

A
YEAR
LIKE
NO
OTHER



SOUTHERN
METROPOLITAN
CEMETERIES TRUST

Honouring and celebrating life



Black Lives Matter



Celebrating
10
YEARS



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"A few months ago, a regular visitor whom my colleague Lisa and I have grown very fond of, was unable to leave her retirement home due to the COVID-19 lockdown to visit her husband's gravesite, for his birthday.

Hearing her sadness, Lisa and I bought a flower bouquet, visited her husband's grave, then video-called the lovely lady to show her the flowers and let her know that we wished her husband a happy heavenly birthday. We held the phone close so that

she could see the flowers and plaque and speak to her husband.

This was such a small act on our behalf but meant a great deal to her. It is heart-warming moments like this, that makes what we do here so rewarding. I feel very blessed to be part of the SMCT family." - Kim

Congratulations Kim (above) who is celebrating 10 years with SMCT and is the Senior Receptionist at Bunurong Memorial Park.

Introduction

A Year Like No Other

As we celebrated the start of the new year, no one could have imagined the emotional and economic challenges that would face our communities in 2020. From the devastation of the summer bushfires to the life-changing effects of the COVID-19 pandemic. Through all of these headwinds, it was essential for our organisational purpose to guide our approach. We required a considered, deliberate and caring response to reinforce a message of hope and provide comfort to our community that we would get through the challenges together.

Our white cover is symbolic. This Annual Report addresses the challenges our organisation has faced in 2020, and how we have tackled them to continually support the Victorian community as we commence a new era.

Like many organisations, the past six months have required us to reflect and swiftly reshape our service offering. This has provided us the opportunity to reimagine the service experience to one that is more flexible and mobile. Through these unprecedented times, our priority has been on the wellbeing and safety of our employees, service partners and the community we serve.

Although our cemeteries have been community assets since the 19th Century, this edition celebrates ten years of SMCT as an umbrella organisation. Throughout this time, we have continued to influence and transform the sector, expanding the services available for our multi-cultural community along with creating a one-of-a-kind service to bring hope and comfort to families struggling with the loss of a loved one.

Guided by our commitment to make a positive contribution to our society, we are proud of the philosophy and culture we have fostered over the past decade.

As the organisation has evolved and matured, our consistent philosophy of developing people

"Every single day is different, we are dealing with people's emotions - so we need to be patient and make our families feel as comfortable as possible"

- Kim (employee)

capability and the curiosity to ask 'what's next?' has remained at the heart of who we are.

Our Purpose

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

In no time during recent history has there been such restrictions imposed on families who have lost a loved one. As an organisation that is responsible for over one-third of burials and half of cremations across Victoria annually, we understand that even through extraordinary times, we have a duty to continue to provide care, choice and services for families to honour and celebrate their loved one. It is this same sense of duty, that inspired the tireless work of our teams, as they adapted our service offerings to

the continually changing environment throughout the pandemic. Within weeks of social distancing restrictions coming into place, we had a range of burial and funeral video streaming options available for families unable to attend in person.

Our moral courage, has defined our organisation and strengthened our ability to meet the evolving needs of our communities.

We are an organisation that is stepping forward and embracing change. Our focus on maintaining best-in-class funeral services ensured we took considered yet decisive action throughout the pandemic. Operating in an evolving mobile experience economy, we have prioritised many digital transformation projects to make certain our services have greater accessibility.

We are in our customers' lives forever. This is why the completion of the new Centre for Care & Wellbeing (CCW) facility has been such an important milestone. Our CCW facility, along with new online wellbeing classes, have supported our community with a place of connection and care. Our philosophy is to support the community in their journey through grief. With loneliness and mental health becoming a significant community health concern, CCW has become a place of refuge for the community and a demonstration of our organisational purpose.

Reinforcing our message of hope and the philosophy that our cemeteries and memorial parks are places for the living, the Centre for Care & Wellbeing allows people to go through a period of mourning, where their loss is acknowledged and they can express their grief. The Centre provides families with a range of free group and online sessions designed to promote wellness and to help people at a time when they need it most.

In voicing our purpose of 'no matter who you are, you are valued' our cemeteries and memorial parks are supportive places of reflection for our diverse community. Extending services beyond our sector commitments, we are curious



to ask 'what next?' and 'what else?' in building meaningful experiences that foster lifelong connections with our community.

