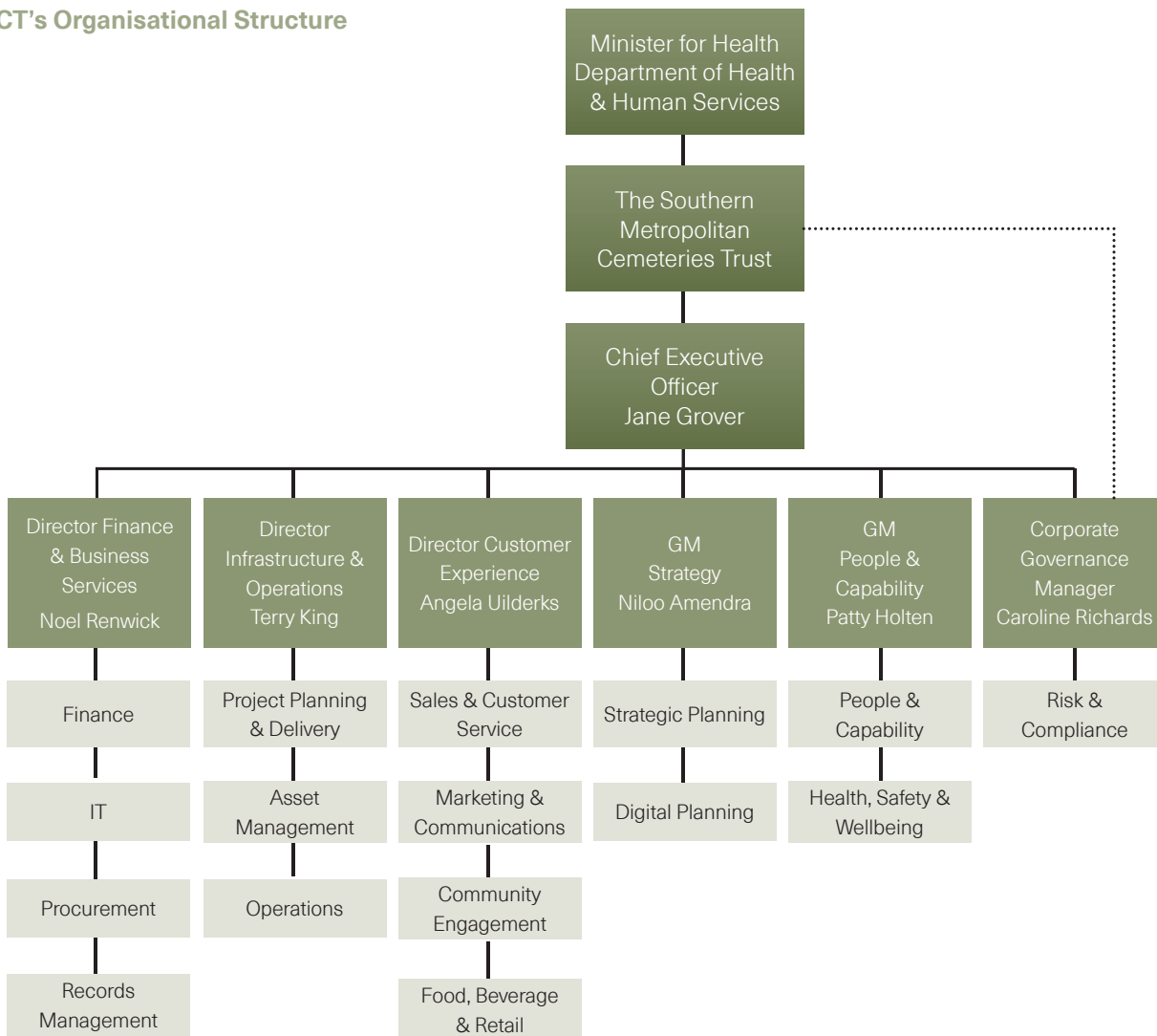
Matthew Mills, MAICD.

Brian Oates, JP.

Stephen Shipp, B.Ec., LLB



## SMCT's Organisational Structure



## Services Performed during the Reporting Period

Cremation	9,135
Interment in graves	3,589
Interment in mausolea	271
Interment of cremated remains	462
	<b>13,457</b>

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## PROFILE AND PERFORMANCE OF SMCT LOCATIONS

	Southern Metropolitan Cemeteries Trust	Brighton General Cemetery	Bunurong Memorial Park	Cheltenham Memorial Park	Cheltenham Pioneer Cemetery	Dandenong Community Cemetery	Melbourne General Cemetery	Springvale Botanical Cemetery	St Kilda Cemetery
Established	1 March 2010	1854	1995	1933	1865	1857	1852	1901	1855
Hectares (ha)	359.3 ha	12 ha	101 ha	17.2 ha	4.1 ha	4 ha	43 ha	170 ha	8 ha
Employees FTE	283	1.6	35.25	18	0.0	0.0	3	225.15	0.0
Number of Cremations	9,135	N/A	2,365	N/A	N/A	N/A	N/A	6,770	N/A
Number of Interments	4,322	116	637	456	24	52	323	2,688	26
Operating Revenue	\$63,000,287	\$1,218,673	\$8,605,397	\$3,201,794	\$100,367	\$189,787	\$3,845,857	\$44,896,665	\$941,747
Community Events	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes

### Strategic Priorities

SMCT's Strategic Plan 2016 – 2020 was developed by the Trust and executive leadership team to provide a clear focus for the organisation and is used to establish our Annual Plans and Objectives. FY17 is the second year of the Strategic Plan's implementation.

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

This report will commence with a section on Governance and Accountability, which outlines our enduring responsibility in relation to the effective and efficient management of the cemeteries and memorial parks within our care.

Subsequent sections will cover the four Strategic Priorities. The report will also include a 'Spotlight on Sustainability', and a 'Looking Forward' section which outlines our forward plan for the financial year ahead.



Stage two Saint Padre Pio Mausoleum, Springvale Botanical Cemetery

# Governance and Accountability

## **Southern Metropolitan Cemeteries Trust's (SMCT's) Corporate Governance Framework ensures that we:**

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

SMCT is a not-for-profit, community focused organisation, providing burial, cremation and memorialisation services for metropolitan Melbourne and Victoria.

We are responsible to the Minister for Health the Hon. Jill Hennessy MP, who has entrusted SMCT to manage the locations for which we are responsible.

During the reporting period the Trust met 12 times to oversee the governance and strategic direction of SMCT. The Trust's focus is on strategic planning, financial performance, business development, risk management and governance, including legal and regulatory compliance.

The Trust also reviewed the performance of the executive leadership team, measuring results against business plans and strategic objectives.

The Trust has ongoing responsibility for:

- Steering the strategic direction of the organisation.
- Overseeing and appraising the performance of the organisation against strategic objectives.
- Ensuring that governance arrangements are maintained, together with sound financial management and best practice asset management.
- Ensuring its statutory and regulatory obligations are met and that the organisation's risk management systems are active and effective.

SMCT also fully recognises its 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.

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**

SMCT's approach to corporate governance is based on a set of values and behaviours that underpin day-to-day activities, provide transparency and seek to provide efficient and effective management of our cemetery locations in the public interest. This approach includes a commitment to excellence in governance standards, which SMCT sees as fundamental to the long-term sustainability of our business and our performance.



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## Trust Composition

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

## 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 committee meeting in line with the 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 has a policy of regularly reviewing the Trust and its committees' performance. A formal self-assessment is conducted each year to assess the effectiveness against specific objectives of the Trust and sub-committee Charters. Each three years the Trust conducts an externally facilitated Board Evaluation of the performance of the Trust, each Trust member, the Chairman and the Trust sub-committees.

## 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. Each committee is chaired by a member of the Trust 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.

### 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 Gaye Mason, has an advisory role assisting the Trust in fulfilling its governance and compliance responsibilities, risk management, financial reporting, legislative and regulatory compliance, internal control and audit.

### 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 Richard Jones, 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 SMCT investments.



Current and former Community Advisory Committee members with Trust Members Julie Busch and Leigh Mackay

### 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 commitments and priorities. 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 Julie Busch, the CAC's membership is drawn from local and state government, interfaith networks and key multicultural and religious organisations. CAC members offer a truly diverse perspective, providing the organisation with key insights into the evolving requirements and expectations of the communities we serve.

### Executive Remuneration and Appointment Committee

The Executive Remuneration and Appointment Committee chaired by Sue Renkin, has an advisory role, supporting the Trust and providing expertise in the areas of executive remuneration and performance, performance management and the organisation's human resource framework.

### Infrastructure Planning Committee

The Infrastructure Planning Committee, chaired by Matthew Mills, 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 infrastructure projects including the delivery of the refurbishment of the Boyd & Renowden Chapels and the construction of the stage two Saint Padre Pio Mausoleum at Springvale Botanical Cemetery (SBC).

### Management Committees

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

### Executive Risk Management Committee

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

## ATTENDANCE AT TRUST AND COMMITTEE MEETINGS

### 1 JULY 2016 - 30 JUNE 2017

	Meetings Held	Sue Renkin	Sam Afra	Julie Busch	Richard Jones	Leigh Mackay	Gaye Mason	Matthew Mills	Brian Oates	Stephen Shipp
Trust	12	10	12	12	11	11	11	12	11	12
Audit & Risk Committee	5	3**	5	4	5		5	4*		
Community Advisory Committee	4			4		4				
Finance & Investment Committee	10	7**			9		8		10	10
Executive Remuneration & Appointment Committee	4	4		4				4		
Infrastructure Planning Committee	6	2				6		6		6

\* Observer

\*\* Trust Chairman attends in ex-officio capacity

### Health Safety & Wellbeing Committee

The Health Safety & Wellbeing Committee (HSW) is chaired by the General Manager People & Capability who will escalate any new high or outstanding risks to the executive team.

It was convened 6 times during the reporting period, ensuring SMCT exceeded its obligations under the *Victorian Occupational Health and Safety Act 2004* and the SMCT HSW Management Framework.

SMCT has been embedding the *Safety Leadership* initiative throughout the organisation during the reporting period; 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 & Operations. The Committee is Chaired by the Corporate Governance Manager.

During the reporting period, the EPC conducted a review of SMCT's Emergency Response and Crisis Management arrangements and implemented a refreshed Emergency Response Framework.

### IT Steering Committee

The IT Steering Committee provides input and direction on IT services in accordance with departmental need. The outcomes of Committee meetings also provide input into longer term IT strategy.

### Sustainability Committee

The SMCT Sustainability Committee, chaired by the Director Infrastructure & Operations, comprises members from a wide range of SMCT departments and locations. The aim of the Committee is to both educate and develop sustainable practices across all SMCT locations.

The Committee proactively engages with SMCT and the wider community, particularly in the areas of water conservation, recycling, energy efficiency and reducing our overall carbon footprint.

The Committee also provides a framework for the future direction and ongoing organisational commitment to environmental sustainability.

The 'Spotlight on Sustainability' section outlines SMCT's sustainability performance and principles.

### Managing Risk

SMCT operates a 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: 2009. As part of this Framework, SMCT maintains a Trust approved Risk Appetite Statement, which sets the agreed parameters and boundaries under which the organisation may operate.

During the period SMCT developed and embedded a refreshed Risk Management Framework to facilitate the identification, assessment and monitoring of both operational and strategic risks, and their associated mitigation action plans to inform SMCT's strategy development and execution process.





## 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 is able to 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 1993

All new work and the redevelopment of existing properties conforms to the *Building Act 1993*, *The Building Regulations 2006* and the Building Code of Australia (BCA). The Annual Safety Measures Compliance Report is signed by Management in June each year and ongoing compliance is monitored by the Emergency Planning Committee, thereby providing an additional layer of cross checking to support workplace health and safety.

### Freedom of Information

SMCT's Records Manager was the Principal Officer for Freedom of Information (FOI) applications during the reporting period. There were three FOI applications for FY17.

In compliance with the spirit of the FOI legislation, all reasonable requests for records of the deceased are granted as required under the *Cemeteries and Crematoria Act 2003 (Vic)* Sections 59 and 60.

### 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

SMCT's 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.

### Privacy Legislation

SMCT maintains a Privacy Policy and supporting privacy procedures which articulate SMCT's practices when dealing with Personal Information. SMCT is 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. No disclosures were made to SMCT during the reporting period.

### Declarations of Pecuniary Interests

Trust members and executives 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 (see index).

## VICTORIAN INDUSTRY PARTICIPATION POLICY DATA

Contracts	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 made commitments to staff training and skill development.
Melbourne General Cemetery Mausoleum	\$7,055,678	Metropolitan	93.35%	23	8	Contractor has made commitment to provide skills development of apprentices, and monitor their training.

### 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 by SMCT to develop community awareness of SMCT and its services;
- g) details of assessments and measures undertaken to improve the occupational health and safety of employees;
- h) a general statement on industrial relations within SMCT 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.



Playground area, Bunurong Memorial Park

# Strategic Priority 1

## Embracing Customer Centricity

### **Our customers are at the heart of everything we do.**

We understand that 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. Our ongoing commitments to customer centricity and community engagement ensure that we remain relevant and, in turn, support our long-term sustainability.

Southern Metropolitan Cemeteries Trust (SMCT) has a steadfast commitment to caring for our customers. We are committed to understanding our clients' journeys through grief, and to providing them with choice, flexibility and the most considered support services.

### **Joshua's Celebration of Life.**

*"Our son was lovingly tended whilst in the care of Bunurong, as though he was being babysat by trusted family and friends. Our family was respectfully supported and guided through the funeral process with compassion, understanding and thoughtfulness; we were in the company of friends.*

*The level of humbled professionalism, deep considerations and respectfulness for our son and our families' very private and painful journey not only helped ease an emotionally overwhelming process, the staff created a sacred space, honouring our son and his life.*

*We shall be forever grateful for the care and respect offered by everyone at Bunurong."*

**Penne and Wolfgang Schwarz**

### **KEY OUTCOMES**

- Hosting world renowned expert in grief and loss Dr Alan Wolfelt and further embedding our philosophy of *care anchored in compassion* throughout our service offering.
- The extension of our service offering through the Centre for Care & Wellbeing at Springvale Botanical Cemetery.
- Opening of the Customer Care facility at Bunurong Memorial Park, providing an enhanced customer experience.
- Further enhancing the customer experience across SMCT through the implementation of initiatives from the Customer Experience Optimisation Program (CXOP).
- The overwhelming acceptance of Springvale Botanical Cemetery's second stage of the Saint Padre Pio Mausoleum from the Italian community.



Members of the Team at Springvale Botanical Cemetery's Customer Service Centre





*Dr Alan Wolfelt at the community forum held in the Centre for Care & Wellbeing*

### **Hosting Dr Alan Wolfelt and embedding our philosophy of 'Care Anchored in Compassion'**

During March, SMCT was honoured to host the internationally renowned expert in grief and loss, Dr Alan Wolfelt. As an organisation, we have been inspired by Dr Wolfelt's philosophy of companioning people through their grief, and honouring rituals and traditions of the past that foster positive mourning. We have also adopted the approach of countering the common 'grief avoiding' cultural practices we regularly see through education and awareness.

We understand that people need to embrace the pain of grief, which is often a difficult journey for them to take. However, we appreciate that it is not our role to attempt to make grieving easy. Rather, we are there to guide, companion and care for those who are grieving, as they come to terms with their new reality.

SMCT provided an opportunity for client families to listen to Dr Wolfelt talk about journeying through grief towards wellness. Dr Wolfelt conducted this session at Springvale Botanical Cemetery (SBC) within the Centre for Care & Wellbeing. At this well attended session it was clear that all participants gained great insight from

*"Love and grief are two sides of the same coin – grief is the price we pay for having loved someone"*  
**- Dr Alan Wolfelt**

Dr Wolfelt's teachings, with a number expressing that they felt that they had a 'break though' and clarity in relation to their grief.

The positive impact this session had on our client families cannot be under-estimated. It was an honour for SMCT to be able to provide an opportunity for our client families to listen to Dr Wolfelt's philosophy, and to also engage with him and openly express their pain, challenges and fears.

We look forward to continuing our ongoing relationship with Dr Wolfelt and we are committed to continuing our efforts to embed our philosophy of *care anchored in compassion* across all of our locations and touch points.

This approach has included the creation of the Five Freedoms, which outline our beliefs for best practice customer care.

## Extending our Service Offering - The Centre for Care & Wellbeing



In line with our vision of companioning our clients through their grief journey, SMCT launched the Centre for Care & Wellbeing (CCW) during the year at SBC. In keeping with our focus of embedding *care anchored in compassion*, the CCW is an extension of our customer centric service offering.

While there is much talk within the community about 'wellness' generally, the CCW is uniquely positioned to offer support specifically to those transitioning through their grief. It offers companionship within a peaceful, reflective and inclusive environment.

*This is a safe haven where stories are told, connections are made, lives are honoured and care is anchored in compassion.*

The scheduled programs within the CCW provide people with the opportunity to connect with others transitioning through grief, and also with key support providers. The informal, drop-in nature of the CCW encourages people to visit at a pace that suits them.

Whilst the CCW has been in operation for less than 12 months, it is clear that we are 'filling a gap' for our client families; meeting needs that were not previously provided for. In line with Dr Wolfelt's 'Slow Grief Movement', the CCW provides a safe haven where people can grieve slowly, at their own pace and in their own way.



Renee, the Centre for Care & Wellbeing team at Springvale Botanical Cemetery

## The Customer Care Facility at Bunurong Memorial Park

During the previous financial year (FY16) the significant development project at Bunurong Memorial Park (BMP) was completed, providing a unique Australian sanctuary and a timeless and transformational landscape for the community to respectfully honour and celebrate life.

The native parkland was designed in response to community and industry consultation, to meet the needs of the diverse faith and cultural communities that we serve and has been widely accepted across the industry and a broad range of cultural and ethnic communities.



The Glades at Bunurong Memorial Park

During FY17 the Customer Care Facility at BMP was launched. These specially designed facilities allow SMCT employees to work with funeral directors to provide a seamless service to our mutual client families. The facilities available include:

- Consulting Suites - where funeral directors can meet with client families and bring SMCT employees into the conversation if required to meet a family's needs (e.g. select a grave location, view a function room etc.).
- Specially Designed Viewing Rooms - where families can spend dedicated time with their loved one in a private and appropriately appointed environment. These rooms are supported by secure temperature controlled units for coffin storage, giving funeral directors the option to store deceased onsite and minimise transportation requirements.
- The Viewing Room Annex – a facility for funeral directors to utilise for minor cosmetic adjustments only prior to a viewing.
- Shared Reception Area – provides a quiet space for client families to gather prior to appointments with either SMCT employees or funeral directors utilising the consulting suites.

*"Bunurong Memorial Park is a place of tranquillity, and in my experience the staff offer a truly genuine and committed service to the Funeral Directors and families that they assist. The state of the art facilities have been designed to offer the best possible service and the true essence is apparent. Heartfelt personalised care in a professional environment."*

**Leonie Cook – Funeral Celebrant**

*"I would like to commend SMCT for their foresight in establishing viewing facilities for client families. I was initially a little reluctant to make use of the facility as we have our own, but after seeing how first class the operation is I am now making use of these facilities."*

**Michael Cox - Gardenia Funerals**

The Customer Care Facility was designed with the client family in mind by providing a high quality, customer centric seamless solution for families.