Our heartfelt remembrance services help our communities to honour loved ones and are an essential touchpoint for the long-term relationships we form with our client families. They provide an opportunity for us to listen and evolve to continually improve our service offering.

Our Vision

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

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

As a trusted and purpose-led organisation, our goal was to continue to provide accessible and relevant services to our multi-cultural and multi-faith communities. United, we have created beautiful places of identity, preserving significant customs and traditions through a calendar of annual events.

In line with our 2019-2023 Strategic Plan, we have continued to develop our memorial parks as places for community connection, embracing both physical environments and online platforms to deliver on this strategy. With an average of 2.5 million visitors to our sites annually, we are committed to providing culturally significant and sustainable areas for all Victorians.

While no one could have foreseen the events of 2020, our vision's focus on personalised care and compassion has never been so fitting. It required a coordinated and organisational wide response to provide financial security and safety for our employees, so in turn, their focus was on helping customers navigate the social distancing restrictions and newly introduced services.

Through the peak of the pandemic, our focus remained on keeping our gates open for the community. We reshaped our hospitality and florist services, redeployed employees to protect jobs and to support and stimulate the Victorian economy. A range of new remote digital tools and office equipment were available for office teams to support operations and customer service delivery.

Highlighted through the pandemic and aligned with the Australian Government's Digital Transformation Strategy for 2025, we are mobilising our services and accelerating our digital transformation roadmap. With a focus on building growth and unlocking capability through investments in enterprise-wide technologies and platforms, that are underpinned by robust governance. Throughout this year, we completed several foundation projects involving the restructuring of data into new warehousing platforms for improved accessibility across our business ecosystem. We consolidated and redeveloped our website experience to provide customers with a single point of communication, responsive across all devices. As an organisation, we have embraced a service delivery model, one that is innovative and designed around our customer insights and their evolving needs.

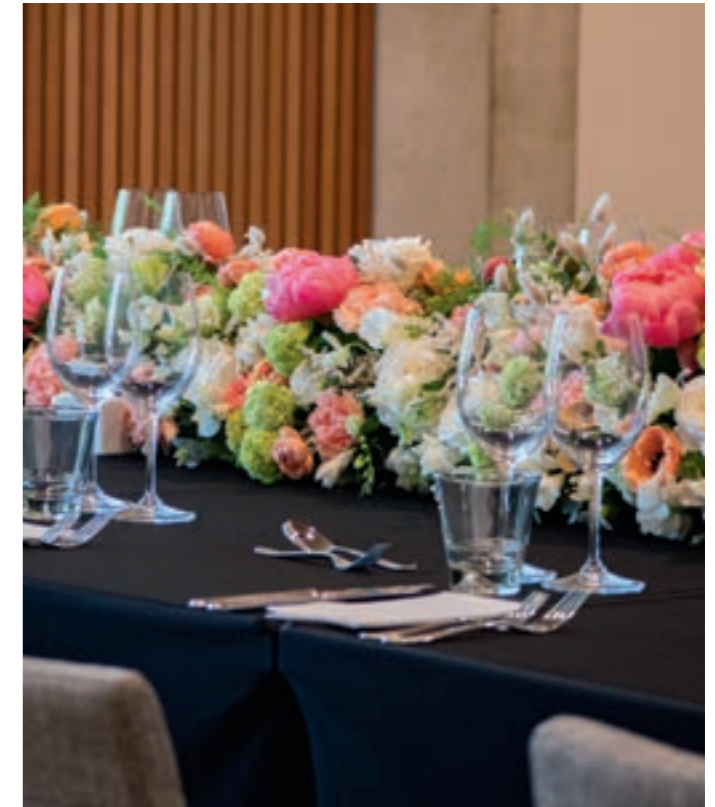
During FY20, SMCT achieved a cemetery operating revenue of \$59.0m (being \$6.3M or 9.7% below budget) and a total operating result of \$12.8m (being 1.6% above budget). While SMCT yielded a positive investment income of \$14.5m (\$6.8m above budget), in other economic flows SMCT recognised an unrealised loss on investments of \$20.7m due to market volatility.



Café Vita et flores under COVID-19 Stage 3 restrictions (left), offering take-away options only.