SMCT has also implemented a centralised Funeral Bookings team, ensuring that funeral directors are able to book usage of SMCT facilities 7 days a week.



L to R Richard from Handley & Anderson Funeral Directors; Debra Richardson, SMCT; Father Peter Conroy; and John Marra, SMCT in the Viewing Rooms at Bunurong Memorial Park

## Refurbishment of Witness Cremation Viewing Room

Taking inspiration from the BMP Customer Care facilities and recognising that all customer touch points are significant, an enhancement project was conducted at the SBC crematorium during FY17. We appreciate that many families wish to say a final goodbye to their loved one at the crematorium by witnessing the committal of the casket. As such, we have created a suitably appointed room, creating a soft and comforting environment where families have the appropriate privacy and atmosphere for these very special farewells. Feedback received has been extremely positive, and as such a similar facility will be created at BMP in FY18.



*The exterior of the recently refurbished Witness Cremation Viewing Room at Springvale Botanical Cemetery*

## The Customer Experience Optimisation Program (CXOP)

During FY16, SMCT embarked on a journey of significantly improving the customer experience across our locations and touch points through a comprehensive program known as the Customer Experience Optimisation Program (CXOP).

During the FY17 period a number of significant initiatives were implemented including:

- A comprehensive Knowledge Management System - has been developed for Customer Experience staff detailing all core processes and procedures relating to delivering services to our client families and other key stakeholders. The establishment of this vital system ensures clarity for all employees and consistency of approach across all SMCT locations.
- Quality Assurance Tools - have been developed for key Customer Experience roles and are regularly utilised and reported on a monthly basis to provide clear coaching to our team members and to ensure alignment with Customer Experience Standards.
- Dashboard Metrics/Reporting - has been implemented to provide a balanced view of performance across the business including metrics in relation to Customer Experience, Productivity, People, Revenue and Costs.
- A Delivery & Solutions Team - has been established to partner with sales to ensure effective after sales care and efficient provision of products/services.
- Consolidation of Funeral Director Support Team - has provided our funeral directors with the ability to book funeral services and related facilities across all of our locations 7 days per week.
- Consolidation of Customer Support (Contact Centre) - has provided the general public with a consistent approach in relation to our telephony touch point across both SBC and BMP.
- A digital solution for customer feedback - provides real time feedback in relation to our Net Promoter Score (NPS) and Customer Effort Score (CES) across key touch points within our locations. In the forthcoming year this initiative will be supported by a streamlined compliments and complaints process which will give us a consolidated 'Voice of the Customer' view and allow us to further embed continuous improvement practices.
- Employee Engagement - has been a key focus throughout the period. Implementing various initiatives as a result of the CXOP, it has been vital to engage the teams, provide opportunities for them to have direct input into outputs, and ensure they are taken on the journey.



## Development of stage two of the Saint Padre Pio Mausoleum

In keeping with our commitment to listen and respond to the needs of the community, SMCT completed the second stage of the Saint Padre Pio mausoleum complex at SBC in FY17.

The overwhelming acceptance of this second stage mausoleum was evident with the majority of crypts pre-purchased as the community demonstrated their strong association with SBC. 89% of crypts were sold prior to year end.

The official opening and blessing of the mausoleum was officiated by the most Reverend, the Archbishop of Melbourne, Denis Hart on 25 May 2017.

SMCT will continue to engage with the Italian community across all of our locations to ensure that we remain aware of their ongoing needs.

*"The construction of this Mausoleum shows the reverence for the dead and the fact that our loved ones who have died are real people whom we support by prayer and memory and love."*

- The Most Reverend, the Archbishop of Melbourne Denis Hart.



*The Archbishop blessing the statue of Saint Padre Pio*



*Jane Grover CEO with the local community attending the opening and blessing of the second stage Saint Padre Pio Mausoleum*

## Memorial Services

SMCT is committed to the provision of community memorial services across our locations throughout the year. The majority of services are held to coincide with significant calendar events.

The annual Mother's and Father's Day Remembrance Services were held at BMP. These memorable services provide our mutual client families and the broader community with the opportunity to remember their loved ones.

SMCT also hosts several All Souls Day Mass Services, to highlight the day in the Christian calendar that commemorates the faithful departed, and honours all who have passed. Over 2,000 people attended the All Souls Day services held in November 2016.

The annual Children's Christmas Remembrance Service is held at SBC to support families who have lost a child. Held on 4 December 2016, the special dusk service was also attended by the Premier, the Hon. Daniel Andrews MP, in support of his local community.



The Premier, the Hon Daniel Andrews MP with Jane Grover CEO and the Milani family at the twelfth Children's Christmas Remembrance Service

## Looking Forward

Moving into FY18 we will continue to ensure that the customer is at the heart of all we do by fostering our customer centric approach internally and our philosophy of *care anchored in compassion*.

Our key priorities to be addressed during the upcoming financial year include:

- Continuing to raise awareness of the Centre for Care & Wellbeing and further developing the offering provided.
- Finalising the Customer Experience Optimisation Program through the delivery of remaining initiatives.
- Ensuring that we continue to meet our diverse communities' needs by investing in the next stage of Song He Yuan at SBC and by commissioning the Saint Michael the Archangel Mausoleum at MGC.
- Enhancing our digital assets to ensure they meet customer's needs and expand our online reach.



Customer Care Team members at the Mother's Day Remembrance Service

## Strategic Priority 2

### Pursuing Strategic Growth

***In the pursuit of strategic growth, Southern Metropolitan Cemeteries Trust (SMCT) maintains a balance between customer focus, community advocacy and long term sustainable growth.***

FY17 was a strong year for SMCT with the consolidated revenue target exceeded, a healthy Balance Sheet and a resilient investment portfolio. This strong financial foundation ensures that the organisation is well placed to meet our perpetual maintenance obligations and to continue to pursue strategic growth opportunities.

#### **KEY OUTCOMES**

- The ongoing activation of the Bunurong Memorial Park development, including building awareness of the Customer Care facility.
- The launch of the Centre for Care & Wellbeing at Springvale Botanical Cemetery, aligned to SMCT's commitment to care, compassion and community.
- Development of the Digital Strategy and implementation road map.
- The completion and opening of the stage two Saint Padre Pio Mausoleum at Springvale Botanical Cemetery and scoping of a new mausoleum for Melbourne General Cemetery.

#### **Activation of Bunurong Memorial Park**

Following the completion of the development program for stage one works at Bunurong Memorial Park (BMP) in FY16, the current reporting period has seen the ongoing activation of the location. This has included the opening of the Customer Care facilities. These facilities include viewing rooms, storage facilities and consulting suites and have been positively received by the industry and community alike. In providing these facilities, we sought to provide increased flexibility and choice for families.

Building on the multi-purpose nature of the facilities, there have been a range of conferences, industry forums and community events held at BMP.

#### **Responding to Community Needs – Mausoleum Developments**

Through our continued engagement with Italian communities, we have identified a strong demand for the development of a mausoleum at the iconic Melbourne General Cemetery (MGC).

Following the completion of the second stage Saint Padre Pio Mausoleum at Springvale Botanical Cemetery (SBC), design and scoping was progressed for a final mausoleum at MGC; Saint Michael the Archangel Mausoleum.

Consumer response has been strong with a robust waiting list ahead of the commencement of construction in FY18.



*Designed by Webb + Arcachitects, the second Saint Padre Pio Mausoleum was constructed by Allmore Constructions, providing another state of the art mausoleum at Springvale Botanical Cemetery*

## Song He Yuan Extension – Contemporary Asian Influenced Precinct at Springvale Botanical Cemetery

The overwhelming uptake of the Asian influenced contemporary precinct known as Song He Yuan at SBC has prompted the initiative to design and develop an extension to the area.



*Song He Yuan, Springvale Botanical Cemetery*

This project aims to meet the identified community needs, ensure optimum utilisation of land and provide long term positive contributions to our perpetual maintenance fund.

The Feng Shui designed Song He Yuan is a specialist cemetery area, catering for an Asian style of burial and interment of ashes. It has been designed in accordance with Feng Shui principles, inclusive of pagodas, water features and statues, bridges and gardens.

The future development will complement the existing culturally sensitive Song He Yuan precinct and will consist of two stages spanning approximately five years. It is anticipated that this development will provide an ongoing revenue stream for SMCT over the remaining sales life of SBC.

### Launch of the Centre for Care & Wellbeing

In keeping with the enduring commitment in promoting care and support for the community, SMCT launched the trial phase of the Centre for Care & Wellbeing (CCW). The purpose of this facility is to provide a sanctuary for the provision of support services for individuals and families during their journey through grief.



*Dianne, Centre Manager, the Centre for Care & Wellbeing*

The development of the model for the CCW was influenced by the philosophies of Dr Alan Wolfelt, an internationally renowned author and grief expert. Dr Wolfelt visited the CCW in March 2017, delivering a community presentation 'Understanding Grief: Touchstones for Hope and Healing'.

Working in collaboration with industry partners, SMCT facilitates sessions in a safe and caring environment that provides support, companionship and comfort to those who may be feeling isolated in their grief. This is a place that allows people to grieve in their own way or to mourn by sharing stories of their loved one, whilst feeling emotionally connected to others who have similar experiences.



*The Centre for Care & Wellbeing was designed as a safe and welcoming space for all*



## Complementary Services and Additional Revenue Streams

SMCT continues to pursue strategic growth through progressing complementary services which enhance our service offering and provide additional revenue streams.



*Food and Beverage Managers Ruth and John at the Italian Culinary Heritage Tour, Melbourne General Cemetery*

This approach mitigates dependency on core revenue streams and proactively contributes to our long-term perpetual maintenance obligations.

As an adjunct to providing traditional memorial products, SMCT has enhanced the community experience across our locations by introducing the food, beverage and retail precincts at both SBC and BMP.

As part of the promotion of our food and beverage offering, SMCT participated in the Melbourne Food & Wine Festival for the first time in April 2017. The inaugural Italian Culinary Heritage Tour held at MGC showcased our hospitality offering and extended our events capability.

The ongoing activation of the hospitality precincts consolidates the facilities as multi-purpose community assets and expands our customer touch points and overall customer experience. These broader touch points support our ongoing growth strategies and commercial sustainability over the longer term.

## Land Acquisition

Within the portfolio of eight cemeteries and memorial parks that SMCT operates, five of these locations have reached, or are close to reaching, end of life.

SMCT is proactively exploring land acquisition opportunities to ensure that memorial parks can be developed to meet the needs of the Victorian community into the future.

## Embracing Digital Transformation

During FY17 SMCT developed a Digital Strategy and road map to improve the digital customer experience, and further expand our online presence across multiple digital communication channels.

Key focus areas identified include:

- Website refresh – to provide customers with choice and awareness of the range of services and locations offered by SMCT.
- Content Strategy – adopting the approach of 'always on' content to engage, inform and educate the community. Content relating to the importance of pre-planning, promoting community conversation about death, and reinforcing the importance of observing and retaining tradition and ceremony will be distributed across multiple online channels.
- Data Strategy – to obtain insights at significant customer and community touch points to enable nurturing programs to be developed to inform and promote SMCT service offerings and provide added value.

Moving forward, SMCT will be embracing a digital first culture to ensure we are responsive and receptive to our stakeholders and customers.

### Information Technology Portfolio

SMCT recognises the increasing reliance on Information Technology (IT) services and remains committed to the continual improvement of facilities available to our employees and external stakeholders. Improvements in the availability and reliability of IT services in the last reporting period has allowed SMCT to focus strategic effort on stakeholder engagement and continual improvement of internal business process and supporting systems.

Our primary focus for FY17 has been improving the customer and business-focused IT solutions available across the organisation.

This has included:

- Migration to Office 365
- Chapel audio visual refurbishments
- Digital signage
- Telephony system enhancements
- Risk Management System (in progress)
- Payroll and HR System (in progress)

### Risk Management and Compliance

To ensure the availability of IT services and the security of the organisation’s IT assets and data, during FY17 SMCT completed testing of Disaster Recovery (DR) facilities and processes. Testing confirmed that current contingencies in place to deal with any significant data or system loss are operating effectively. In addition, penetration testing of external-facing services was completed to identify potential security threats. These tests are now carried out annually.

	Details of ICT expenditure		
BAU ICT expenditure	BAU ICT expenditure	Operational expenditure	Capital expenditure
	Total = A+ B	A	B
Total	\$2,765,334	\$2,518,460	\$246,874



*The stunning Sanctuary Reflection Space, Bunurong Memorial Park, was recognised by the Australian Institute of Architects with a Public Architecture Award. It also received a commendation in the 2017 Australian Interior Design Awards*



*Terry King, SMCT, with Simon Webb of Webb+ at the second stage Saint Padre Pio Mausoleum, Springvale Botanical Cemetery*

## FY17 Financial Performance

SMCT's financial performance objectives are focused on ensuring revenue and operating results generate a sufficient surplus to ensure adequate funds are available to meet the perpetual maintenance obligations of the Trust, support major growth opportunities in the future and provide for our pre-need commitments.

As we continue to focus on sustainable growth, our ongoing success is related to our innovation and agility, which has been driven by listening and responding to the changing needs of the Victorian community. In doing so, we repositioned our products and services and focused on the continuous improvement of the customer experience.

During FY17 our efforts focused on pre-need revenue growth and the augmentation of the retail operation. The increased utilisation of Café Vita et flores, florist services and function facilities is consistent with our mantra to provide multi-purpose facilities for the usage and betterment of the community.

## Financial Report

The financial report (pp 53 to 109) covers the 12 month reporting period from 1 July 2016 to 30 June 2017, with the prior year's comparatives covering the 12 month period from 1 July 2015 to 30 June 2016.

## Financial Performance

SMCT generated a positive operating result of \$25.4m for the reporting period. This result is on the back of revenue from cemetery operations of \$63m, investment income of \$14.8m and after the impact of the 3% cemetery levy of \$2.2m payable to the Victorian Government.

During the reporting period, SMCT investments have increased by \$36.6m to \$247.1m, after experiencing 12 months of strong growth, amid financial market volatility. This investment underpins our perpetual maintenance obligations.

Gross Operating margin for the period was \$52.7m (after cost of sales) with major revenue streams being:

- Sales of graves contributing \$21.6m or 34.3% of total income.
- Sales of mausoleum crypts contributing \$11.2m or 17.8% of total income.
- Cremation revenue contributing \$7.1m or 11.2% of total Income, with SMCT performing almost 54% of metropolitan Melbourne's cremations during the reporting period.
- The continued focus on the sale of pre-need services has resulted in unearned income increasing by \$3.7m (10.8%) to \$37.6m.

Operating expenses (excluding cemetery levy and investment management fees) amounted to \$38.8m, of which 59% relate to personnel costs.

- During the financial year the expenditure on capital works and projects amounted to \$13m. Major capital works during the year included the building of stage two Saint Padre Pio Mausoleum, the construction of a major road at BMP, the creation of a new maintenance facility at MGC and preliminary works completed in relation to the new mausoleum at MGC, due for completion in FY18. Further information about these capital works projects is provided throughout this report.



Melbourne General Cemetery's iconic Gate Lodge viewed from the Prime Ministers' Garden

## SUMMARY OF FINANCIAL RESULTS FOR THE PAST FOUR FINANCIAL PERIODS (\$'000)

	2017	2016	2015	2014
<b>Operating Statement</b>				
Income from Transactions	\$63,000	\$54,445	\$59,507	\$51,352
Cost of Goods Sold	(\$10,304)	(\$7,888)	(\$9,429)	(\$6,174)
Investment Income	\$14,800	\$11,840	\$12,951	\$13,323
Expenses from Transactions	(\$39,897)	(\$38,170)	(\$33,978)	(\$31,997)
Cemetery Levy	(\$2,185)	(\$1,979)	(\$2,156)	(\$1,932)
<b>Operating Result</b>	<b>\$25,414</b>	<b>\$18,248</b>	<b>\$26,895</b>	<b>\$24,572</b>
Other Comprehensive Income/(Loss)*	\$46,062	(\$4,427)	\$23,088	\$18,678
Comprehensive Result for the Period	\$71,476	\$13,821	\$49,983	\$43,250
<b>Balance Sheet</b>				
<b>Assets</b>				
Investments/Investment Property	\$249,840	\$213,021	\$210,462	\$202,251
All Other Assets	\$204,091	\$167,072	\$150,877	\$128,706
Total Assets	\$453,931	\$380,093	\$361,339	\$330,957
<b>Liabilities</b>				
Unearned Income	\$37,610	\$33,950	\$30,524	\$26,870
All other Liabilities	\$9,270	\$10,566	\$9,060	\$8,897
Total Liabilities	\$46,880	\$44,516	\$39,584	\$35,767
<b>Net Assets</b>	<b>\$407,051</b>	<b>\$335,576</b>	<b>\$321,755</b>	<b>\$295,190</b>
<b>Equity</b>				
Perpetual Maintenance Reserves	\$285,907	\$259,161	\$237,288	\$195,801
Other Equity	\$121,144	\$76,415	\$84,467	\$99,389
<b>Total Equity</b>	<b>\$407,051</b>	<b>\$335,576</b>	<b>\$321,755</b>	<b>\$295,190</b>

\*Other Comprehensive Income/(Loss) includes gains on available for sale financial investments (2017) and losses on available for sale financial investments (2016). 2017 also includes net fair value gain on revaluation on non-financial assets.

### Financial Performance Objectives

SMCT's total operating result of \$25.4m was \$7.2m higher than budget. This comprised an over-performance from cemetery operations of \$0.4m, net investment income over-performance of \$7.0m, offset slightly by a higher than budgeted cemetery levy of \$0.2m.

Grave sales across all locations outperformed their budget, contributing significantly to the result. Investment income reflects interest (\$0.1m), franking credits (\$1.3m) and the distributions received from SMCT's investment portfolio (\$13.4m).