Key accomplishments during the 2020 financial year included:

- Successful completion of the new Centre for Care & Wellbeing facility within Springvale Botanical Cemetery to support those journeying through grief, opened by Dr Tien Kieu, Member for South Eastern Metropolitan Region.
- Attainment of a 90% (+2%) employee engagement score, delivering a best in class performance and demonstrating an alignment in purpose and values by our employees.
- Bestowed the 'Overall' and 'Employment' Award at the 2019 Dandenong Chamber of Commerce Business Awards for being an organisation who actively develops and trains their employees beyond their field of employment.
- Delivery of the first phase of our IT Strategy, providing foundational capabilities along with a robust governance framework - including an enterprise IT architecture, master data repository and data warehouse. The new data warehouse will support improved reporting capability and insights to identify growth opportunities.
- Refurbishment of the beautiful and iconic pagoda at Melbourne General Cemetery in partnership with the Chinese Museum and the Victoria Memorial Foundation, opened by Anthony Carbines MP.
- Deployment of new burial and memorial video streaming services for loved ones who are unable to attend in person.
- Take-away meals and catering options to provide greater choice for families and to support the employment of our hospitality teams throughout the pandemic.
- Introduction of intimate sit-down dining experiences, in line with social distancing



- capacity restrictions, to provide families with an alternative for a meaningful farewell for a loved one.
- Successful redeployment of hospitality employees into new roles across the organisation to preserve people capabilities.
- Redesigned Remembrance events, via online video streaming, to honour loved ones and provide greater community access.
- Extended florist delivery service, to support the governments' 'Stay at home' message and provide peace of mind for families who regularly visit.
- Successful redesign and deployment of our Enterprise Leadership Program which is responsible for capability development, retention and leadership distribution.
- The swift introduction of new remote communication platforms (Connecteam) and ways of working procedures to enable our workforce to continue to perform their duties while providing improved flexibility for our future workforce.

'PRIDE' in our values

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

Passion - commitment in heart and mind

Respect - by valuing every voice

Integrity - doing what is right

Dedication - to the needs of our clients and our people

Empathy - to listen and reflect with sensitivity

Our values continue to guide our organisational culture and service delivery standards. This year was a testament to the strength of our values and the unwavering commitment of our people. We approached this year with a deliberate strategy based on replacing fear of the unknown with connection and care, through the increase of transparent communication to our teams, partners and customers. In response, our teams provided innovative solutions in days or weeks, for programs that, at any other time, would take months. In line with our values, our people have continued to invest discretionary effort, building

an organisation that genuinely supports the Victorian community.

Our commitment to culture has been a journey for the past ten years. We understand that 'culture' requires continuous investment and focus. Being authentic and demonstrating our values through action across all areas has helped push us forward and resulted in the outstanding achievement of an employee engagement score of 90%. An outstanding example of a mutual commitment between employees and the organisation.

Preserving our culture will continue to be a long-term priority with investment in people capability and supported by the organisation's values that promote genuine care, integrity and openness. Our Activate Health program continues to promote the importance of health and wellbeing for all employees. A consistent and planned approach to the physical and mental wellbeing of our people.

We thank our employees for all their discretionary effort and unwavering commitment to continue to provide our customers with our promise of choice. Always leading with the heart, we navigated the many challenges of this year with tenacity, spirit and unity.

Many factors contribute to an organisation's success. We represent a diverse community with many interests, and our Community Advisory Committee selflessly serves the community interest. We thank them for their ongoing dedication, support and council.

In October 2019, we farewelled Sue Renkin as the Chair of the SMCT Trust. Sue has been instrumental in challenging the sector norms to help SMCT create modern facilities and services that embrace everyday life and encourage community connection. We thank Sue for her unwavering leadership, foresight and guidance throughout her time at SMCT.

We welcomed our new Chairperson, Dr. Vanda Fortunato, who joined us in November 2019 with

Celebrating our
10th year with the
achievement of our
highest ever employee
engagement score
of 90%



The SMCT Executive Leadership Team: (Left to Right) Caroline, Jane, Niloo, Shireen, Angela, Patty.

over 20 years of extensive leadership experience within a variety of sectors, including public health, primary care and not-for-profit.

A sincere thank you to our Trust who have encouraged and supported our Executive Leadership Team — working collaboratively to reimagine our service delivery experience and enabling us to serve our employees, service partners and the community.