*In keeping with the principles of customer centricity, SMCT is committed to universal access for our communities, with our locations accessible 365 days of every year*



## COMPARISON OF ACTUAL VS. BUDGET FOR THE 12 MONTH PERIOD ENDING 30 JUNE 2017 (\$000)

	Actual	Budget	Variance
Cemetery Operations Revenue	\$63,000	\$62,177	\$823
Cost of Goods sold	(\$10,304)	(\$9,456)	(\$848)
Investment Income	\$14,800	\$7,800	\$7,000
Total Revenue	\$67,496	\$60,521	\$6,975
Operating Expenses	(\$39,897)	(\$40,285)	\$388
Operating Result before Cemetery Levy	\$27,599	\$20,236	\$7,363
Cemetery Levy	(\$2,185)	(\$2,033)	(\$152)
Operating Result	\$25,414	\$18,203	\$7,211

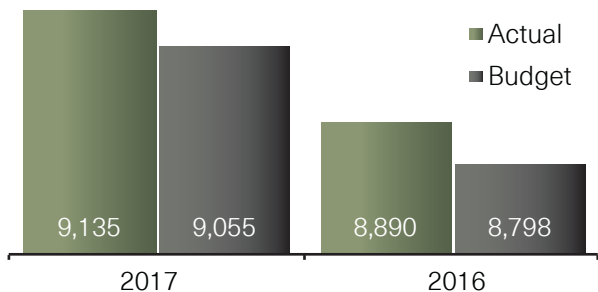
## OPERATIONAL PERFORMANCE

	2017 Actual	2017 Budget	2017 Variance	2016 Actual	2016 Budget	2016 Variance
Cremations	9,135	9,055	80	8,890	8,798	92
Interments	4,322	4,058	264	4,046	3,797	249
Cremation Memorial Sales (\$)	\$5.21m	\$5.40m	(\$0.19m)	\$5.3m	\$5.7m	(\$0.4m)
Mausoleum Crypt Sales (\$)	\$11.23m	\$13.23m	(\$2.00m)	\$5.4m	\$4.6m	\$0.8m
Grave Sales (\$)	\$21.63m	\$18.99m	\$2.64m	\$20.3m	\$19.2m	\$1.1m

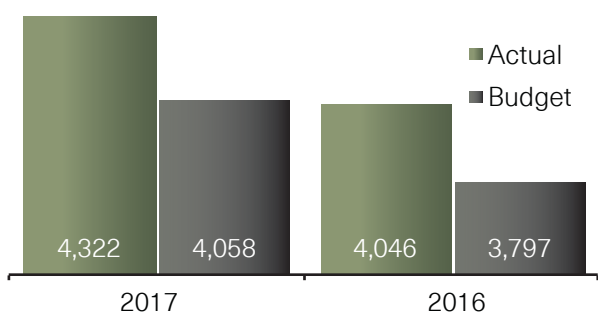


Artist's impression - interior of the Saint Michael the Archangel Mausoleum

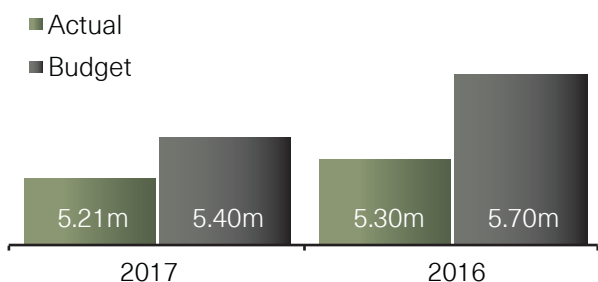
Key trends and issues that influence these performance indicators can be summarised as follows:



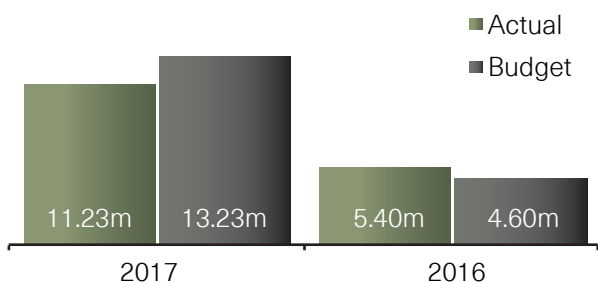
**Cremations** – SMCT performed 80 (0.9%) additional cremations than was budgeted and 245 (2.8%) more than the prior year. This is in-line with growth in cremations performed across Victoria.



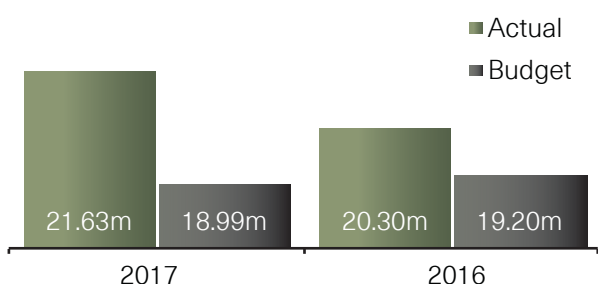
**Interments** – Interments were 6.5% more than budgeted (+264) and 276 greater than those performed in the previous year. With an overall reduction in burials across the Victorian sector, SMCT has increased its market share.



**Cremation Memorial Sales** – Cremation Memorial sales were in line with prior year, however fell slightly short of the budget set (-3.5%). SMCT maintains its commitment to meeting our communities' changing needs in relation to memorialisation.



**Mausoleum Crypt Sales** – While crypt sales fell below the budget set (15.1%), the actual result exceeded prior year by \$5.83m. The high volume of sales was due to the release of the stage two Saint Padre Pio mausoleum at SBC, with 89% of such crypts sold during the year.



**Grave Sales** – Grave sales were 13.9% above budget, and 6.5% above the prior year result, primarily due to:

- Significant Greek community sales from a new development at SBC
- The ongoing positive trend of sales of Song He Yuan to the Chinese community
- Sales from new developments at St Kilda Cemetery.

## Subsequent Events

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

## Consultants

In FY17, there were six consultancies where the total fees payable to the consultancies were \$10,000 or greater.

The total expenditure incurred during FY17 in relation to these consultancies was \$109k (excl. GST).

In FY17 there was nil consultancy where the total fees payable to the consultant were less than \$10,000 (excl. GST).

Consultant	Purpose of Consultancy	Start Date	End Date	Total approved project fee	Expenditure 2016-17	Future expenditure
Ecology Australia	Research work for cemetery project	14/11/16	5/04/17	\$13,303	\$13,303	-
Global Safety Index	Risk management services	23/11/16	30/03/17	\$28,000	\$28,000	-
IpSect	Review and testing of IT services	26/04/17	30/04/17	\$14,500	\$14,500	-
Chant West	Investment consulting services	15/07/16	18/04/17	\$31,788	\$31,788	-
Department of Justice & Regulations	Data requests for analysis	10/04/17	30/04/17	\$10,686	\$10,686	-
Bateup Acturial & Consulting Services	Actuarial report for MGC mausoleum	15/11/16	30/11/16	\$10,750	\$10,750	-

## Looking Forward

As set out in our 2016-2020 Strategic Plan, SMCT is focused on sustainable growth.

Focusing on consolidation and building for growth, the revenue highpoint of FY18 will be the construction of the Saint Michael the Archangel Mausoleum at MGC.

The continued activation of the Customer Care Centre at BMP and The Centre for Care & Wellbeing at SBC will both be key focus areas of the coming year, each designed to enhance our service offering.

Provision for the future perpetual maintenance obligations of all our Cemeteries and Memorial Parks will be achieved through a strong asset holding, underpinned by our investment portfolio.

Ongoing significant investment in capital works and stock projects will support future revenue streams, and ultimately contribute to the perpetual maintenance fund.

In FY18 SMCT will progress the implementation of the Digital Strategy to enhance our customer touch points online and move towards a 'digital first' culture.

SMCT will continue to be proactively involved in appropriate land acquisition initiatives for future Memorial Park developments and the provision of multi-purpose community facilities as a component of our approach to ensuring long term sustainability.

## Strategic Priority 3

### Enhancing Strategic Engagement

#### **Community advocacy is the central foundation to our approach to stakeholder engagement.**

Southern Metropolitan Cemeteries Trust (SMCT) has a genuine commitment to active engagement and meaningful conversation with all stakeholders to seek to understand and meet their needs.

Maintaining strong relationships across community, industry and government enables SMCT to optimise our responsive service offering in the dynamic environment in which we operate.

#### **KEY OUTCOMES**

- Fostering a strategic partnership with Monash University to provide mutually beneficial research into the ongoing needs of Chinese Migrant communities.
- Consultation to inform the development of the Natural Burial offering at Bunurong Memorial Park.
- The successful opening and activation of the new Centre for Care & Wellbeing at Springvale Botanical Cemetery.

In keeping with our commitment to fulfilling our community service obligations, SMCT continues to expand our relationships with the increasingly diverse Victorian communities, our industry partners and government, to inform best practice and enhance our service offering.

We are dedicated to identifying and meeting the needs of our stakeholders and understand that this is best achieved through open communication and consultation.

Above all, SMCT is committed to the practice of listening intently, thinking with consideration and acting with understanding across all of our engagement initiatives.

*Our Stakeholder Engagement Charter outlines our mandate for transparency and accountability.*

*The Charter includes our pledge to:*

- *Provide open, honest and consultative communication.*
- *Apply principles of continuous quality improvement to our service provision.*
- *Respond to constructive input from our stakeholders.*



Dr Alan Wolfelt with cemetery sector representatives at Bunurong Memorial Park



## Engagement and consultation across diverse communities

In order to deepen our understanding of cultural, religious and community needs, SMCT continued to engage with diverse community groups throughout FY17. Our comprehensive consultation practice informed several key projects across all of our locations.

## Strategic Partnership to Understand Chinese Migrant Communities

In September 2016, SMCT commenced a research partnership with Monash University to better understand the evolving needs of Chinese Migrant communities. This strategic partnership provided targeted research into the changing values and perceptions of funeral rites in the context of multicultural Australia and identified how Chinese Migrants approach the funeral rites in their new homeland.

The research project was conducted over several months, comprising more than 50 interviews and 200 surveys. The insights from the research will inform future development of product offerings for this community. The research has also been shared through several academic and industry forums, as well as through media channels such as SBS radio.



*RAAMC Service at Brighton General Cemetery. Pictured at the grave site are L-R: MAJ M. Tyquin, MAJGEN J. Rosenfeld AM OBE, MAJGEN J. Pearn AO RFD, Paul Terawskyj RSecP MAITD MCSIA, John Staley, Brian Hogan (Honorary Chaplain), BRIG G. Whelan AM, CSC and Bar. MAJ D. McCuaig*

## The Centre for Care & Wellbeing

The Centre for Care & Wellbeing (CCW) at Springvale Botanical Cemetery (SBC) was a major focus for engagement and consultation throughout the reporting period. SMCT forged several key partnerships with organisations such as the Australian Centre for Grief and Bereavement, State Trustees and community based social support groups to run a series of ongoing programs at the CCW. Community uptake has been strong, with the range of programs expanding since opening.

As part of the service offering we have also commenced conducting specialised sessions such as an intimate session held for Mothers who had lost a child in the lead up to Mother's day. This session provided these women with an opportunity to connect with each other, share their stories, and build connections while taking part in activities such as flower arranging and sharing a meal.

## Expert in Grief and Loss – Dr Alan Wolfelt

SMCT was honoured to host the acclaimed international author, educator and grief expert, Dr Alan Wolfelt in March 2017.

Dr Wolfelt's visit with SMCT commenced with a stakeholder forum held at Bunurong Memorial Park (BMP). Dr Wolfelt delivered a seminal presentation during which he imparted his philosophy with the Chairs and CEOs of the majority of Class A Cemetery Trusts across Australia.

Not only did Dr Wolfelt share his view on companioning grieving individuals, he also challenged the sector to create strategic solutions to the changing societal conditions where efficiency in death care is valued and there is a lack of understanding of the value meaningful funerals provide to the grieving. He encouraged the industry to seek to further understand these challenges, to be strategic in our approach, and to consider implementing a 'whole experience' solution.

### Natural Burial Offering for Bunurong Memorial Park

Increasing community awareness of environmental sustainability has resulted in greater demand for natural burials. In response to this identified need, this offering has now been incorporated into the Master Plan for BMP. In order to ensure alignment between the area to be developed and the community's needs, two phases of engagement were activated.

Initially SMCT partnered with the Natural Death Advocacy Network (NDAN) which identified the key concept along with a set of standards to provide consumer confidence in the offering.

A further stage of engagement was then conducted with our current customers to build a deeper understanding of what is important to them and to best understand what they value. The insights gained from the consumer engagement will also inform the offering being developed as we move towards creating a natural burial area as a distinct and beautiful resting place.

### Community Advisory Committee

The Community Advisory Committee (CAC) is a significant foundation for the various community engagement activities undertaken by SMCT.

Throughout the reporting period, the CAC was involved across a number of projects including:

- Understanding community demand for new and innovative products.
- The engagement approach for the Centre for Care & Wellbeing.
- Input into the design of the Saint Michael the Archangel Mausoleum at Melbourne General Cemetery (MGC).

SMCT would like to acknowledge the dedication and ongoing contribution of our CAC members.



*Mary-Anne Thomas MP and Helen Heath OAM (CAC member) at the Opening of the Boyd & Renowden Chapel Complex*

### Industry and Government Relations

SMCT values our collaborative relationship across government and industry. These relationships are founded on mutual respect, reciprocal trust, authentic consultation and a shared recognition of common purpose.

During the reporting period SMCT enjoyed regular engagement and communications with other Class A Trusts, Class B Trusts and the Department of Health and Human Services (DHHS).

Our ongoing government and industry relations included collaboration with the following stakeholders:

- Cemeteries and Crematoria Association of Victoria
- Victorian Cemetery Trusts (including Class A and Class B Trusts)
- Australian Funeral Directors Association
- National Funeral Directors Association
- Independent Funeral Directors Association
- Funeral Celebrants Association
- State Trustees
- South East Palliative Care
- Australian Centre for Grief and Bereavement
- Council on the Ageing
- Natural Death Advocacy Network
- Monash University

## Communicating with our Stakeholders

In keeping with our commitment to maintaining strong relationships with our stakeholders, SMCT adheres to the principles of open, timely and relevant communications.

Multiple channels are utilised to promote our communications to ensure optimal reach. To this end, a key component of the Digital Strategy is focused on content, and we are continually expanding our online presence. Through our publications and social media, we aim to raise community awareness of the significant public spaces in our care and the holistic service offerings that we provide.

In order to foster ongoing awareness and engagement with SMCT activities, our quarterly publication has been redesigned. Formerly the 'Cemeterian', the new publication brand is 'Life' to complement SMCT's positioning and our core purpose of 'Honouring and Celebrating Life'. The Life publication is broadly distributed predominantly via digital channels.

A blog titled 'Honouring Life' has also been developed and launched. The blog enables us to share long form content online more readily and more frequently, and to optimise engagement online.

We also regularly communicate with key industry stakeholders, such as funeral directors, celebrants and masons, to ensure that they are kept up to date with information of relevance.

## Engaging through Community Events

A key component of our ongoing engagement strategy is our annual calendar of events, aimed to bring the community together. Our events schedule is guided by what our communities value in relation to key religious dates (e.g. All Souls Day, Christmas), key times of the year (e.g. Mother's Day, Father's Day, Remembrance Day), important cultural activities (e.g. Ching Ming or 'Grave Sweeping' day) and recognition of historical figures.

An example of the latter was the service held by the Victorian Royal Australian Army Medical Corps (RAAMC) Association at Brighton General Cemetery (BGC) in March 2017. This service was held at the restored graveside of Surgeon General W.D.C. Williams. Considered to be the 'father' and inspiration behind the formation of the now RAAMC, the Surgeon General died in Melbourne in 1919 following his service during the First World War.



*The Ching Ming Banquet included guests from the People's Republic of China Consulate in Melbourne (L to R): Xiaohong Zhang (Consul); Will Babington; Dominic Yu; Guobin Huang (the Deputy General Consul); Jane Grover (CEO); Angela Uilderks; and Julie Busch (Trust member)*

National Police Remembrance Day is a community event held annually at SBC to honour the memory of police officers who have lost their lives in the service of others. Held in partnership with Victoria Police, the service was officiated by the Reverend John Broughton and attended by families, representatives of Victoria Police, and members of parliament.



*Ben Carroll MP at National Police Remembrance Day*

In addition to our regular scheduled events, we also hold events to encourage visitation and demystification of our locations. On a monthly basis, we have jazz band sessions on a Sunday afternoon within Café vita et flores at SBC.

During FY17, SMCT took part in the Melbourne Food & Wine Festival for the first time. Our highly experienced food and beverage team created an exceptional Italian culinary experience, which was complemented by an historic night tour highlighting the notable Italian figures laid to rest within the beautiful grounds of MGC. This event was sold out with overwhelmingly positive feedback from guests on the night.

It is through events such as this one that we are able to engage with a broader cross section of the community, allowing us to educate them on the fascinating historical and cultural significance of our locations, and promoting use of our community facilities for multiple purposes.

### **Demystifying Cemeteries through Community Tours**

A key component of building community awareness of the services we provide is demystification of our locations. In order to achieve this we conduct ongoing community tours which are regularly attended by religious groups, community groups and active ageing groups. Feedback from the community continues to grow with plans to offer a broader variety of tours in the year ahead. In addition to informing the community about the facilities, programs and service offering across our locations, the tours contribute to social cohesion and promote active ageing.

### **Historical Tours**

The night and day tours of MGC continue to grow in popularity with a record number of almost 1,500 people attending throughout the reporting period. The Halloween night tours continue to be the most popular, with an attendance of nearly 300 people. This evening of activities includes a children's tour, which fosters education about the history of the cemetery and our shared cultural heritage.

The regular MGC tours attract a broad range of people including social and professional clubs, tourists, school children, university students and industry officials. In addition, many hundreds of people and students conducted self-guided tours using SMCT literature and signage provided to encourage discovery of the heritage within the grounds.



*The stunning antipasto display for the Food and Wine Festival*



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### **Encouraging Visitation to the Historic Melbourne General Cemetery**

During the year MGC again took part in the Open House Melbourne event. Over 350 people participated in tours of the historic Gatehouse and significant graves.

In order to broaden the range of cultural activities at MGC, an immersive play 'Mr Naismith's Secret' was staged within the historic gatehouse, attracting 480 people, with the season selling out. Most patrons were younger adults visiting the cemetery for the first time; this broader reach increasing community awareness.

Arts House Melbourne has conducted an immersive installment that links cemeteries and art through an interactive app, Vanitas. This app is named after the 16th Century art technique which focused on death. Over 120 young people participated in the experience within the grounds of MGC over the weekend in which it was held.

### **Custodians of History – The Historical Restoration and Refurbishment Fund**

SMCT maintains a balance of focusing on innovation and sustainability, looking forward and upholding our role as custodians of history across our locations, all of which hold a wealth of social and cultural capital for the state of Victoria.

The Historical Restoration and Refurbishment Fund was established last year to enable SMCT to allocate non-core cemetery funds, such as revenue received from tours, public donations, special projects and the like, towards the restoration of historically and culturally significant monuments.

During FY17 two graves at MGC associated with Sir William Clarke were restored. SMCT acknowledges the support of Sir Rupert Clarke and the generous donations of the University of Melbourne's Trinity College and Janet Clarke Hall, Freemasons Victoria and Freemasons Victoria Foundation.

In order to prepare for the next restoration project at MGC, conservation reports were produced on the Sir Charles Hotham monument.

These reports identified the scope of works and estimated costs. SMCT is currently pursuing a range of financial opportunities to complete the restoration of this nationally significant monument.

### **Looking Forward**

SMCT embraces its duty to listen and respond to the communities we serve. We pursue the challenge of demystifying cemeteries, through independent, informative talks, presentations and workshops. Ongoing consultation enables us to continue to proactively respond to the diverse needs of the community through innovative products and services.

Our engagement with government, industry, and the community is pivotal to the future success and sustainability of SMCT. For the year ahead we will be fostering partnerships with the aim to expand the reach of our engagement across our communities and to continue to enhance the services we provide for the Victorian community.

Continuing our focus on our role as custodians of history, during the forthcoming period we will develop a valuable resource detailing the war graves heritage of SBC. SMCT has been awarded a grant through the Veterans Branch of the Department of Premier and Cabinet to complete this project. The booklet will be distributed to the public, and to schools in the district, to enhance the younger generations' knowledge of these important chapters of history.



*Sir William Clarke Monument, Melbourne General Cemetery*

# Strategic Priority 4

## Investing in People Development

**Southern Metropolitan Cemeteries Trust (SMCT) remains committed to nurturing and developing capabilities as a key enabler of an innovative, agile and high performance culture.**

The contribution of our people in the delivery of our strategic objectives remained central to the success of SMCT throughout FY17, with significant achievements realised across each of the five People & Capability (P&C) streams:

1. Performing with PRIDE
2. Engaging with Focus
3. Inspiring to Lead
4. Organisation by Design
5. Targeting Talent

### KEY OUTCOMES

- Implementation of the Activate Health program to enhance employee wellbeing.
- Establishment of the Enterprise Leadership Program to consolidate leadership capability across the organisation.
- Development of the *Live Well, Work Well* Strategic Plan to ensure employee safety and wellbeing.