We are proud to welcome Shireen Jahan, Chief Financial Officer & Business Transformation, to our leadership team. We thank the entire Executive Leadership Team for their ongoing support, encouragement and commitment through these unprecedented times. With 2020 proving to be a test for all Australian executive teams, the grace, determination and compassion shown by our leadership team helped SMCT to pivot and respond

We are greatly appreciative to the Department of Health and Human Services for their continued support in helping SMCT to be a progressive, and purposed organisation and look forward to working together to build memorial parks and customer experiences of tomorrow.

Taking the learnings from the past year, we look to the year ahead with excitement as we transition our organisation towards a service delivery

enterprise. We have already begun building the technology foundations and will continue to operationalise the customer experience to be more personalised, offering our customers greater choice and transparency. Guided by our purpose, we will continue to leverage strategic opportunities that will ensure we remain a relevant and sustainable organisation into the future.

Under 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 2020.

On this day, 19 August 2020. Springvale Victoria.



Dr Vanda Fortunato
Trust Chairperson



Jane Grover
CEO

Celebrating Mum

In Memory of Peg Cherry

Mum died at the beginning of the first coronavirus wave. Without the usual frameworks for communing we were lost. Mum's friends and family lived throughout Australia and the world. Due to flight restrictions, quarantine restrictions and funeral restrictions, we had no access to our usual rituals to lay mum to rest. We all felt alone in our grief. We needed to create a new way of healing that would reach across continents.

My mother adored books and laughter. Her life as an English teacher seemed to be one long book club, reading, talking about books with children and friends. We decided to create the kind of booklet some people make for weddings — a celebration of my mum's life.

We asked a friend to curate the work. The making of the booklet became an evolving formalized structure that gave us community.

Writing my memories of mum was difficult but liberating. It helped me to shape my understanding of mum, and to enjoy my memories as I wrote them down. As I leant into the pain of my remembering my mother before she was bedridden, I realised what a happy, full life she led. Accepting my grief and shaping the memories into stories helped me to understand my own life.

I hugged my son and my husband, and I talked to friends. However, I still need that moment when all my Mum's devoted friends and family gather together as a community and look at the grave, embrace one another in the place my mother loved most of all, our beloved hometown of Melbourne.

- Kate Cherry

Visit: smct.org.au/words-of-love

The Trust at a Glance

Southern Metropolitan Cemeteries Trust (SMCT) is a purposed organisation responsible for the perpetual care and maintenance of a portfolio of cemeteries and memorial parks across Melbourne. Focussed on redefining the role cemeteries and memorial parks play in our community, we are creating caring environments that encourage families to come together and celebrate the life of loved ones.

We are responsible for nine cemeteries and memorial park locations including Bunurong and Cheltenham Memorial Parks and Brighton General, Cheltenham Pioneer, Dandenong Community, Melbourne General, Sorrento Community, Springvale Botanical and St Kilda cemeteries. We are proud to be custodians of history and working together with cultural and religious community groups to provide choice and meaningful services across each location.

SMCT's corporate office is located within the beautiful grounds of Springvale Botanical Cemetery, 600 Princes Highway, Springvale, Victoria. Formed in March 2010, under the *Cemeteries and Crematoria Act 2003*, the Trust, led by Chairperson Dr Vanda Fortunato, reports to the Minister for Health, the Hon. Jenny Mikakos MP, through the Cemetery Sector Governance Support Unit of the Department of Health & Human Services (DHHS).

Throughout each challenge faced over the past year, we have adapted our service offering to provide client families with flexibility and choice. With redesigned services to adhere to social distancing directives issued by the Victorian Government, our locations have remained open to support our industry partners, employees and community through:

- Delivering high standards in customer service and operational excellence. Supporting families in their journey through grief.
- Meeting the diverse and changing needs of our communities through extensive community engagement that informs the development of new service offerings and enhances the experience created within our locations.
- Providing choice and flexibility to the community in the services we offer. Providing exceptional care and support throughout all customer touchpoints, including the hospitality service offering via customised menus for cultural and personal preferences.
- The care and long-term maintenance of nine iconic and historic cemeteries and memorial park locations, ensuring funds are set aside to meet maintenance obligations in perpetuity. De-mystification of cemeteries by listening and responding to community needs and positioning memorial parks as multi-purpose assets to be enjoyed by the public.



SMCT Trust - from left to right: Robin Buckham, Craig Burke, Roger Chao, Phillip Davies, Julie Busch, Dr Vanda Fortunato (Trust Chairperson), Sam Afra, Sandy Chakravarty, Leigh Mackay OAM, Jane Grover (SMCT CEO).

SMCT Trust Members

There has never been a year like 2020. Together our Trust and Leadership team have been united in responding to the current pandemic with humanity. Guided by our PRIDE values, we collectively navigated the organisation through these unprecedented times.

The strength of our Trust underpins our success. We are grateful to have nine highly skilled, compassionate and experienced Trust members. They each provide a unique set of skills and experience that continues to shape our strategic direction and organisational culture.

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

During the reporting period, we farewelled Sue Renkin who had served as Trust Chairperson since the commencement of SMCT in March 2010. We welcomed our new Chairperson Dr Vanda Fortunato, who joined us in November 2019 with over 20 years of extensive leadership experience within a variety of sectors, including public health, primary care and not-for-profit.

Our Current Trust Members

Trust Chairperson - Dr Vanda Fortunato
PhD, MA, BA.

Sam Afra
JP, MAICD.

Robin Buckham
BA, Dip Ed, MCom (Mktg), GAICD

Craig Burke
BBus (Acc), FCPA, MAICD, CPA

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

Sandy Chakravarty
BEC, MBA, MEc CPA, GAICD.

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

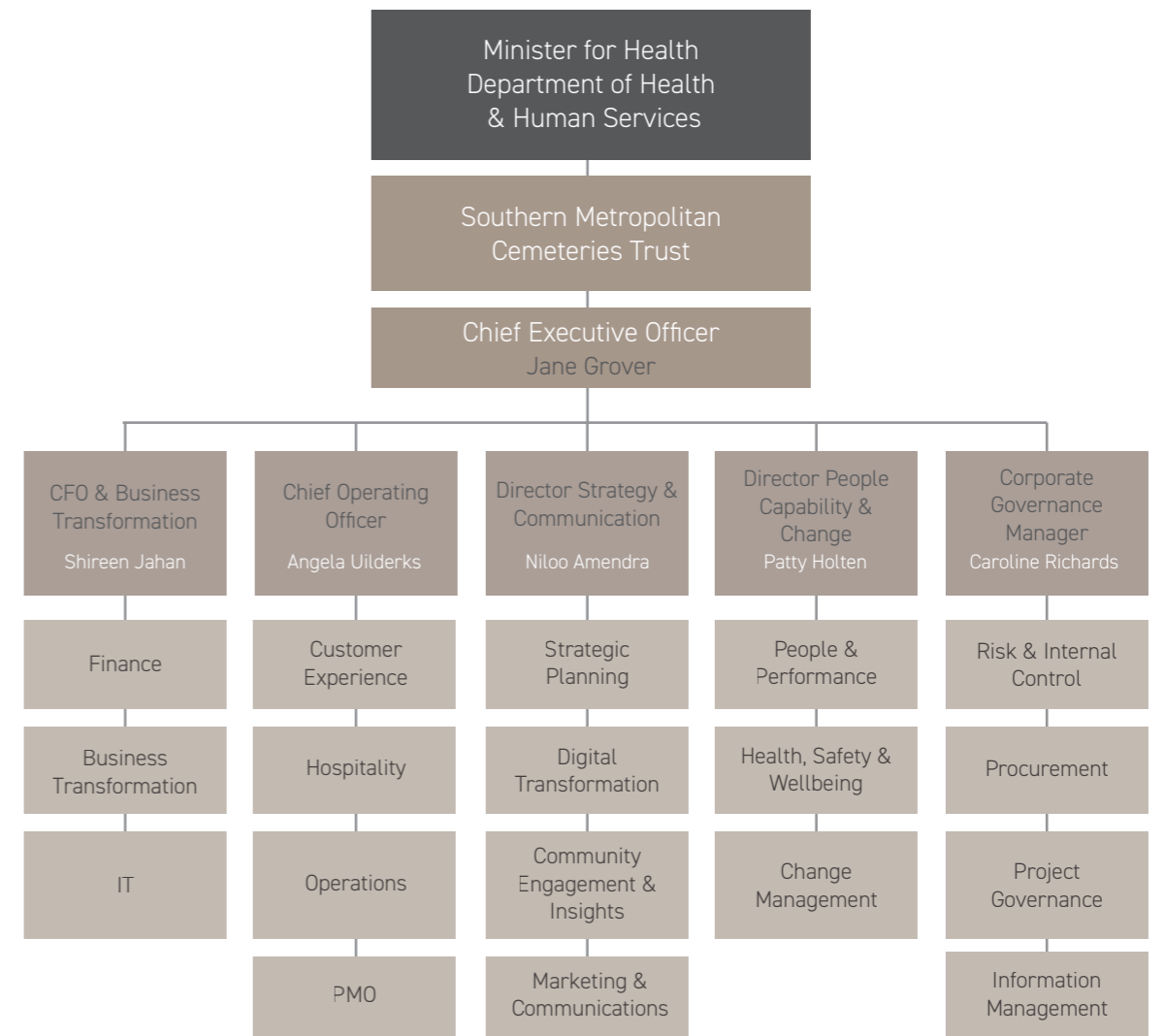
Phil Davies
BA (Hons), LLB (Hons), LLM, GAICD.