*"All the little and big things we've done to take care of the family, means I walk away from each burial feeling privileged to have helped them at such a difficult time."*

**John – Gravedigging team**

### Performing with PRIDE

This P&C stream focuses on programs and processes designed to optimise employee performance, further embed our PRIDE values and to ensure workplace safety is prioritised at all times.



*Members of the P&C Team at the Bill Harry PRIDE Awards*

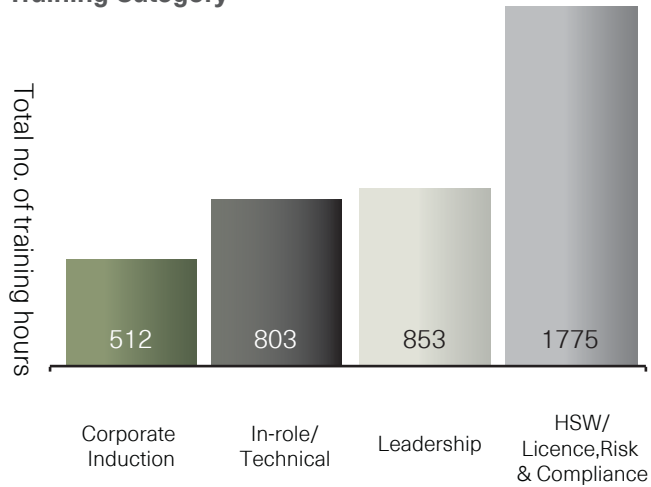
### Training and Development

#### The Certificate III in Gravedigging

SMCT was proud to once again partner with Holmesglen to host delivery of the Certificate III Gravedigging for both our own employees and for gravediggers from other Trusts. This 12 month program commenced in October 2016.



## Training Category



## Health Safety and Wellbeing

A three-year Health, Safety and Wellbeing (HSW) strategic plan was developed to further build on the *Live Well, Work Well* HSW framework endorsed by the Trust in FY16. Designed to embed a culture of safety leadership, the *Live Well, Work Well* Strategic Plan provides a roadmap for cultural change across four pillars:

- Developing capable and committed leaders
- Involving and engaging our employees
- Improving our HSW reporting and systems
- Focusing on the physical and emotional wellbeing of our people.

Year One of the *Live Well, Work Well* Strategic Plan delivered positive organisational outcomes including higher levels of employee engagement, reduced rates of injury and incidents and associated lost time.

Key activities in FY17 included the implementation of Safety Walks & Talks, delivery of Phase One of our Activate Health employee wellbeing program, bespoke Manual Handling programs to target specific workgroups and training of leaders to better manage incidents and workplace injuries.



*Launched in May 2016, SMCT's employee wellbeing program has seen more than 1,492 attendances across all locations throughout FY17. Highlights from the first phase of the interactive program have included:*

- 12 information workshops covering topics ranging from nutrition to managing injuries
- Cooking classes
- R U OK? Week
- Bio-impedance Health Tests
- Resilience Program
- Men's and Women's Health Months
- 'Traffic light' healthy choices menu concept introduced within employee cafés.

*Employee engagement with the program has led to the formation of running groups and a family bike ride.*



*Laura with Matt who facilitated the Activate Health sessions*

HSW – Worksafe Performance Indicators	July 2016 to June 2017
SMCT WorkSafe Insurance Premium Rate	3.1832%
SMCT Indicative Performance Rating	1.0298
WorkSafe Average Industry Rating	3.0910%
SMCT Performance Rating (compared with Industry average)	3% opportunity



Regular Safety Walk and Talks are conducted with the Arbor team

OHS	FY 16-17	FY 15-16	FY 14-15
a) The number of reported hazards/incidents for the year per 100 full-time equivalent staff members	Total Incidents: 299 Staff No: 291 Per 100 staff: 31.62	Total Incidents: 84 Staff No: 293 Per 100 staff: 28.66	Total Incidents: 70 Staff No: 276 Per 100 staff: 25.36
b) The number of “lost time” standard claims for the year per 100 full-time equivalent staff members	Total Claims: 8 2.75	Total Claims: 29 9.90	Total Claims: 22 11.59
c) The average cost per claim for the year (including payments to date and an estimate of outstanding claim costs as advised by WorkSafe)	\$19,424	\$32,945.41	\$19,531.59

## ENGAGING with Focus

The focus of this P&C stream is on enhancing employee engagement and commitment.

### Employee Value Proposition

Embedding SMCT’s Employee Value Proposition (EVP) was a priority in FY17 in support of employee engagement and retention, and attracting external talent. The launch of our EVP incorporated the development of an Employee Experience brochure that captures the essence and unique attributes of our organisation.

The Employee Experience brochure now plays a valuable role in the SMCT external recruitment process in helping to articulate our EVP and employer brand as *Proud, Purposed and Progressive*.

The range of employee benefits on offer as part of our EVP is constantly under review. It was expanded in FY17 to include a novated car lease option, paid parental leave and the ability to purchase leave.

## Employee Family Christmas Celebration

Building on the positive feedback from our inaugural Family Day celebrating the opening of Bunurong Memorial Park (BMP) in FY16, our annual Christmas BBQ held in December 2016 was extended to include employees’ immediate family members. With over 300 attendees, the successful event provided an opportunity to recognise employee contributions with their families and reflected the ongoing development of our ‘one SMCT’ culture.



Employee Family Christmas Celebration 2016



## Employee Recognition

The annual Bill Harry PRIDE Awards provide SMCT employees with the opportunity to recognise the achievements and behaviour of their colleagues through nominations across the categories that are aligned with organisational values of PRIDE- Passion, Respect, Integrity, Dedication and Empathy.

In addition, a new award was introduced this year. The *Live Well, Work Well Award* recognises an employee who demonstrates genuine care and encourages the health, safety and wellbeing of others at work.

This new award will be awarded annually, in keeping with our commitment to maintain a strong focus on employee safety and wellbeing.

The 2017 Bill Harry PRIDE Awards had a record number of employee nominations, highlighting strong employee engagement.

# 2017 BILL HARRY PRIDE AWARDS

Celebrating One Team

## The winners of the Bill Harry PRIDE Awards 2017



The **PASSION Award** –  
Ross Churchyard, Grave  
Digger



The **RESPECT Award** –  
John Wright, Funeral  
Operations Coordinator



The **INTEGRITY Award** –  
Nicole Stow, Delivery &  
Solutions Manager



The **DEDICATION Award** –  
Kane Bryant, Funeral  
Supervisor Team Leader



The **EMPATHY Award** –  
Lisa Foster, Customer Care  
Consultant



The **Chairman's Award** –  
Laura Hall, Business Partner  
– Health, Safety & Wellbeing



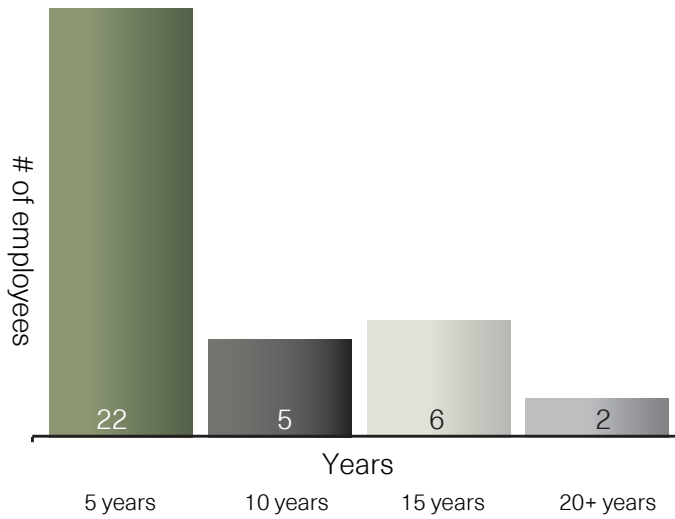
The **HSW LIVE WELL  
WORK WELL AWARD** –  
Chris Hewitt, Arbor  
Coordinator

**Service Milestones**

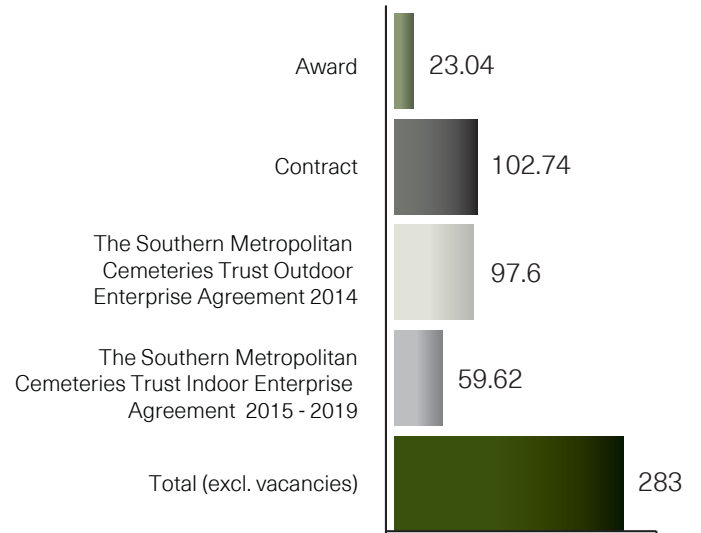
SMCT continued to demonstrate a positive engagement culture with significant service milestones celebrated by 41 award recipients, with these employees invited to attend the Annual General Meeting held at BMP in December 2016.

The following chart reflects the span and diversity of service milestones between July 2016 - June 2017:

**Service Milestones reached between July 2016 – June 2017**



**Terms of Employment (FTE) As at 30 June 2017**



L to R Trust Member Julie Busch with the recipients of the 20 Year Service Awards at the 2016 Annual Meeting: Ben Hannah, Adam Royans and Paul Horsfield

## **ORGANISATION by Design**

The focus of this stream is to ensure SMCT has the required people capabilities for ongoing success and sustainability.

### **Virtual teams**

Virtual teams and matrixed reporting continued to be leveraged during this reporting period, with cross functional employees leading and contributing to different project teams based on skill requirements.

This role liquidity highlights the growing maturity and agility of our workforce and enabled the successful delivery of key strategic initiatives such as the design, development and launch of the Centre for Care & Wellbeing.

### **INSPIRING to Lead**

Leadership capability is recognised as fundamental to SMCT's success and sustainability. This stream is centered on continually uplifting leadership capability through the design and delivery of a suite of leadership programs.

### **Frontline leadership program**

SMCT congratulated seven frontline leaders for their successful active participation in the Leading Effective Teams (LET) development program in FY17. In addition to developing identified leadership capabilities, this four-day program provides internal mentoring opportunities and highlights the ongoing commitment to develop frontline leadership capability.

### **Enterprise Leadership Program @ SMCT**

Following acceptance on to the 18 month program via an Expression of Interest process conducted in January 2017, ten SMCT leaders commenced participation in the inaugural Enterprise Leadership Program (ELP) in March 2017.

Designed to distribute the leadership of the executive leadership team, the ELP supports succession planning and talent initiatives through the engagement and retention of high performing leaders. A key objective of the program is to develop and grow the capability of senior leaders, while working collaboratively to solve organisational strategic challenges.



*Participants in the Enterprise Leadership Program 2017 (Absent - Will Au)*

### **Targeting TALENT**

This P&C stream is focused on ensuring SMCT has the required people capabilities for ongoing success and sustainability and incorporates a planned approach to attracting, developing and retaining capability and talent.

### **Talent and Succession Framework**

SMCT continues to embed the Talent Framework through the introduction of bi-annual Talent & Capability Workshops facilitated by P&C, integrated with annual planning cycles.

In addition to supporting the systematic identification of key positions and capabilities required to contribute to sustainable value generation for SMCT, development of Succession Plans for the Executive Leadership Team has been a key outcome of the framework in FY17.



SMCT's Talent Management framework also continued to complement our Workforce Planning model to support successful capability planning and recruitment activity, with over 25% of vacancies being filled by internal applicants in this reporting period.

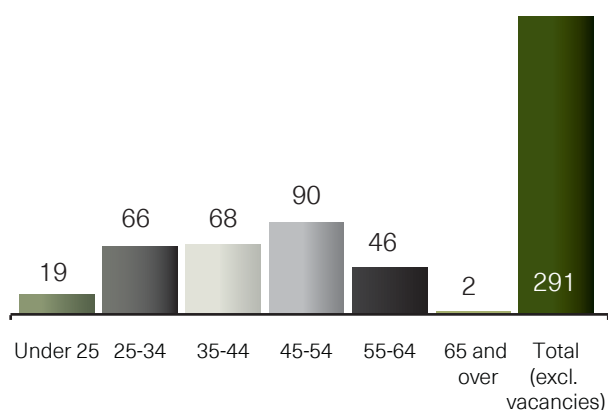
### Diversity

SMCT appreciates and celebrates the range of experiences, perspectives and opinions that a diverse, inclusive and team-based workplace provides, and understands this will ensure the delivery of our strategy and long-term sustainability.

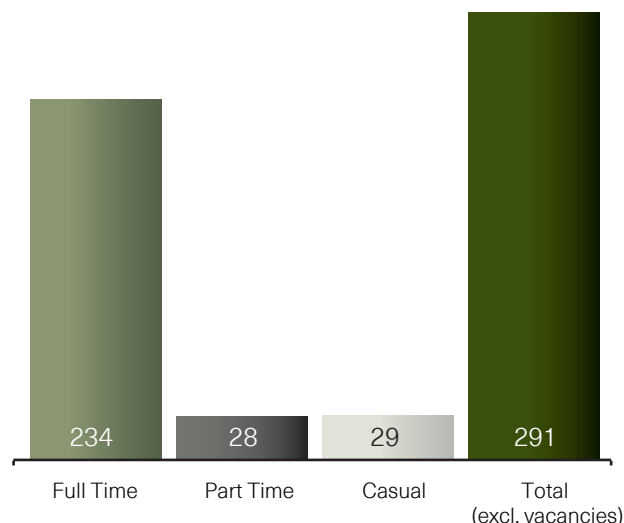
In support of our commitment to embracing and celebrating diversity at SMCT, significant consideration was given to the workforce profiling functionality during the scoping and selection stage for the proposed provider of an Employee Record system in FY17.

This system will be implemented in FY18, and will provide SMCT with the ability to gain a deep understanding of the diversity we already have in place, and to highlight any immediate opportunities for expansion and development of our internal diversity profile.

### Age Distribution (headcount, not FTE equivalent) As at 30 June 2017



### Flexible Working Arrangements (headcount, not Full Time Equivalent) As at 30 June 2017



SMCT Contact Centre centralised at Springvale Botanical Cemetery



## Looking Forward

Health, Safety & Wellbeing will remain a significant priority in FY18, with a focus on enhanced HSW metrics and reporting visibility across workgroups. We will also place continued emphasis on employee wellbeing through proactive injury management and further embedding the Activate Health program.

The successful implementation of the Employee Record system will be important to enhance people related decision making and ensure optimal record keeping compliance.

The Enterprise Leadership Program will also be a vital focus, together with fostering change management capability, in line with our ongoing commitment to developing an agile, high performance workforce and culture.

### **PRIDE in Our Values**

*At each and every cemetery and memorial park within our care we pledge to each other and to our clients 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*



*Trust Members and the Executive Leadership Team with winners of the Bill Harry PRIDE Awards 2017*

# Spotlight on Sustainability

Southern Metropolitan Cemeteries Trust (SMCT) maintains a front of mind approach to environmental sustainability in our operations. This focus is highlighted in the SMCT Vision Statement, which reads:

*We will create and nurture sustainable, beautiful, iconic and distinctive locations to honour and celebrate life. We will set the standard by providing our communities with world class services and facilities across every aspect of the business.*

In keeping with this commitment to environmentally sustainable practises across our operations, we monitor our performance and have progressed a number of initiatives throughout the reporting period.

## Carbon Emissions Report

SMCT has reported on total carbon emissions to the Department of Health and Human Services (DHHS) and the Environmental Protection Authority (EPA) since 2010-11. The total CO<sub>2</sub> figure shown in the table below is calculated from data collected throughout the year.

This data provides a benchmark and basis for measuring the long-term success of SMCT's sustainability strategies and action plans.

Total emissions decreased by 31.3% in 2016-17 primarily due to the completion of the Bunurong Memorial Park (BMP) stage one development works. Major carbon reductions have resulted from the use of fewer construction materials and less purchased electricity.

SMCT's environmental impact has reduced significantly and is expected to hold close to current levels for the next few years.



Community Garden, Springvale Botanical Cemetery

## SMCT Carbon Footprint Annual Data

Year	Total Emissions (tonnes CO <sub>2</sub> equivalent)	Var (%)	Emissions per FTE (tonnes CO <sub>2</sub> equivalent)	Var (%)	Comments
2010-11	5420.45	NA	24.93	NA	First year of reporting all sites
2011-12	5673.90	4.7%	26.70	7.1%	Increase in construction projects
2012-13	5670.88	-0.1%	23.04	-13.7%	Decrease in construction projects
2013-14	6502.46	14.7%	28.40	23.3%	Increase in construction projects
2014-15	7570.52	16.4%	27.04	-4.8%	Increase in construction projects
2015-16	9398.07	24.1%	30.91	14.3%	Increase in construction projects
2016-17	6458.88	-31.3%	27.84	-9.9%	Decrease in construction activity and solar electricity generation

## Identifying SMCT's top carbon producers

### Construction materials

The completion of the development works (stage one) at BMP has had a significant impact in 2016-17 reductions. In 2015-16, construction materials counted for 32% of the total carbon footprint while in the 2016-17 period construction material was reduced to 6% of the total carbon footprint.

### Electricity

Purchased electricity has historically been the largest contributor to SMCT's environmental impact. With the construction of the Clarence Rearden Centre at Springvale Botanical Cemetery (SBC) and the redevelopment of BMP, SMCT has reduced its carbon emissions for purchased electricity by -400 tonnes whilst increasing its built form by +3000 metres of space.

SMCT generates approximately 15% of its electricity needs from 1,350 solar panels which are located on the Clarence Reardon Centre, SBC Crematorium, and at BMP. To put this in perspective, this would power 75 Australian homes for a year

### Natural Gas

The use of natural gas for cremations, general heating, and commercial kitchens accounted for 16.8% of the total carbon footprint. Whilst consumption remained steady in 2015-16 compared to 2014-15 (10%) the increase in 2016-17 is due to the new infrastructure at BMP. This includes significant commercial kitchens and a large café.

### Waste to landfill

Despite several waste reduction initiatives the total amount of waste sent to landfill has only slightly reduced from previous years (-20 tonnes) and accounted for 12.6% of the total carbon footprint.

## Employee Commuting

Employee commuting data including transport mode, distance travelled, and vehicle capacity is collected from SMCT employees every year. This year's data indicated that employee commuting accounts for 8% of the total carbon footprint. Although there has been an increase in total employee numbers, there has been a slight reduction of -20 tonnes on the previous year.