Leigh Mackay OAM
LLB. GAICD.

Trust members who served during the reporting period:

Sue Renkin - Trust Chairman
1 July 2019 - 31 October 2019

SMCT's Organisational Structure



Services Performed During the Reporting Period 1 July 2019 - 30 June 2020

| | |
|-------------------------------|---------------|
| Cremation | 8,997 |
| Interment in graves | 3,720 |
| Interment in mausolea | 290 |
| Interment of cremated remains | 459 |
| | 13,466 |

Profile and Performance of SMCT Locations

| | SMCT | BGC | BMP | CMP | CPC | DCC | MGC | SBC | SCC | STK |
|-----------------------------|---------------|--------|--------|---------|--------|--------|--------|---------|--------|--------|
| Established | 2010 | 1854 | 1995 | 1933 | 1865 | 1857 | 1852 | 1901 | 1886 | 1855 |
| Hectares (ha) | 362 ha | 12 ha | 101 ha | 17.2 ha | 4.1 ha | 4 ha | 43 ha | 170 ha | 3 ha | 8 ha |
| Employees FTE | 274 | 1 | 36 | 16 | 0 | 0 | 6 | 215 | 1 | 0 |
| Number of Cremations | 8,997 | N/A | 2,489 | N/A | N/A | N/A | N/A | 6,508 | N/A | N/A |
| Number of Interments | 4,469 | 98 | 670 | 378 | 21 | 46 | 299 | 2,878 | 66 | 13 |
| Operating Revenue | \$59M | \$0.8M | \$9.5M | \$2.5M | \$0.1M | \$0.2M | \$5.5M | \$39.8M | \$0.2M | \$0.4M |

Reference: Southern Metropolitan Cemeteries Trust (SMCT), Brighton General Cemetery (BGC), Bunurong Memorial Park (BMP), Cheltenham Memorial Park (CMP), Cheltenham Pioneer Cemetery (CPC), Dandenong Community Cemetery (DCC), Melbourne General Cemetery (MGC), Springvale Botanical Cemetery (SBC), Sorrento Community Cemetery (SCC), St Kilda Cemetery (STK)

Strategic Priorities

During the period SMCT advanced the delivery of the Strategic Plan 2019-2023. This five-year Strategic Plan guides the organisation's focus and core priorities, including delivering operational excellence, further strengthening our customer-centric culture, investment in information and communication technology and sustainable financial growth.

Our Strategic Plan provides a clear focus for the organisation and is used to establish our Annual Plans and Objectives. As a trusted and purposed organisation, we continue to advocate for choice and for offering transparency of information that will empower our communities.

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



Governance and Accountability

The past year has highlighted the importance of organisational agility when confronted with continually changing social and economic environments. Strong leadership and robust governance underpin the ability of the Southern Metropolitan Cemeteries Trust (SMCT) to provide meaningful ways for families to farewell a loved one.

The past year has highlighted the importance of our Corporate Governance Framework which ensures that we:

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

We are a community-focused organisation, providing burial, cremation and memorialisation services for metropolitan Melbourne and Victoria and are entrusted to manage and maintain in perpetuity the locations for which we are responsible.