## Cremations

The process of cremating bodies produces CO<sub>2</sub> through the use of natural gas as well as the natural emissions generated by the body through the cremation process.

SMCT conducted 9,135 cremations in 2016-17 with the total carbon impact being 6.8%. Heavy metals pollution such mercury is a global concern that SMCT is currently investigating.

Innovative body processing methods and cremator pollutant filtering technologies are being developed around the world and we continue to monitor progress with these initiatives.

### **Southern Metropolitan Cemeteries Trust Sustainability Statement:**

*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. This includes building an organisational culture which operates in a manner which is both socially and environmentally sensitive and responsible. We will develop and implement a plan that recognises and addresses future environmental and sustainability expectations by establishing responsible sustainability principles in the delivery of all services undertaken by SMCT.*

# Looking Forward

## **Southern Metropolitan Cemeteries Trust (SMCT) represents choice, respect and advocacy for all Victorians.**

Moving forward, we will maintain our steadfast priority to continue to listen and respond to the changing needs of the community.

SMCT believes that creating value and meaningful experiences are paramount in developing strong connections with the diverse community we serve.

In today's dynamic fast paced environment, where efficiency and disposability takes precedence, SMCT is committed to promoting customer advocacy and ensuring that rituals and ceremonies are observed; giving families and communities the space and time to grieve and mourn well.

The state of the art facilities that we continue to invest in across our locations are intended to enhance that experience for families and visitors to the cemeteries and memorial parks in our care.

As a purposed organisation, SMCT will continue to support the community by guiding them during their journey through grief. The Centre for Care & Wellbeing (CCW), a first for the cemetery sector in Australia, allows us to support grieving individuals in a more appropriate way; companioning them through their grief. The guiding vision for the CCW is to be a safe haven that provides support and allows people to feel connected to others with similar experiences.

In anticipating and responding to the needs of our growing emerging communities, SMCT will progress with the planning and design of the contemporary, Asian influenced precinct at Springvale Botanical Cemetery (SBC) to meet the community's identified future needs.



*Saint Michael the Archangel Mausoleum, exterior view (artist's impression)*



Another key infrastructure project into FY18 will be the completion of the construction of the final mausoleum for Melbourne General Cemetery (MGC); the Saint Michael the Archangel Mausoleum. Response from the Italian community is already strong, with a large number of wait listed individuals.

Implementation of the Digital Strategy will progress into FY18, with continued enhancements to our digital touch points. This will equip us to communicate in a more targeted, customised and sophisticated manner with current clients, prospects, stakeholders and the community across multiple channels.

As the rapid uptake of technology continues, SMCT will foster a digital first culture to optimise our responsive service offering.

A key initiative will be the refresh of our website which will facilitate the provision of customer focused information and enhance our engagement across broader demographics.

SMCT will continue to build on the strong ethos of customer centricity, social inclusion and innovation, and in turn drive customer advocacy via the creation of meaningful experiences, where *care is anchored in compassion*.

## Strategic Projects FY18

### Embracing Customer Centricity

- Providing the new Saint Michael the Archangel mausoleum at Melbourne General Cemetery.
- Master plan development of the first phase of the Asian influenced precinct at Springvale Botanical Cemetery.

### Pursuing Strategic Growth

- Enhancing our digital assets to ensure they meet user's needs and expand our online reach.

### Enhancing Strategic Engagement

- Continued engagement with our stakeholders for the ongoing activation of Bunurong Memorial Park.
- Further activation of the Centre for Care & Wellbeing.
- Progressing additional research projects with our industry partners to identify community needs.

### Investing in People Development

- Further embed Health & Safety in the Workplace across the organisation with a focus on Safety Leadership.
- Continuation of the Activate Health Program.



Gallery of Angels, Melbourne General Cemetery







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

The attached financial statements for the Southern Metropolitan Cemeteries Trust ("SMCT") have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance 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 2017 and financial position of the Trust at 30 June 2017.

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 2 August 2017.



**Sue Renkin**  
Trust Chairman  
Springvale  
2 August 2017



**Jane Grover**  
Accountable Officer  
Springvale  
2 August 2017



**Noel Renwick**  
Chief Finance & Accounting Officer  
Springvale  
2 August 2017



# Independent Auditor's Report

## To the Trust 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 2017</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 a summary of 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 2017 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. My responsibilities under the Act are further described 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 confirm that the independence declaration required by the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, which has been given to the Trust of the cemetery, would be in the same terms if given to the Trust as at the time of this auditor's report.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Trust's responsibilities for the financial report</b>	<p>The Trust 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> and the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, and for such internal control as the Trust 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 Trust 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 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 report as a whole is 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 our 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 Trust
- conclude on the appropriateness of the Trust'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 Trust 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 Trust 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  
7 August 2017



Charlotte Jeffries  
*as delegate for the Auditor-General of Victoria*

## Comprehensive Operating Statement for the financial year ended 30 June 2017

	Note	2017 \$000	2016 \$000
<b>Income</b>			
Cemetery operations income	2.1	63,000	54,445
Cost of sales	3.1	(10,304)	(7,888)
		<b>52,696</b>	<b>46,557</b>
Investment income	2.1	14,800	11,840
<b>Total income</b>		<b>67,496</b>	<b>58,397</b>
<b>Expenses</b>			
Employee expenses	3.1(c)	(22,904)	(21,795)
Depreciation and amortisation	4.4	(5,643)	(5,333)
Maintenance and operating costs	3.1(c)	(3,770)	(3,687)
Administrative costs	3.1(c)	(3,729)	(3,823)
Investment management fees	3.1(c)	(1,140)	(1,160)
Other operating expenses	3.1(c)	(2,564)	(2,222)
Audit fees: auditor-general	8.5	(85)	(83)
Audit fees: other	8.5	(62)	(66)
Cemetery levy	3.1(b)	(2,185)	(1,979)
<b>Total expenses</b>		<b>(42,082)</b>	<b>(40,149)</b>
<b>Operating result for the year</b>		<b>25,414</b>	<b>18,248</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	8.1	36,746	0
<b>Items that may be reclassified subsequently to net result</b>			
Net fair value gains/(losses) on available for sale financial investments	8.1	9,316	(4,427)
<b>Total other comprehensive income</b>		<b>46,062</b>	<b>(4,427)</b>
<b>Comprehensive result for the year</b>		<b>71,476</b>	<b>13,821</b>

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

## Balance Sheet as at 30 June 2017

	Note	2017 \$000	2016 \$000
<b>Current Assets</b>			
Cash and cash equivalents	4.1	14,018	14,674
Receivables	5.1	10,998	8,868
Prepayments	5.3	174	190
Inventories	5.2	7,224	7,857
<b>Total current assets</b>		<b>32,414</b>	<b>31,589</b>
<b>Non-current assets</b>			
Inventories	5.2	9,382	11,285
Intangible assets	4.5	915	1,146
Investment properties	4.6	2,710	2,515
Property, plant and equipment	4.3	161,380	123,050
Investments and other financial assets	4.2	247,130	210,506
<b>Total non-current assets</b>		<b>421,517</b>	<b>348,504</b>
<b>TOTAL ASSETS</b>		<b>453,931</b>	<b>380,093</b>
<b>Current liabilities</b>			
Unearned income	5.5	37,610	33,950
Payables	5.4	5,455	6,448
Provision for employee benefits	3.2	2,708	3,052
Provision for onerous contract	3.2	502	523
<b>Total current liabilities</b>		<b>46,275</b>	<b>43,973</b>
<b>Non-current liabilities</b>			
Provision for employee benefits	3.2	605	543
<b>Total non-current liabilities</b>		<b>605</b>	<b>543</b>
<b>TOTAL LIABILITIES</b>		<b>46,880</b>	<b>44,516</b>
<b>Net assets</b>		<b>407,051</b>	<b>335,576</b>
<b>EQUITY</b>			
Contributed capital	8.1	61,464	61,464
Accumulated surplus/(deficit)	8.1(a)	14,931	16,264
Property, plant and equipment revaluation reserve	8.1(b)	37,660	914
Available for sale investment revaluation reserve	8.1(c)	7,089	(2,227)
Perpetual maintenance reserve	8.1(d)	285,907	259,161
<b>TOTAL EQUITY</b>		<b>407,051</b>	<b>335,576</b>
Commitments	6.2		
Contingent assets and contingent liabilities	7.2		

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



## Statement of Changes in Equity for the financial year ended 30 June 2017

	Property Plant and Equipment revaluation reserve	Available for sale investment revaluation reserve	Perpetual maintenance Reserve	Contributed capital	Accumulated surplus/ (deficit)	Total
Note	\$000	\$000	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2015</b>	<b>914</b>	<b>2,200</b>	<b>237,288</b>	<b>61,464</b>	<b>19,889</b>	<b>321,755</b>
Operating result for the year	0	0	0	0	18,248	18,248
Other comprehensive income for the year	0	(4,427)	0	0	0	(4,427)
Transfer to accumulated surplus	0	0	21,873	0	(21,873)	0
<b>Balance at 30 June 2016</b>	<b>914</b>	<b>(2,227)</b>	<b>259,161</b>	<b>61,464</b>	<b>16,264</b>	<b>335,576</b>
Operating result for the year	0	0	0	0	25,414	25,414
Other comprehensive income for the year	0	9,316	0	0	0	9,316
Transfer to/(from) accumulated surplus	0	0	26,746	0	(26,746)	0
Transfer to asset revaluation reserve	36,746	0	0	0	0	36,746
<b>Balance at 30 June 2017</b>	<b>37,660</b>	<b>7,089</b>	<b>285,907</b>	<b>61,464</b>	<b>14,931</b>	<b>407,051</b>

## Cash Flow Statement for the financial year ended 30 June 2017

	Note	2017 \$000	2016 \$000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from customers		66,717	67,231
Goods and services tax received from the ATO		2,495	6,119
Investment income receipts		14,800	11,840
<b>Total receipts</b>		<b>84,012</b>	<b>85,190</b>
<b>Payments</b>			
Payments to suppliers and employees		(47,982)	(47,614)
Goods and services tax paid to the ATO		(2,262)	(2,561)
<b>Total payments</b>		<b>(50,244)</b>	<b>(50,175)</b>
<b>Net cash flows from / (used in) operating activities</b>	8.2	<b>33,768</b>	<b>35,015</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(7,517)	(40,876)
Proceeds from sale of assets		120	(145)
Payments for investments		(27,027)	(6,989)
<b>Net cash flows from / (used in) investing activities</b>		<b>(34,424)</b>	<b>(48,010)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(656)</b>	<b>(12,994)</b>
Cash and cash equivalents at the beginning of the financial year		14,674	27,668
<b>Cash and cash equivalents at the end of the financial year</b>	4.1	<b>14,018</b>	<b>14,674</b>

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## 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 the preparation of 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.

Consistent with the requirements of Australian Accounting Standards Board ("AASB") 1004 *Contributions* (i.e contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of SMCT.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. 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.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also future periods that are affected by the revision. Judgements and assumptions made by management in applying the application of AASB that have significant effect on the financial statements and estimates, are disclosed in the notes under the heading: 'Significant judgement or estimates'.

## Note 1: Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for the Southern Metropolitan Cemeteries Trust (SMCT) for the year ended 30 June 2017. The purpose of the report is to provide users with information about SMCT's stewardship of the resources entrusted to it.

### (a) Statement of compliance

These financial statements of SMCT 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*, applicable Australian Accounting Standards (AAS) which include interpretations issued by the Australian Accounting Standards Board (AASB), these interpretations are identified and numbered by 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 (FRD) issued by the Department of Treasury and Finance and relevant Standing Directions (SD) authorised by the Minister for Finance. In complying with AASs, SMCT has, where relevant, applied those paragraphs allocable to not-for-profit entities.

The annual financial statements were authorised for issue by the Trust Members of SMCT on 2 August 2017.

### (b) 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 set out below have been applied in preparing the financial statements for the year ended 30 June 2017, and the comparative information presented in these financial statements for the year ended 30 June 2016.

The going concern basis was used to prepare the financial statements.

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

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting. Under the accrual basis, items are recognised as assets, liabilities, equity, income or expenses when they satisfy the definitions and recognition criteria for those items, i.e. they are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The financial statements are prepared in accordance with the historical cost convention, except for:

- property, plant and equipment which subsequent to acquisition, are measured at their fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are made and re-assessed when new indices are published by the Valuer-General Victoria to ensure that the carrying amounts do not materially differ from their fair values;
- investment property after initial recognition, which is measured at fair value with changes reflected in the comprehensive operating statement;
- available for sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised (i.e. other comprehensive income – items that may be reclassified subsequent to the net result); and
- the fair value of assets other than land is generally based on their depreciated replacement value.

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 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.

Consistent with AASB 13 *Fair Value Measurement* and relevant FRDs, SMCT determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, investment property and financial instruments, and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant FRD's.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that SMCT can access at measurement date (i.e. balance date being 30 June 2017)
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – Unobservable inputs for the asset or liability.

For the purpose of fair value disclosures, SMCT has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, SMCT determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria (VGV) is SMCT's independent valuation agency.

SMCT, in conjunction with VGV, monitors the changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

The estimates and underlying assumptions are reviewed on an ongoing basis, at least annually. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates, relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 4.3);
- superannuation expense (refer to Note 3.3);
- fair value of available for sale investments (refer to Note 4.2);
- employee benefit provision (refer to Note 3.2);

### **(c) Reporting entity**

The financial statements include all the controlled activities of SMCT. SMCT was established under the *Cemeteries and Crematoria Act 2003* and the operations are governed by the same Act.

The financial statements of SMCT include Brighton General Cemetery, Bunurong Memorial Park, Cheltenham Memorial Park, Cheltenham Pioneer Cemetery, Dandenong Community Cemetery, Melbourne General Cemetery, Springvale Botanical Cemetery and St Kilda Cemetery. The objective of SMCT is to provide cemetery, crematorium and memorialisation services to the public.

SMCT's principal address is:

Springvale Botanical Cemetery  
Princes Highway  
Springvale, Victoria, 3171

### **(d) Scope and presentation of financial statements**

#### **Comprehensive Operating Statement**

The comprehensive operating statement presents the operating result of SMCT. It presents significant categories of income and expenses included in the operating result to enhance the understanding of the financial performance of SMCT. It also shows other comprehensive income included in the comprehensive result for the year.

#### **Balance Sheet**

Assets and liabilities are categorised either as current or non-current (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period), and are disclosed in the notes where relevant.

### Statement of Changes in Equity

The statement of changes in equity presents reconciliations of equity opening balances at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other changes in equity.

### Cash Flow Statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements of AASB 107 *Statement of Cash Flows*.

### Rounding

All amounts shown in the financial statements are expressed to the nearest \$1,000 unless otherwise stated.

Minor discrepancies in tables between totals and sums of components are due to rounding.

### Comparative Information

Where necessary the previous year's figures are reclassified to facilitate comparison.

### (e) Goods and services tax

Income, expenses and assets (other than receivables) 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 it 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.

### (f) Issued but not yet effective Australian accounting and reporting pronouncements.

The table below is provided to assist entities in updating their disclosure in relation to the Australian accounting standards that are issued but not yet effective for 2016-17 in accordance with paragraph 30 of AASB 108. This disclosure should be included in the *Summary of Significant Accounting Policies* note of entities' financial reports. Entities are expected to review the relevance of the proposed disclosure based on their own circumstances.

# Financial Statements - Southern Metropolitan Cemeteries Trust

Notes to the Financial Statements for the year ended 30 June 2017

Standard/ Interpretation <sup>1</sup>	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<i>AASB 9 Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
<i>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> <li>• The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and</li> <li>• Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</li> </ul>	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge. For entities with significant lending activities, an overhaul of related systems and processes may be needed.
<i>AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
<i>AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.



Financial Statements - Southern Metropolitan Cemeteries Trust  
Notes to the Financial Statements for the year ended 30 June 2017

Standard/ Interpretation <sup>1</sup>	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 15 <i>Revenue from Contracts with Customers</i>	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.	1 Jan 2018	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.  The Standard will also require additional disclosures on service revenue and contract modifications.
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	Amends the measurement of trade receivables and the recognition of dividends.  Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.  Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> <li>• the entity's right to receive payment of the dividend is established;</li> <li>• it is probable that the economic benefits associated with the dividend will flow to the entity; and</li> <li>• the amount can be measured reliably.</li> </ul>	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: <ul style="list-style-type: none"> <li>• A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation;</li> <li>• For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and</li> <li>• For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).</li> </ul>	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.
AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 Jan 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019- 20 reporting period.

# Financial Statements - Southern Metropolitan Cemeteries Trust

Notes to the Financial Statements for the year ended 30 June 2017

Standard/ Interpretation <sup>1</sup>	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	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. The amendments: <ul style="list-style-type: none"> <li>• require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and</li> <li>• clarifies circumstances when a contract with a customer is within the scope of AASB 15.</li> </ul>	1 Jan 2019	The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above.
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase.  Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.  No change for lessors.
AASB 1058 <i>Income of Not-for-Profit Entities</i>	This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1 Jan 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2016-17 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions*
- AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*

- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments*
  - AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle*
- Notes:

1. For the current year, given the number of consequential amendments to AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*, the standards/interpretations have been grouped together to provide a more relevant view of the upcoming changes.

## 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 income based on parliamentary appropriations.

Structure

2.1 Analysis of Revenue by Source

### Note 2.1: Analysis of revenue by source

#### 2 (a) Cemetery Operations Income

	Note	2017 \$000	2016 \$000
Grave income		21,627	20,317
Interment income		4,812	4,544
Mausoleum crypts		11,235	5,429
Cremation		7,067	6,740
Cremation memorial		5,212	5,344
Memorialisation		4,885	4,645
Retail		4,519	3,690
Other operating income		3,543	3,429
Government grants		0	183
Profit/(loss) on disposal of property, plant and equipment		100	124
<b>Total cemetery operations income</b>		<b>63,000</b>	<b>54,445</b>

#### 2 (b) Profit/(loss) on disposal of property, plant and equipment

Proceeds	120	145
Written down value of property, plant and equipment disposed	(20)	(21)
<b>Total profit/(loss) on disposal of property, plant and equipment</b>	<b>100</b>	<b>124</b>

#### 2 (c) Investment income

##### Interest income

Interest from cash and cash equivalents	113	347
Interest from available for sale investments	0	18
	113	365
Distributions	13,434	10,580
Other investment income - franking credits	1,253	895
<b>Total investment income</b>	<b>14,800</b>	<b>11,840</b>

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. Amounts disclosed as revenue, are shown, net of returns, allowances and duties and taxes. Unearned income at reporting date is reported as unearned income, in accordance with note 5.5.

#### **Cemetery Operations Income**

Fees received for the rights of interment for graves, cremation memorials and mausoleum 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 5.5.

#### **Distributions and Dividends Income**

Distributions and dividend revenue are recognised when the right to receive payment is established.

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

#### **Interest Income**

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

#### **Sale of Investments**

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

#### **Unearned Income**

Unearned income represents monies received in advance of the provision of goods or services. These monies are recorded as revenue in the period that the goods or services are provided, and as income received in advance at reporting date.

### Note 3: The Cost of Delivering Services

This section provides an account of the expenses incurred by SMCT in delivering services and outputs. In Note 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 Analysis of Expense by Source

3.2 Provisions

3.3 Superannuation

#### Note 3.1: Analysis of expenses by source

<b>3 (a) Cost of sales</b>	<b>Notes</b>	<b>2017 \$000</b>	<b>2016 \$000</b>
Rights of Interment		6,634	4,221
Memorialisation		1,922	2,178
Retail		1,487	1,241
Other		261	248
<b>Total cost of sales</b>		<b>10,304</b>	<b>7,888</b>
<b>3 (b) Cemetery levy</b>			
Cemetery levy		2,185	1,979
<b>Total cemetery levy</b>		<b>2,185</b>	<b>1,979</b>
<b>3 (c) Expenses from transactions</b>			
Employee expenses (i)		22,904	21,795
Maintenance operating costs		3,770	3,687
Administrative costs		3,729	3,823
Other operating costs		2,564	2,222
Investment management fees		1,140	1,160
Audit fees: auditor-general	8.5	85	83
Audit fees: other	8.5	62	66
<b>Total expenses from transactions</b>		<b>34,254</b>	<b>32,836</b>



Expenses represent cost of goods sold, services provided and day to day running costs, including maintenance and administrative costs, incurred in the normal operations of SMCT. Expenses are recognised as they are incurred and are reported in the financial year to which they relate.

#### **Cost of Sales**

Costs of sales are recognised when the sale of an item or right of interment occurs which includes costs directly incurred (other than employee expenses) in providing the item and/or transferring the cost or value of the item or value of land related to the right of interment from inventories.

#### **Cemetery Levy**

In accordance with section 18Q of the *Cemeteries and Crematoria Act 2003*, SMCT is required to pay a percentage of gross earnings, as defined by the Department of Health & Human Services, to the Consolidated Fund held by the State of Victoria. Gross earnings is defined as cemetery operations income and investment income, excluding donations, government grants, profit/loss on the sale of investments and other assets and assets received free of charge. The levy for this reporting period is 3% (2016: 3%).

#### **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 the defined benefit or defined contribution plans; and
- the revaluation of the present value of the long service leave (LSL) liability due to changes in the bond interest rates.

#### **Other Operating Expenses**

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and include:

##### **Supplies and consumables**

Supplies and service costs which 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.

##### **Bad and doubtful debts**

Refer to Note 7.1 Impairment of financial assets.

### Note 3.2: Provisions

	2017 \$000	2016 \$000
<b>Current provisions</b>		
Employee benefits		
Annual leave		
Annual leave (unconditional and expected to be settled within 12 months) <sup>(ii)</sup>	961	1059
Annual leave (unconditional and expected to be settled after 12 months) <sup>(ii)</sup>	106	118
Employee termination benefits <sup>(i)</sup>		
Long service leave (unconditional and expected to be settled within 12 months) <sup>(ii)</sup>	344	355
Long service leave (unconditional and expected to be settled after 12 months) <sup>(ii)</sup>	893	997
Continuity of Service (conditional and expected to be settled within 12 months)	63	34
Continuity of Service (conditional and expected to be settled after 12 months)	0	119
Rostered days off (unconditional and expected to be settled within 12 months) <sup>(ii)</sup>	60	57
	<b>2,427</b>	<b>2,739</b>
<b>Provision for On-Costs</b>		
Annual Leave (unconditional and expected to be settled within 12 months)	116	125
Annual Leave (unconditional and expected to be settled after 12 months)	12	14
Long Service Leave (unconditional and expected to be settled within 12 months)	42	43
Long Service Leave (unconditional and expected to be settled after 12 months)	110	120
Continuity of Service (conditional and expected to be settled within 12 months)	1	1
On-costs Continuity of Service (conditional and expected to be settled after 12 months)	0	2
Rostered Days Off (unconditional and expected to be settled within 12 months)	0	7
	<b>281</b>	<b>313</b>
<b>Total current provisions</b>	<b>2,708</b>	<b>3,052</b>
<b>Non-current provisions</b>		
Long service leave - (Conditional and expected to be settled after 12 months) <sup>(ii)</sup>	539	484
On-costs on non-current employee provisions	66	59
<b>Total non-current</b>	<b>605</b>	<b>543</b>
<b>Total provision for employee benefits <sup>(iii)</sup></b>	<b>3,313</b>	<b>3,595</b>

#### Notes:

(i) Employee benefits consist of annual leave and long service leave accrued by employees. On-costs such as payroll tax and worker's compensation insurance are not employee benefits and are reflected as a separate provision.

(ii) The amounts disclosed are present values

(iii) Total relates to employee entitlements only – other provisions are shown at 3.2 (c) onerous contracts

<b>(a) Employee benefits and on-costs <sup>(i)</sup></b>	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current employee benefits</b>		
Annual leave	1,067	1,177
Long service leave	1,237	1,352
Continuity of Service	63	153
Rostered days off	60	57
<b>Non-current employee benefits</b>		
Long service leave	539	484
<b>Total employee benefits</b>	<b>2,966</b>	<b>3,223</b>
<b>Total on-costs</b>		
Current on-costs	281	313
Non-current on-costs	66	59
<b>Total on-costs</b>	<b>347</b>	<b>372</b>
<b>Total employee benefits and on-costs</b>	<b>3,313</b>	<b>3,595</b>

(i) Employee benefits consist of annual leave and long service leave accrued by employees. On costs such as payroll tax and workers' compensation insurance are not employee benefits and are recognised as a separate provision.

<b>(b) Movement in provisions</b>	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
<b>Movement in long service leave</b>		
Balance at the start of the period	2,058	1,735
Revaluations	59	151
Expense recognising employee service	198	392
Payments for Long Service Leave	(322)	(220)
<b>Balance at the end of the period</b>	<b>1,994</b>	<b>2,058</b>
<b>Movement in annual leave</b>		
Balance at the start of the period	1,317	1,200
Expense recognising employee service	1,447	1,424
Annual leave taken	(1,568)	(1,307)
<b>Balance at the end of the period</b>	<b>1,195</b>	<b>1,317</b>
<b>Provision for loss on onerous contracts</b>		
<b>Balance at beginning of period</b>	<b>523</b>	<b>481</b>
Amount taken to operating statement	(21)	42
<b>Total provision for loss on onerous contracts</b>	<b>502</b>	<b>523</b>

### 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 the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where the provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using the discount rate that reflects the time value of money and risks specific to the provision.

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

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

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave, continuity of service benefits and RDOs 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

The liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL (representing seven or more years of continuous service) is disclosed 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.

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 wholly settle within 12 months.

Conditional LSL (representing less than seven years of continuous service) is disclosed as a non-current liability because there is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of the non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as another economic flow.

### **Continuity of Service**

Continuity of service entitlement was introduced for certain employees in the year 2000, for recognition of service by employees who had served 10 years or more. The continuity of service benefit is accrued by employees employed under certain enterprise agreements and/or employment contracts from commencement of employment. This benefit is unavailable for new employees and is being progressively phased out.

The components of continuity of service are accounted for in a manner consistent with long service leave, other than the qualifying period of employment is ten years rather than seven years, and it is only payable upon resignation or retirement from employment.

### **Termination Benefits**

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee decides to accept an offer of benefits in exchange for the termination of employment.

SMCT recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### **On-Costs**

Employee benefits on-costs, such as workers compensation premiums and superannuation, are recognised separately from provision for employee benefits.

### **Onerous contracts**

A provision is recognised in relation to prepaid burial, cremations and memorialisation fees where the current 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 costs can be reliably measured. The provision represents the value of the expenditure required to provide the goods and/or service, less the amount of revenue to be recognised.



### Note 3.3: Superannuation

Fund	Paid contribution for the year		Contribution outstanding at year end	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Defined benefit plans <sup>(i)</sup></b>				
LASB/Vision Super	255	268	0	0
<b>Defined contributions plans:</b>				
Vision Super	1,014	1,080	0	84
Other	834	737	9	67
<b>Total</b>	<b>2,103</b>	<b>2,085</b>	<b>9</b>	<b>151</b>

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

#### Superannuation

Employees of SMCT are entitled to receive superannuation benefits and SMCT contributes to both defined benefit and defined contribution plans.

#### Defined Contribution Superannuation Plan

The defined contribution plans 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 contributions range between 9.5% and 13%. No further liability accrues to SMCT as the superannuation benefits accruing to employees are represented by their share of the net assets of the respective Superannuation Fund.

#### Defined Benefit Superannuation Plan

The defined benefit plan provides benefits to employees based on years of service and final average salary. SMCT makes employer contributions to the defined benefits category of the Superannuation Fund at the rates determined by the Fund's Trustee based upon the result of the most recent full actuarial investigation conducted by the Fund's actuary, being as at 31 March 2017.

SMCT's current contribution ranges between 9.5% to 13.0% of superannuation salary, plus any difference between the resignation and retrenchment benefits paid to any retrenched employees, plus contribution tax.

#### Unfunded Defined Benefit Superannuation Liability

The Local Authorities Superannuation Fund (LASF), known as Vision Super since 2002, 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 Saver (accumulation or defined contribution) fund.

In accordance with regulations, the Fund's Trustees are required to complete an actuarial review of the 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.

Based on the advice from the Fund's Trustees, there is no shortfall in the defined benefit plan as at 30 June 2017.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of SMCT.

## 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 Cash and Cash Equivalents
- 4.2 Investments and Other Financial Assets
- 4.3 Property, Plant & Equipment
- 4.4 Depreciation and Amortisation
- 4.5 Intangible Assets
- 4.6 Investment Property

### Note 4.1: Cash and cash equivalents

	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
Cash on hand	10	9
Cash at bank	14,008	14,665
<b>Total cash and cash equivalents</b>	<b>14,018</b>	<b>14,674</b>

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits at call and highly liquid investments (with an original maturity of three months or less), which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

### Note 4.2: Investments and other financial assets

	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
<b>Non-Current</b>		
Managed Units Investments	247,130	210,506
<b>Total other financial assets</b>	<b>247,130</b>	<b>210,506</b>

Investments and other financial assets are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

The only financial investments held by SMCT are available for sale investments.

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.

### Note 4.3: Property, plant and equipment

#### 4.3(a) Gross carrying amount and accumulated depreciation

	2017 \$000	2016 \$000
Cemetery infrastructure land at fair value	13,321	12,430
<i>Less impairment</i>	0	0
<b>Total cemetery infrastructure land</b>	<b>13,321</b>	<b>12,430</b>
Buildings, infrastructure and improvements at fair value	139,015	106,421
<i>Less accumulated depreciation</i>	0	(6,569)
<b>Total buildings, infrastructure and improvements</b>	<b>139,015</b>	<b>99,852</b>
Plant and equipment at fair value	8,866	8,516
<i>Less accumulated depreciation</i>	(4,266)	(3,969)
<b>Total plant and equipment</b>	<b>4,600</b>	<b>4,547</b>
Office equipment, furniture and fittings at fair value	5,238	4,766
<i>Less accumulated depreciation</i>	(1,423)	(1,189)
<b>Total office equipment, furniture and fittings</b>	<b>3,815</b>	<b>3,577</b>
<b>Total capital works in progress at cost</b>	<b>629</b>	<b>2,644</b>
<b>Total property, plant and equipment</b>	<b>161,380</b>	<b>123,050</b>

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

	Cemetery Infrastructure Land \$000	Buildings, Infrastructure and Improvements \$000	Plant and Equipment \$000	Office Equipment, Furniture and Fittings \$000	Capital Works in Progress \$000	Total \$000
<b>Balance at 1 July 2015</b>	<b>12,346</b>	<b>54,833</b>	<b>4,370</b>	<b>910</b>	<b>14,871</b>	<b>87,330</b>
Additions	0	0	0	0	41,228	41,228
Transfers to completed assets	0	48,585	1,337	2,963	(53,455)	(570)
Disposals	0	(1,600)	(25)	(15)	0	(1,640)
Depreciation expense	0	(3,585)	(1,135)	(281)	0	(5,001)
Reclassification of assets	84	0	0	0	0	84
Write-back of accelerated Depreciation	0	1,619	0	0	0	1,619
<b>Balance at 1 July 2016</b>	<b>12,430</b>	<b>99,852</b>	<b>4,548</b>	<b>3,577</b>	<b>2,644</b>	<b>123,051</b>
Additions	0	0	0	0	7,297	7,297
Expenditure on capital works	0	0	0	0	(15)	(15)
Transfers to completed assets	0	7,526	759	793	(9,297)	(220)
Disposals	0	0	(60)	0	0	(60)
Depreciation expense	0	(3,588)	(1,082)	(555)	0	(5,225)
Revaluation of PPE	891	35,225	435	0	0	36,551
<b>Balance at 30 June 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>
<b>Land and buildings carried at valuation</b>						

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

	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	\$000	\$000	\$000	\$000
<b>Cemetery infrastructure land at fair value</b>				
Non-Specialised land	6,000	0	6,000	0
Specialised land	7,321	0	0	7,321
Total of land at fair value	13,321	0	6,000	7,321
<b>Buildings, infrastructure and improvements at fair value</b>				
Non-specialised buildings	4,300	0	4,300	0
Specialised buildings	134,715	0	0	134,715
Total of buildings at fair value	139,015	0	4,300	134,715
<b>Plant and equipment at fair value</b>				
Plant and equipment	4,600	0	0	4,600
Total of plant, equipment and vehicles at fair value	4,600	0	0	4,600
<b>Office equipment, furniture and fittings at fair value</b>				
General Office equipment, furniture and fittings	3,815	0	0	3,815
Total office equipment, furniture and fittings at fair value	3,815	0	0	3,815
<b>Capital works in progress at fair value</b>				
Capital works in progress	629	0	0	629
Total capital works in progress at fair value	629	0	0	629
	161,380	0	10,300	151,080

#### Note

(i) Classified in accordance with the fair value hierarchy as set out in Note 1(b)

	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	\$000	\$000	\$000	\$000
<b>Cemetery infrastructure land at fair value</b>				
Non-Specialised land	9,500	0	9,500	0
Specialised land	2,930	0	0	2,930
Total of land at fair value	12,430	0	9,500	2,930
<b>Buildings, infrastructure and improvements at fair value</b>				
Specialised buildings	99,852	0	0	99,852
Total of buildings at fair value	99,852	0	0	99,852
<b>Plant and equipment at fair value</b>				
Plant and equipment	4,547	0	0	4,547
Total of plant, equipment and vehicles at fair value	4,547	0	0	4,547
<b>Office equipment, furniture and fittings at fair value</b>				
General Office equipment, furniture and fittings	3,577	0	0	3,577
Total office equipment, furniture and fittings at fair value	3,577	0	0	3,577
<b>Capital works in progress at fair value</b>				
Capital works in progress	2,644	0	0	2,644
Total capital works in progress at fair value	2,644	0	0	2,644
	123,050	0	9,500	113,550

**Note**

(i) Classified in accordance with the fair value hierarchy as set out in Note 1 (b)

**Revaluation**

Cemetery land, buildings, infrastructure and selected plant and equipment were formally valued as at 30 June 2017 by the Valuer-General of Victoria in accordance with the requirements of FRD 103D, issued pursuant to the *Financial Management Act 1994*. The next scheduled revaluation under FRD 103F is set for the year ending 30 June 2022

**Plant and equipment**

**Property, Plant and Equipment**

All non-current physical assets are measured initially at cost and subsequently re-valued at fair value less accumulated depreciation and impairment. 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 change are transferred at their carrying amount.



**Crown Land** controlled by SMCT has two primary purposes: use for right of interment and use for infrastructure (e.g. roads, chapels, buildings etc.) supporting the cemetery and crematorium operations. Land used for rights of interment is accounted for as inventory in accordance with the inventories note as outlined above, whereas land used for infrastructure purposes is accounted for as part of property, plant and equipment as outlined in this note.

Crown land which has been reserved for cemetery and crematoria purposes is measured at fair value with regard to the land's highest and best use after due consideration is made for legal and/or constructive restrictions imposed on the land (the value of Land reserved for cemetery purposes is restricted by the Community Service Obligation), public announcements or commitments made in relation to the intended use of the land. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial assets will be their highest and best use.

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

**Plant, Equipment and Office Equipment, Furniture and Fittings and Vehicles** are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment. Depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned, 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 value.

Recoverable amounts for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

#### **Disposal of Non-Financial Assets**

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

#### **Impairment of Non-Financial Assets**

Apart from intangible assets with indefinite useful lives (and intangible assets not yet available for use), all other assets are assessed annually for indications of impairment.

If there is an indication of impairment, the asset concerned is tested as to whether its carrying value exceeds its possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off as an expense except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that same class of asset.

If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell.

#### 4.3(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	Capital works in progress at cost
<b>30 June 2017</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Opening Balance</b>	2,930	99,852	4,547	3,577	2,644
Net Purchases	0	7,537	663	790	6,780
Transfers in (out) of Level 3	3,500	(4,300)	0	0	(8,795)
Gains or losses recognised in net result					
- Depreciation	0	(3,588)	(1,045)	(552)	0
Items recognised in other comprehensive income					
- Revaluation	891	35,225	435	0	0
<b>Subtotal Closing Balance</b>	<b>7,321</b>	<b>134,715</b>	<b>4,600</b>	<b>3,815</b>	<b>629</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	Capital works in progress at cost
<b>30 June 2016</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Opening Balance</b>	2,846	54,833	4,370	910	14,871
Net Purchases	84	48,604	1,312	2,938	(12,227)
Gains or losses recognised in net result					
- Depreciation	0	(3,585)	(1,135)	(271)	0
<b>Closing Balance</b>	<b>2,930</b>	<b>99,852</b>	<b>4,547</b>	<b>3,577</b>	<b>2,644</b>

#### 4.3 (e) Description of significant unobservable inputs to level 3 valuations

	Valuation technique (i)	Significant unobservable inputs
<b>Cemetery - specialised land</b> Over 8 SMCT sites	Market approach	Community Service Obligation (CSO) adjustment
<b>Cemetery - specialised buildings</b> Buildings and improvements over 8 SMCT sites Infrastructure over 8 SMCT sites	Depreciated replacement cost Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings
<b>Plant and equipment at fair value</b> Plant and equipment over 8 SMCT sites	Depreciated replacement cost	Cost per unit Useful life of PPE
<b>Office equipment, furniture and fittings at fair value</b> Office equipment, furniture and fittings over 8 SMCT sites	Depreciated replacement cost	Cost per unit Useful life of equipment
<b>Capital works in progress at cost</b> Capital works in progress over 8 SMCT sites	Depreciated replacement cost	Cost per unit Useful life of assets under construction

(i) Illustrations on the valuation techniques, significant unobservable inputs and the related quantitative range of those inputs are indicative and should not be directly used without consultation with entities' independent valuer. The significant unobservable inputs have remained unchanged from 2016.

## Note 4.4: Depreciation and Amortisation

	Notes	2017 \$000	2016 \$000
<b>Depreciation</b>			
Buildings, infrastructure and improvements		3,588	3,585
Plant and equipment		1,082	1,135
Office equipment, furniture and fittings		555	281
<b>Total depreciation</b>		<b>5,225</b>	<b>5,001</b>
<b>Amortisation</b>			
Computer software		418	332
<b>Total amortisation</b>		<b>418</b>	<b>332</b>
<b>Total depreciation and amortisation</b>		<b>5,643</b>	<b>5,333</b>

### Depreciation

Depreciation is provided on infrastructure assets, property, plant and equipment, including freehold buildings, but excluding land and investment property.

Depreciation is calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Estimates of the remaining useful lives, residual values and depreciation method for all assets are reviewed at least annually and adjustments made where appropriate.