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

During the reporting period the Trust met eight (8) times to oversee the governance and strategic direction of SMCT. The Trust's focus is on strategic planning, business development, financial performance, 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:

- Overseeing and appraising the performance of the organisation against strategic objectives.
- Steering and stewarding the strategic direction of the organisation to ensure long term sustainability.
- 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

A deliberate and influential set of values and behaviours underpin our culture of accountability and transparency. Actively listening and responding to the community needs, helps SMCT to be efficient and effective in the management of our cemetery locations. This approach includes a commitment to excellence in governance standards, which SMCT sees as fundamental for long-term sustainability and performance.

SMCT considers strategic risk management, financial sustainability and effective corporate governance to be essential principles to guide the organisation.

Services SMCT provides:

- Interment in graves
- Interment in mausolea
- Interment of cremated remains
- Cremations
- Memorialisation
- Wellness & support centre
- Cafe & hospitality
- Venue hire
- Florist
- Community events
- Cemetery and genealogical records
- Perpetual maintenance

Trust Composition

Listed in the previous section 'Trust at a Glance' is a list of Trust members who held office during the reporting year. The Trust is composed of members who have diverse commercial & humanitarian experience, overseeing SMCT and guiding its strategic direction on behalf of public interest.

Independence of Trust Members

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

Board Performance

The Trust is committed to maintaining the highest standards of governance and is required to review the Trust and its sub-committees' performance regularly. A formal self-assessment is conducted each year to assess the effectiveness against specific objectives contained in the Trust and sub-committee Charters. Every three years the Trust conducts an externally facilitated Board Evaluation of the performance of the Trust, each Trust member and the Chairperson.

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.

Community Advisory Committee

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

The CAC meets quarterly and comprises ten members, two of which are Trust members and eight of which are voluntary members appointed by the Trust. Chaired by Roger Chao, the CAC's membership includes representation from key multicultural and religious organisations, government and interfaith networks. CAC members offer a truly diverse perspective, providing the organisation with key insights into the evolving needs and expectations of the communities we serve.

Finance and Investment Committee

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

Audit and Risk Committee

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

Executive Remuneration and Appointment Committee

The Executive Remuneration and Appointment Committee, chaired by Julie Busch, has an advisory role to the Trust and provides support and oversight in the areas of executive performance and remuneration.



Infrastructure Planning Committee

The Infrastructure Planning Committee, chaired by Leigh Mackay, 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 new Centre for Care & Wellbeing and Records Facility at Springvale Botanical Cemetery (Featured above).

ATTENDANCE AT TRUST AND COMMITTEE MEETINGS 1 JULY 2019 - 30 JUNE 2020

| Meetings Held | Vanda Fortunato (3) | Leigh Mackay | Julie Busch | Sam Afra | Phil Davies | Roger Chao | Sandy Chakravarty | Craig Burke | Robin Buckham | Sue Renkin (2) | |
|--|---------------------|--------------|-------------|----------|-------------|------------|-------------------|-------------|---------------|----------------|------|
| Trust | 8 | 5 | 8 | 7 | 8 | 8 | 7 | 8 | 7 | 8 | 2 |
| Audit & Risk Committee | 5 | 1(1) | 5 | | | | 5 | 3 | | | 2(1) |
| Community Advisory Committee | 3 | | | 3 | | 3 | | | | | |
| Finance & Investment Committee | 7 | 4(1) | | | 6 | | 7 | 7 | | | 1(1) |
| Executive Remuneration & Appointment Committee | 3 | 0 | | 3 | 3 | 3 | | | | | 2 |
| Infrastructure Planning Committee | 3 | 0 | 3 | | 2 | | | | 3 | | 1 |

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

2: Trust Chairperson until 31 October 2019.

3: Appointed Trust Chairperson 1 November 2019

Management Committees

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

Health Safety & Wellbeing Committee

The Health Safety & Wellbeing Committee (HSW Committee) is chaired by the Health, Safety & Wellbeing Manager.

The HSW Committee convened four (4) times during the reporting period, ensuring SMCT met its obligations under the *Occupational Health and Safety Act 2004 (Vic)* and the SMCT HSW Management Framework.

SMCT has embedded and embraces a Safety Leadership Culture throughout the organisation with further information available within the 'Investing in People Development' section.