Assets with a cost in excess of \$3,000 (2016: \$3,000) are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

Assets below the capitalisation threshold are expensed in the year.

Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The following table indicates the estimated useful lives of assets on which annual depreciation rates are based:

	2017	2016
Buildings	14 – 50 years	14 – 50 years
Plant and Equipment	25 – 50 years	25 – 50 years
Infrastructure and Improvements	5 – 100 years	5 – 100 years
Office Equipment, Furniture and Fittings	3 – 25 years	3 – 25 years

### Amortisation

The consumption of intangible assets with finite useful lives is classified as amortisation. Intangible assets with a cost in excess of \$3,000 (2016: \$3,000) are capitalised. Amortisation is allocated on a straight-line basis over the asset's useful life (generally 4-5 years) and is recognised as an expense. 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 amortisation period and the amortisation method for an intangible asset with a finite useful life is 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 value exceeds its recoverable amount.

#### Note 4.5: Intangible assets

	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
Capitalised computer software	3,651	3,576
Accumulated amortisation (i)	(2,736)	(2,430)
<b>Total intangible assets</b>	<b>915</b>	<b>1,146</b>

(i) The consumption of separately acquired intangible assets is included in the 'amortisation' line item.

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the previous and current financial year:

	<b>Capitalised computer software</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>
<b>Balance at 1 July 2015</b>	<b>1,045</b>	<b>1,045</b>
Additions	434	434
Impairment of assets	(333)	(333)
<b>Balance at 1 July 2016</b>	<b>1,146</b>	<b>1,146</b>
Additions	250	250
Disposals	(63)	(63)
Amortisation (note 4.4) (i)	(418)	(418)
<b>Balance at 30 June 2017</b>	<b>915</b>	<b>915</b>

Intangible assets represent identifiable non-monetary assets without physical substance, and include 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. Intangible assets with indefinite useful lives are not amortised but are assessed for impairment annually or whenever there is indication that the intangible assets may be impaired. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to SMCT.

## Note 4.6: Investment property

### (a) Movements in carrying value for investment properties as at 30 June 2017

	2017 \$000	2016 \$000
<b>Balance at beginning of period</b>	<b>2,515</b>	<b>2,515</b>
Net gain/(loss) from fair value adjustments	195	0
<b>Balance at end of period</b>	<b>2,710</b>	<b>2,515</b>

### (b) Fair value measurement hierarchy for investment properties

	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	\$000	\$000	\$000	\$000
Investment properties	2,710	0	2,710	0
	<b>2,710</b>	<b>0</b>	<b>2,710</b>	<b>0</b>

(i) classified in accordance with the fair value hierarchy

	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	\$000	\$000	\$000	\$000
Investment properties	2,515	0	2,515	0
	<b>2,515</b>	<b>0</b>	<b>2,515</b>	<b>0</b>

Investment properties are 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 re-valued at each balance date to fair value by independent valuation.

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.

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2017.

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



## Note 5: Other Assets and Liabilities

This section sets out those assets and liabilities that arose from the cemeteries operations.

Structure
5.1 Receivables
5.2 Inventories
5.3 Prepayments and other Assets
5.4 Payables
5.5 Unearned Income

### Note 5.1: Receivables

	2017 \$000	2016 \$000
<b>Current</b>		
<b>Contractual</b>		
Trade debtors	2,026	1,765
Accrued interest and dividends	1,012	857
Sundry debtors	7,986	6,206
<i>Less provision for doubtful debts</i>	(25)	(41)
<b>Statutory</b>		
GST receivable	0	81
<b>Total receivables</b>	<b>10,999</b>	<b>8,868</b>

No impairment for credit losses has been booked in a separate account during either financial year reported.

#### (a) Movements in the allowance for doubtful debts

	2017 \$000	2016 \$000
Balance at the beginning of year	41	57
Amount recovered during the year	(16)	(16)
<b>Balance at end of year</b>	<b>25</b>	<b>41</b>

Receivables consist of:

- contractual receivables, which includes mainly debtors in relation to goods and services, and accrued investment income; and
- statutory receivables, which includes predominantly amounts owing from the Victorian Government and GST input tax credits recoverable.

Receivables that are contractual are classified as financial instruments and categorised as receivables.

Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables recognised initially at fair value are carried at nominal amounts due and are due for settlement within agreed terms. 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.

## Note 5.2: Inventories

	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current</b>		
<b>Work in progress/undeveloped</b>		
Land: interment purposes	1,713	1,903
Grave foundations/beams	278	903
	<u>1,991</u>	<u>2,806</u>
<b>Finished Goods</b>		
Consumables/maintenance stores	56	247
Land: interment purposes	89	82
Grave foundations/beams	1,928	1,815
Mausoleum crypts	2,749	2,455
Cremation Memorials	260	297
Other	150	155
	<u>5,233</u>	<u>5,051</u>
<b>Total current inventories</b>	<b><u>7,224</u></b>	<b><u>7,857</u></b>
<b>Non-current</b>		
Land: interment purposes	683	607
Grave foundations/beams	4,833	5,834
Mausoleum crypts	1,819	2,739
Cremation Memorials	2,048	2,105
	<u>9,382</u>	<u>11,285</u>
<b>Total non-current inventories</b>	<b><u>9,382</u></b>	<b><u>11,285</u></b>
<b>Total inventories</b>	<b><u>16,607</u></b>	<b><u>19,142</u></b>
<b>Represented by:</b>		
Consumables/maintenance stores	56	247
Land: interment purposes	2,485	2,592
Grave foundations/beams	7,039	8,552
Mausoleum crypts	4,568	5,194
Cremation Memorials	2,308	2,402
Other	150	155
<b>Total inventories</b>	<b><u>16,607</u></b>	<b><u>19,142</u></b>

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, mausoleum 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 5.3: Prepayments and other Assets

	2017 \$000	2016 \$000
<b>Current</b>		
<b>Prepayments</b>		
Insurance	35	40
Licences & Maintenance	139	150
<b>Total Prepayments</b>	<b>174</b>	<b>190</b>

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

### Note 5.4: Payables

(a) Payables	2017 \$000	2016 \$000
<b>Current</b>		
<b>Contractual</b>		
Trade creditors	1,077	1,097
Other creditors and accruals	4,340	5,351
	5,417	6,448
<b>Statutory</b>		
Net GST payable	38	0
<b>Total current payables</b>	<b>5,455</b>	<b>6,448</b>

Payables consist of:

- contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to SMCT prior to the end of the financial year that are unpaid, and arise when SMCT becomes obliged to make future payments in respect of the purchase of these goods and services. The normal credit terms for accounts payable are usually net 30 days from end of month of purchase; and
- statutory payables include payables such as goods and services tax and fringe benefits tax payable.

Contractual payables are classified as financial instruments and initially recognised at fair value and then subsequently carried at payable amount.

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

### Note 5.5: Unearned income

Deposits received in advance

**Total unearned income**

	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
	37,610	33,950
	<b>37,610</b>	<b>33,950</b>

Unearned income represents monies received in advance of service provision for items including interment, cremation and certain memorialisation products such as granite and plaques. These monies are recorded as revenue in the year that the goods 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 6: How we Finance our Operations

This section provides information on the sources of finance utilised by SMCT during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the Cemetery.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.1 provides additional, specific financial instrument disclosures.

Structure

6.1 Borrowings

6.2 Commitments

### Note 6.1: Borrowings

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases.

Leases of property, plant and equipment are classified at their inception as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### Operating Lease

##### **SMCT as lessor**

Operating lease arrangements are currently in place between SMCT and third parties at the investment property (in Dromana), the house at Cheltenham Pioneer Cemetery and the land and buildings occupied by the Sporting Shooters Association of Australia (in Springvale), all of which are owned by SMCT.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are given to the lessee, the aggregate cost of incentives are recognised as a reduction of rental income over the lease term, on a straight-line basis unless another systematic basis is more appropriate of the time pattern over which the economic benefit of the leased asset is diminished.



**Note 6.2: Commitments**

	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
<b>Capital commitments</b>		
Inventory (Mausoleum)	7,055	0
<b>Total capital commitments</b>	<b>7,055</b>	<b>0</b>
<b>Operating expenditure commitments (type)</b>		
Electricity, Gas, Other	2,456	1,025
<b>Total operating expenditure commitments</b>	<b>2,456</b>	<b>1,025</b>
<b>Capital commitments</b>		
Not longer than 1 year	7,055	0
<b>Total capital commitments</b>	<b>7,055</b>	<b>0</b>
<b>Operating expenditure commitments (period)</b>		
Not longer than 1 year	1,517	513
Longer than 1 year and not longer than 5 years	940	512
<b>Total operating expenditure commitments</b>	<b>2,456</b>	<b>1,025</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 goods and services tax payable

## Note 7: Risks, Contingencies & Valuations 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

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of SMCT's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

SMCT's principal financial instruments comprise of:

- cash assets;
- receivables (excluding statutory receivables);
- available for sale investments; and
- payables (excluding statutory payables).

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

SMCT's main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. SMCT manages these financial risks in accordance with its financial risk management policy and through the oversight of its Finance & Investment and Audit & Risk Committees.

The main purpose in holding financial instruments is to prudently manage SMCT's financial risk within government policy parameters.

**(a) Financial risk management objectives and policies**

	Contractual financial assets - loans and receivables	Contractual financial assets - available for sale	Contractual financial liabilities at amortised cost	Total
<b>2017</b>				
<b>Contractual Financial Assets</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash and cash equivalents	14,018	0	0	14,018
Receivables				
- Trade Debtors	2,026	0	0	2,026
- Other Receivables	8,972	0	0	8,972
Investments and other financial assets				
- Managed investment/ units	0	247,130	0	247,130
<b>Total Financial Assets (i)</b>	<b>25,016</b>	<b>247,130</b>	<b>0</b>	<b>272,146</b>
<b>Financial Liabilities</b>				
Payables	0	0	5,417	5,417
<b>Total Financial Liabilities (ii)</b>	<b>0</b>	<b>0</b>	<b>5,417</b>	<b>5,417</b>
<b>2016</b>				
<b>Contractual Financial Assets</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash and cash equivalents	14,674	0	0	14,674
Receivables				
- Trade Debtors	1,765	0	0	1,765
- Other Receivables	7,022	0	0	7,022
Investments and other financial assets				
- Managed investment/ units	0	210,506	0	210,506
<b>Total Financial Assets (i)</b>	<b>23,461</b>	<b>210,506</b>	<b>0</b>	<b>233,967</b>
<b>Financial Liabilities</b>				
Payables	0	0	6,448	6,448
<b>Total Financial Liabilities (ii)</b>	<b>0</b>	<b>0</b>	<b>6,448</b>	<b>6,448</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)

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Notes to the Financial Statements for the year ended 30 June 2017

**Categorisation of financial instruments**

<b>Account balance</b>	<b>Note</b>	<b>Category</b>	<b>2017 \$000</b>	<b>2016 \$000</b>
<b>Financial assets</b>				
Cash and cash equivalents	4.1	Cash	14,018	14,674
Receivables	5.1	Loans & receivables (at amortised cost)	10,998	8,787
Investments and other financial assets	4.2	Available for sale investments (at fair value through equity)	247,130	210,506
<b>Total financial assets</b>			<b>272,146</b>	<b>233,967</b>
<b>Financial liabilities</b>				
Payables	5.5	Financial liabilities (at amortised cost)	5,417	6,448
<b>Total financial liabilities</b>			<b>5,417</b>	<b>6,448</b>

<b>Net holding gain/(loss) on financial instruments by category</b>	<b>Net holding gain/ (loss) \$000</b>	<b>Total interest income / (expense) \$000</b>	<b>Total \$000</b>
<b>2017</b>			
<b>Financial Assets</b>			
Cash and Cash Equivalents (i)	0	113	113
Available for Sale (i)	20,523	0	20,523
<b>Total Financial Assets</b>	<b>20,523</b>	<b>113</b>	<b>20,636</b>
<b>2016</b>			
<b>Financial Assets</b>			
Cash and Cash Equivalents (i)	0	347	347
Available for Sale (i)	6,171	0	6,171
<b>Total Financial Assets</b>	<b>6,171</b>	<b>347</b>	<b>6,518</b>

**(b) Credit risk**

Credit risk arises from the financial assets of SMCT which comprise cash and cash equivalents, trade and other receivables and available for sale investments. The exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to SMCT. Credit risk is measured at fair value and is monitored on a regular basis.

Provision of impairment for financial assets is calculated based on past experience, and current and expected changes in client credit ratings.

**(i) Policy in Managing Credit Risk**

SMCT does not have any material credit risk exposure to a single debtor or group of debtors. In respect to trade and other receivables, SMCT minimises concentrations of credit risk by undertaking transactions with a large number of customers. Trade debtors are carried at nominal amounts due with settlement expected within 30 days from the date of recognition. Other debtor terms are normally up to a maximum of five months.

In addition, management reviews on an ongoing basis the age analysis of receivables to assess the quality of them and apply any action required to ensure the collectability of the debt. According to past experience in managing the credit risk on receivables, SMCT has assessed this risk as low.

As the purchase is for a right of interment, customers (excluding trade debtors) are therefore unable to use the service until the balance outstanding is paid.

Management has assessed the credit risk associated with the cash and cash equivalents as minimal. The amounts are allocated to reputable financial institutions which have a high credit rating.

Available for sale investments are managed in accordance with SMCT investment policy, which stipulates, where applicable, acceptable minimum credit ratings. The vast majority of available for sale investments are managed unit funds, which are not explicitly rated, although, the underlying investments within each fund may have a higher credit rating than the applicable minimum required. The investment policy is reviewed regularly by management in conjunction with an independent investment manager.

SMCT uses an external manager to manage most of the funds allocated as available for sale investments. The total funds invested are diversified across a range of reputable and experienced external advisors and financial institutions. This mitigates the credit risk on this class of financial assets.

**(ii) Maximum exposure to credit risk**

SMCT's maximum exposure to credit risk at balance date in relation to each class of financial asset is represented below:

	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
<b>Financial Assets</b>		
Cash and Cash Equivalents	14,018	14,674
Receivables	10,998	8,787
Investments and other financial assets	247,130	210,506
<b>Total</b>	<b>272,146</b>	<b>233,967</b>



**(iii) Credit quality of contractual financial assets that are neither past due nor impaired**

<b>2017</b>	<b>Financial institutions (AA credit rating) \$000</b>	<b>Other (min BBB credit rating) \$000</b>	<b>Total \$000</b>
<b>Financial Assets</b>			
<i>Cash and cash equivalents:</i>			
- Cash on hand	0	10	10
- Cash at bank	14,008	0	14,008
<i>Loans and Receivables</i>	0	10,998	10,998
<i>Investments and other financial assets</i>			
- Managed investment/units	0	247,130	247,130
<b>Total financial assets</b>	<b>14,008</b>	<b>258,138</b>	<b>272,146</b>
<b>2016</b>			
<b>Financial assets</b>			
<i>Cash and cash equivalents:</i>			
- Cash on hand	0	9	9
- Cash at bank	14,665	0	14,665
<i>Loans and Receivables</i>	0	8,746	8,746
<i>Investments and other financial assets</i>			
- Managed investment/units	0	210,506	210,506
<b>Total financial assets</b>	<b>14,665</b>	<b>219,261</b>	<b>233,926</b>

**(iv) Ageing Analysis of Financial Assets as at 30 June 2017 (\$'000)**

<b>Financial Assets</b>	<b>Carrying Amount \$000</b>	<b>Not past due and not impaired \$000</b>	<b>Past due but not impaired</b>				<b>Impaired financial assets \$000</b>
			<b>Less than 1 month \$000</b>	<b>1-3 Months \$000</b>	<b>3 Months - 1 Year \$000</b>	<b>1-5 Years \$000</b>	
<b>2017</b>							
<i>Cash and cash equivalents:</i>							
- Cash on hand	10	10	0	0	0	0	0
- Cash at bank	14,008	14,008	0	0	0	0	0
<i>Loans and Receivables</i>	10,998	10,436	127	314	99	0	22
- Interest bearing	0	0	0	0	0	0	0
- Managed investments/units	247,130	247,130	0	0	0	0	0
<b>Total</b>	<b>272,146</b>	<b>271,584</b>	<b>127</b>	<b>314</b>	<b>99</b>	<b>0</b>	<b>22</b>

# Financial Statements - Southern Metropolitan Cemeteries Trust

Notes to the Financial Statements for the year ended 30 June 2017

Financial Assets	Carrying Amount	Not past due and not impaired	Past due but not impaired				Impaired financial assets
			Less than 1 month	1-3 Months	3 Months - 1 Year	1-5 Years	
2016	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<i>Cash and cash equivalents:</i>							
- Cash on hand	9	9	0	0	0	0	0
- Cash at bank	14,665	14,665	0	0	0	0	0
<i>Loans and Receivables</i>	8,787	8,554	102	47	43	0	41
<i>Investments and other financial assets</i>							
- Managed investments/units	210,506	210,506	0	0	0	0	0
<b>Total</b>	<b>233,967</b>	<b>233,734</b>	<b>102</b>	<b>47</b>	<b>43</b>	<b>0</b>	<b>41</b>

## (c) Contractual financial assets that are either past due or impaired

There are no material financial assets which are individually determined to be impaired. Currently SMCT does not hold any collateral as security nor credit enhancements relating to its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at their carrying amounts as indicated. The ageing analysis table above discloses the ageing only of contractual financial assets that are past due but not impaired.

## (d) Liquidity Risk

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

### (i) 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. This is done while ensuring that surplus funds are transferred for investment. Daily monitoring occurs, with monthly reports delivered to management regarding the cash flow position and cash flow forecasts. SMCT believes that this policy ensures sufficient funds are held to allow for proper administration.

SMCT has assessed this risk as minimal considering the current positive position of cash flow from operations and nature of the current assets, available for sale investments and current liabilities.

### (ii) Maximum Exposure to Liquidity Risk

The maximum exposure to liquidity risk is the carrying amounts of financial liabilities as follows:

Financial Liabilities	2017 \$000	2016 \$000
Payables	5,417	6,448
<b>Total</b>	<b>5,417</b>	<b>6,448</b>

**(iii) Maturity analysis of financial liabilities as at 30 June**

Financial liabilities	Carrying Amount	Not past due and not impaired	Past due but not impaired			
			Less than 1 month	1-3 Months	3 Months - 1 Year	1-5 Years
<b>2017</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Payables	5,417	5,391	20	6	0	0
<b>Total</b>	<b>5,417</b>	<b>5,391</b>	<b>20</b>	<b>6</b>	<b>0</b>	<b>0</b>
<b>2016</b>						
Payables	6,448	6,157	212	46	6	27
<b>Total</b>	<b>6,448</b>	<b>6,157</b>	<b>212</b>	<b>46</b>	<b>6</b>	<b>27</b>

The amounts above disclosed are the contractual undiscounted cash flows of each class of financial liabilities.

**(e) Market risk exposure**

SMCT has a diversified range of investments, including investments in the Australian and International share market, in order to fund prepaid fees and long-term perpetual maintenance obligations. These markets are subject to volatility. It is accepted that the share market is cyclical and that there is inherent volatility.

Investments are managed in accordance with SMCT investment policy which stipulates asset allocation ranges to diversify and mitigate risk. The investment policy is reviewed regularly by management in conjunction with an independent external investment manager. SMCT has appointed the manager to manage its investment portfolio. The performance of investments and the investment manager is regularly monitored by management.

SMCT's exposure to market risk is through currency risk, interest rate risk and other price related risks. Objectives, policies and processes used to manage each of these risks are disclosed as follows:

**(i) Currency Risk and Policy in Managing Currency Risk**

SMCT manages its currency risk by appointing an experienced external manager to manage these investments on its behalf and diversifying the allocation of the investment in shares of overseas companies, which operate in stable economies throughout Europe, the United States of America and Asia.

**(ii) Interest Rate Risk and Policy in Managing Interest Risk**

*Financial Liabilities*

Exposure to interest rate risk is minimal as SMCT does not hold interest bearing liabilities.

*Available for Sale Investments*

The objective of managing interest rate risk is to minimise and control the risks of losses due to interest rate changes and to take advantage of potential profits.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. SMCT has minimal exposure to cash flow interest rate risks through its cash and deposits, term deposits and bank overdrafts that are at floating rate.

**Interest rate exposure of financial assets and liabilities as at 30 June**

	Weighted average effective interest rate	Carrying amount	Interest rate exposure	
			Variable interest rate	Non-interest bearing
	%	\$000	\$000	\$000
<b>2017</b>				
<b>Financial Assets</b>				
<i>Cash and cash equivalents:</i>				
- Cash on hand	0.00%	10	0	10
- Cash at bank	1.40%	14,008	14,008	0
<i>Loans and Receivables</i>				
	0.00%	10,998	0	10,998
<i>Investments and other financial assets</i>				
- Managed investment/units	0.00%	247,130	0	247,130
<b>Total</b>		<b>272,146</b>	<b>14,008</b>	<b>258,138</b>
<b>Financial liabilities</b>				
Payables	0.00%	5,417	0	5,417
<b>Total</b>		<b>5,417</b>	<b>0</b>	<b>5,417</b>

	Weighted average effective interest rate	Carrying amount	Interest rate exposure	
			Variable interest rate	Non-interest bearing
	%	\$000	\$000	\$000
<b>2016</b>				
<b>Financial Assets</b>				
<i>Cash and cash equivalents:</i>				
- Cash on hand	0.00%	9	0	9
- Cash at bank	1.85%	14,665	14,665	0
<i>Loans and Receivables</i>				
	0.00%	8,787	0	8,787
<i>Investments and other financial assets</i>				
- Managed investment/units	0.00%	210,506	0	210,506
<b>Total</b>		<b>233,967</b>	<b>14,665</b>	<b>219,302</b>
<b>Financial liabilities</b>				
Payables	0.00%	6,448	0	6,448
<b>Total</b>		<b>6,448</b>	<b>0</b>	<b>6,448</b>

**(iii) Other market risk and policy in managing other market risk**

Exposure to other price risk arises due to the inherent risk associated with the possibility of a fall in the market value of investments. SMCT's objective of managing other price (primarily equity market) risk is to minimise negative impacts on investment value due to the volatility of the stock markets.

SMCT has appointed an external, independent investment manager to monitor the value and volatility of stock market investments. The investment manager is expected to manage this risk, through the appropriate diversification of specific stocks and diversification through different sectors within the market in accordance with SMCT investment parameters.

#### (iv) Sensitivity Analysis on Other Price Risk

Based on advice from independent investment managers who have taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets, SMCT has estimated that the movements presented below are reasonably possible in the forthcoming 12 months. This sensitivity analysis has been prepared for the next 12 months. Management does not believe that it is possible to reasonably estimate the variables used further than for 12 months.

- A shift of 0.50% in market interest rates (AUD) from year end rates of 1.75% (2016: 0.25% in market interest rates (AUD) from year end rates of 2.0%); and
- A movement of 11.76% up and down for the relevant stocks index (2016: 17.0% in relevant stocks index).

The following table discloses the impact on net operating result and equity for each category of financial instrument held by SMCT at year end as presented to key management personnel, if changes in the relevant risk occur.

#### (iv) Sensitivity analysis on other price risk

2017	Carrying amount	Interest rate risk (b)				Other price risk (c)				
		-0.50%		0.50%		-11.76%		11.76%		
		Net result	Equity	Net result	Equity	Net result	Equity	Net result	Equity	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
<b>Financial Assets</b>										
Cash and cash equivalents (i)	14,018	(70)	0	70	0	0	0	0	0	0
Loans and Receivables	10,998	0	0	0	0	0	0	0	0	0
<i>Investments and other financial assets</i>										
- Interest bearing										
- Managed investment/units	247,130	(46)	(85)	46	85	0	(24,002)	0	24,002	
<b>Financial liabilities</b>										
Payables	5,417	0	0	0	0	0	0	0	0	0
<b>Total increase/(decrease)</b>		<b>(116)</b>	<b>(85)</b>	<b>116</b>	<b>85</b>	<b>0</b>	<b>(24,002)</b>	<b>0</b>	<b>24,002</b>	

2016	Carrying amount	Interest rate risk (b)				Other price risk (c)				
		0.25%		0.25%		17.00%		17.00%		
		Net result	Equity	Net result	Equity	Net result	Equity	Net result	Equity	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
<b>Financial Assets</b>										
Cash and cash equivalents (i)	14,674	(37)	0	37	0	0	0	0	0	0
Loans and Receivables	8,787	0	0	0	0	0	0	0	0	0
<i>Investments and other financial assets</i>										
- Interest bearing										
- Managed investment/units	210,056	(17)	(32)	17	32	0	(34,646)	0	34,646	
<b>Financial liabilities</b>										
Payables	6,448	0	0	0	0	0	0	0	0	0
<b>Total increase/(decrease)</b>		<b>(54)</b>	<b>(32)</b>	<b>54</b>	<b>32</b>	<b>0</b>	<b>(36,646)</b>	<b>0</b>	<b>34,646</b>	

**(f) Fair value**

The fair values and net fair values of financial instrument assets and liabilities are determined and classified as follows:

- Level 1: the fair value of financial instruments with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3: the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

SMCT considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

The following table shows that the fair values of most of the contractual financial assets and liabilities are the same as the carrying amounts.

	Consol'd Carrying Amount	Fair value	Consol'd Carrying Amount	Fair value
	2017 \$000	2017 \$000	2016 \$000	2016 \$000
<b>Contractual financial assets</b>				
Cash and cash equivalents	14,018	14,018	14,674	14,674
Loans and Receivables	10,998	10,998	8,787	8,787
Investments and other financial assets	247,130	247,130	210,506	210,506
<b>Total financial assets</b>	<b>272,146</b>	<b>272,146</b>	<b>233,967</b>	<b>233,967</b>
<b>Contractual financial liabilities</b>				
Payables	5,417	5,417	6,448	6,448
<b>Total financial liabilities</b>	<b>5,417</b>	<b>5,417</b>	<b>6,448</b>	<b>6,448</b>

Financial assets measured at fair value	Carrying amount as at 30 June \$000	Fair value measurement at end of reporting period using:		
		Level 1* \$000	Level 2* \$000	Level 3 \$000
<b>2017</b>				
Financial assets at fair value through profit or loss				
- Managed investment/units	247,130	0	247,130	0
<b>Total financial assets</b>	<b>247,130</b>	<b>0</b>	<b>247,130</b>	<b>0</b>
<b>2016</b>				
Available for sale securities				
- Managed investment/units	210,506	0	210,506	0
<b>Total financial assets</b>	<b>210,506</b>	<b>0</b>	<b>210,506</b>	<b>0</b>

\*There is no significant transfer between levels during the financial year

The fair value of unlisted investments is based on the discounted cash flow technique. Significant inputs in applying this technique include growth rates applied for cash flows and discount rates used.



There have been no transfers between levels during the period.

The fair value of the financial assets and financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

### **Quantifiable**

There are no quantifiable contingent assets and liabilities as at 30 June 2017 (2016: nil)

### **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.

SMCT has created a reserve as a source of future contributions towards perpetual maintenance obligations, which is disclosed as a Perpetual Maintenance Reserve in Note 8.1.

## **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 Equity

8.2 Reconciliation of net result for the year to Net Cash Inflow/(Outflow) from Operating Activities

8.3 (a) Responsible Persons Disclosures

8.3 (b) Executive Officer's Remuneration

8.4 Related Parties

8.5 Audit Fees: Auditor –General

8.6 Ex- Gratia Expenses

8.7 Events Occurring after the Balance Sheet Date

**Note 8.1: Equity**

	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
<b>Composition of equity</b>		
Contributed capital	61,464	61,464
Accumulated funds	14,931	16,264
Physical asset revaluation surplus	37,660	914
Perpetual maintenance reserve	285,907	259,161
Available for sale investment revaluation surplus	7,089	(2,227)
<b>Total equity</b>	<b>407,051</b>	<b>335,576</b>
<b>(a) Movement in accumulated surplus/(deficit)</b>		
Balance at the beginning of the period	16,264	19,889
Net Result for the Period	25,414	18,248
Transfer to perpetual maintenance reserve	(26,746)	(21,873)
<b>Balance at the end of the period</b>	<b>14,931</b>	<b>16,264</b>
<b>(b) Physical asset revaluation surplus</b>		
Buildings, infrastructure & improvements	35,253	0
Plant and equipment	1,349	914
Infrastructure land	1,058	0
<b>Total physical asset revaluation surplus</b>	<b>37,660</b>	<b>914</b>
Represented by:		
<b>Buildings, infrastructure &amp; improvements</b>		
Balance at the beginning of the period	0	0
Revaluation increment/(decrement)	35,253	0
Balance at the end of the period	35,253	0
<b>Plant and equipment</b>		
Balance at the beginning of the period	914	914
Revaluation increment/(decrement)	435	0
Balance at the end of the period	1,349	914
<b>Infrastructure Land</b>		
Balance at the beginning of the period	0	0
Revaluation increment/(decrement)	1,058	0
Balance at the end of the period	1,058	0
<b>Total physical asset revaluation surplus</b>	<b>37,660</b>	<b>914</b>
<b>(c) Available for sale investment revaluation surplus</b>		
Balance at the beginning of the period	(2,227)	2,200
Revaluation increment/(decrement)	9,316	(4,427)
<b>Balance at the end of the period</b>	<b>7,089</b>	<b>(2,227)</b>
<b>(d) Perpetual maintenance reserve</b>		
Memorial gardens - opening balance	37,451	35,264
Net transfers from accumulated funds	2,090	2,187
Memorial gardens - closing balance	39,541	37,451
Cemetery gardens - opening balance	148,032	131,335
Net transfers from accumulated funds	17,680	16,697
Cemetery gardens - closing balance	165,712	148,032
Mausoleum crypts - opening balance	73,678	70,687
Net transfers from accumulated funds	6,976	2,991
Mausoleum crypts - closing balance	80,654	73,678
	<b>285,907</b>	<b>259,161</b>

### **Contributed Capital**

Consistent with AASB 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities and FRD 119 Contributions by Owners, appropriations for additions to the SMCT net asset base have been designated as contributed capital. Other transfers that are in the nature of contributions or distributions that have been designated as contributed capital are treated as contributed capital.

### **Property, Plant and Equipment Revaluation Reserve**

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current physical assets.

### **Available for Sale Investment Revaluation Reserve**

The available for sale investment revaluation reserve arises on the revaluation of available for sale investments. Where a re-valued financial asset is sold, the portion of the reserve which relates to that financial asset is effectively realised, and is recognised in the operating result. Where an available for sale financial asset is impaired, any cumulative loss that had been recognised in other comprehensive income is reclassified from the reserve to comprehensive result.

### **Perpetual Maintenance Reserve**

Under section 12 of the *Cemeteries and Crematoria Act 2003*, SMCT must have regard to the perpetual maintenance obligations of cemeteries entrusted within its care. Fees received in respect of the interment right for cremation memorials, graves and mausoleum crypts include amounts for perpetual maintenance to be carried out in future years. Such amounts are transferred to the relevant reserve.

SMCT, in broad terms, sets aside monies into the reserve from the sale of each right of interment as follows:

- Cremation Memorials: 60%;
- Graves: 90%; and
- Mausoleum Crypts: 70%.

This methodology can change from year to year, depending on growth forecasts and inventory projects. These funds are amortised equally over 100 years, other than cremation memorials with limited tenure which are amortised over the period of the tenure.

### **Revaluations of Non-Current Physical Assets**

Non-current physical assets measured at fair value are re-valued in accordance with FRD 103F. A full revaluation 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 FRD.

Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

Revaluation increments are recognised in other comprehensive income and accumulated in the property, plant and equipment revaluation reserve except to the extent that an increment reverses a revaluation decrement in respect of that same class of asset previously recognised as an expense in the operating result, the increment is recognised as income in the operating result.

Revaluation decrements are recognised in other comprehensive income to the extent that a credit balance exists in the property, plant and equipment revaluation reserve in respect of the same class of asset. Otherwise, they are debited directly to the property, plant and equipment revaluation reserve.

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.

Cemetery land and buildings were formally valued as at 30 June 2017 by the Valuer-General of Victoria in accordance with the requirements of FRD 103D, issued pursuant to the *Financial Management Act 1994*. The next scheduled revaluation under FRD 103F is set for the year ending 30 June 2022

#### **Net Gain/(Loss) on Non-Financial Assets**

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

- revaluation gains/(losses) on non-financial physical assets; and
- any gain/loss on the disposal of non-financial assets is recognised at the date of disposal and shown as the difference between the proceeds and the carrying value of the asset at that time.

#### **Net Gain/(Loss) on Financial Instruments**

Net gain/(loss) on financial instruments includes:

- unrealised gains and losses from revaluations of financial instruments at fair value; and
- impairment and reversal of impairment for financial instruments (refer Note 7.1); and
- disposal of financial assets and de-recognition of financial liabilities.

#### **Other Gains/(Losses) from Other Comprehensive Income**

- Other gains/(losses) include the gains or losses from transfer of amounts from the reserves to accumulated surplus or net result due to disposal or de-recognition or reclassification.

#### **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 are subject to annual review for impairment.

Financial assets including available for sale investments have been assessed for impairment in accordance with Australian Accounting Standards.

In order to determine an appropriate fair value as at 30 June 2017 for its portfolio of financial assets, SMCT obtained a valuation by independent investment advisors and compared it to the purchase price/valuation of the financial asset. This process was used to quantify the level of impairment on the portfolio of financial assets as at the end of the period.

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*.

#### **Revaluations of Financial Instruments at Fair Value**

The revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets.

## Note 8.2: Reconciliation of net cash inflow/(outflow) from operating activities to result for the year

<b>(a) Net cash flows from/ (used in) operating activities</b>	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
Operating result for the year	25,414	18,248
<b>Non-cash flows in operating surplus</b>		
Depreciation/amortisation	5,643	5,323
Provision for doubtful debts	25	41
Net (gain)/loss from sale of property, plant and equipment	(100)	(124)
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in receivables	(2,130)	6,883
(Increase)/decrease in prepayments	16	(58)
(Increase)/decrease in inventories	2,536	(230)
Increase/(decrease) in payables	(993)	1,009
Increase/(decrease) in provisions	(304)	497
Increase/(decrease) in unearned income	3,660	3,426
<b>Net cash flows from/ (used in) operating activities</b>	<b>33,768</b>	<b>35,015</b>

## Note 8.3(a): Responsible persons disclosures

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

	<b>Period</b>
<b>Responsible Ministers:</b>	
The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services	1/07/2016 - 30/06/2017
<b>Governing boards</b>	
Sue Renkin (Chairman)	1/07/2016 - 30/06/2017
Julie Busch	1/07/2016 - 30/06/2017
Richard Jones	1/07/2016 - 30/06/2017
Gaye Mason	1/07/2016 - 30/06/2017
Matthew Mills	1/07/2016 - 30/06/2017
Stephen Shipp	1/07/2016 - 30/06/2017
Sam Afra	1/07/2016 - 30/06/2017
Brian Oates	1/07/2016 - 30/06/2017
Leigh Mackay	1/07/2016 - 30/06/2017
<b>Accountable officers</b>	
Jane Grover	1/07/2016 - 30/06/2017

	Total remuneration		Base remuneration	
	2017 No.	2016 No.	2017 No.	2016 No.
<b>Income bands</b>				
\$0 – \$9,999	0	5	0	5
\$10,000 – \$19,999	8	5	8	5
\$20,000 – \$29,999	0	1	1	1
\$30,000 – \$39,999	1	0	0	0
\$260,000 – \$269,999	0	0	0	1
\$270,000 – \$279,999	0	0	1	0
\$300,000 – \$309,999	0	1	0	0
\$310,000 – \$319,999	1	0	0	0
<b>Total numbers</b>	10	12	10	12
<b>Total annualised employee equivalents (AEE) (i)</b>	10	10	10	10
<b>Total remuneration</b>	<b>464,577</b>	<b>439,818</b>	<b>423,879</b>	<b>397,280</b>

(i) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

The compensation detailed above 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.

### Note 8.3(b): Remuneration of Executives

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.

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** include amounts such as wages, salaries, 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** include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

**Other long-term benefits** include long service leave, other long-service benefit or deferred compensation.

**Termination benefits** include termination of employment payments, such as severance packages.

Several factors affected total remuneration paid or payable over the year. A number of contracts were completed during the year, and respective executives departed the organisation accordingly. Some other executives decided to depart SMCT before the completion of their contracts. All payments made to outgoing executives were in accordance with their contractual terms.



Compensation	2017 (\$000)
Short term employee benefits	2,209
Post-employment benefits	207
Other long-term benefits	93
Termination benefits	180
Share based payments	0
<b>Total Remuneration (i) (ii)</b>	<b>2,689</b>
<b>Total number of executives</b>	<b>14</b>
<b>Total annualised employee equivalent (AEE) (iii)</b>	<b>13.94</b>

(i) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out of pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-2016 reporting period.

(ii) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within in the related party disclosures (note 8.4)

(iii) Annualised employer equivalent is based on time fraction worked over the reporting period.

### 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 and their close family members;
- all cabinet ministers and their close family members; and
- all SMCT and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Key management personnel (KMP) of SMCT include the Portfolio Ministers and Cabinet Ministers and KMP as determined by SMCT. The compensation detailed below 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.

Compensation	2017 (\$000)
Short term employee benefits	1,706
Post-employment benefits	150
Other long-term benefits	29
Termination benefits	58
Share based payments	0
<b>Total Remuneration (i) (ii)</b>	<b>1,943</b>
<b>Total number of executives</b>	<b>18</b>
<b>Total annualised employee equivalent (AEE) (iii)</b>	<b>17.12</b>

(i) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out of pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-2016 reporting period.

(ii) The total number of related parties includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures.

(iii) Annualised employer equivalent is based on time fraction worked over the reporting period.

### Note 8.5: Audit fees: Auditor - General

	2017 \$000	2016 \$000
<b>Victorian Auditor-General's Office</b>		
Audit of financial statement	85	83
	<b>85</b>	<b>83</b>
<b>Other Providers</b>		
Audit fees - other	62	66
	<b>62</b>	<b>66</b>

### Note 8.6: Ex-gratia expenses

During the reporting period, no ex gratia payments were made (2016: Nil)

### Note 8.7: Events occurring after the balance sheet date

At the date of this report, no matters have come to our attention that would require reporting as an event after the Balance Sheet date.







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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, Springvale Botanical and St Kilda cemeteries.



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