Emergency Planning Committee

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

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

Executive Risk Management Committee

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



The Song He Xin Yuan Precinct within Springvale Botanical Cemetery

Managing Risk

SMCT operates an Enterprise Risk Management Framework for the management and reporting of risks, which is compliant with the risk management principles contained in the International Risk Management Standard ISO 31000: 2018. As part of this Framework, SMCT maintains a Trust approved Risk Appetite Statement, which sets the agreed parameters and boundaries under which the organisation may operate.

Compliance

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

Under *section 15 of the Cemeteries and Crematoria Act 2003*, the Trust 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 conform to the *Building Act 1993*, the *Building Regulations 2018* and the *Building Code of Australia (BCA)*.

Freedom of Information

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

FOI requests must be made in writing and can be submitted via email (FOI@smct.org.au) or via post PO Box 1159 Clayton Vic 3169.

There were no FOI applications for FY20. In compliance with the spirit of the FOI legislation, all reasonable requests for records of the deceased are granted as required under *sections 59 and 60 of the Cemeteries and Crematoria Act 2003*.

National Competition Policy

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

Procurement

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.

Victorian Industry Participation Policy Data

1 July 2019 - 30 June 2020

| Contract: | Value of Contract (inc. GST) | Area | Local Content | FTE Jobs | FTE Apprenticeships Retained | Skills/Technology Commitment |
|----------------|------------------------------|--------------|---------------|----------|------------------------------|---|
| Bronze Plaques | \$7,087,915 (5 years) | Metropolitan | 100% | 10 | 2 | Contractor has delivered on commitments for staff training and skill development. |



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.

Achievements against SMCT's Social Procurement Strategy

Overview

SMCT has undertaken its first full year of applying the Victorian Government's Social Procurement Framework (SPF) and prioritised delivery outcomes in the following 3 SPF objectives:

- supporting safe and fair workplaces – measuring compliance with industrial laws to ensure a safe work environment is provided

in delivery of service to meet SMCT's requirements;

- environmentally sustainable business practices – realise and categorise values delivered to SMCT and Victoria via construction undertaken, environmental management by contractors and managed waste disposal; and
- implementing climate change policy objectives – ensuring that SMCT realises the opportunities presented in its purchasing by undertaking /ensuring environmental certification is available and achieved.

Additional Information on SPF achievements

SMCT addressed its SPF objectives by application directly to SMCT goods and service requirements during the reporting period. Input from other objectives were also incorporated as the opportunity arose. SMCT adopted an indirect approach, utilising the invitation to supply process and clauses in contracts with the private sector to seek social and sustainable outcomes for Victorians, versus a direct approach (seeking services from Victorian social enterprises; Victorian Aboriginal businesses; or other social benefit suppliers).

Enhanced awareness with suppliers has been a direct result of SMCT stressing SPF outcomes, and their value add impact to the wider community when SMCT engages with suppliers. SPF supplier involvement and feedback to SMCT has been positive and is reflected in the following outcomes for this reporting period:

Overall social procurement activities FY20

Number of social benefit suppliers engaged during the reporting period: 2

Total amount spent with social benefit suppliers during the reporting period: \$42,500

Social procurement commitments FY20

Total number of suppliers engaged, which are not social benefit suppliers, that have made social procurement commitments in their procurement contracts with the Victorian Government: 3 suppliers

Total amount committed with suppliers during the reporting period: \$26,850 committed



Executive employees as nominees or held beneficially in a statutory authority or subsidiary. There are specific disclosures in the financial statements (see index).

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):

- details of publications produced by SMCT and how these can be obtained;
- details of changes in prices, fees, charges, rates and levies charged by SMCT;
- details of any major external reviews carried out on SMCT;
- details of major research and development activities undertaken by SMCT;
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- details of major promotional, public relations and marketing activities undertaken by SMCT to develop community awareness of SMCT and its services;

Privacy Legislation

SMCT maintains a Privacy Policy which articulates 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).

Public Interest Disclosure

SMCT complies with the provisions of the Public Interest 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.

Declarations of Pecuniary Interests

Trust members and Executives have completed a Declaration of Private Interests Statement. No shares are held by Trust members or



- 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.

Compliance with Victorian Government Purchasing Board (VGPB) Policies

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

Jane Grover, CEO
Southern Metropolitan Cemeteries Trust
19 August 2020

Integrity, Fraud and Corruption

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

Jane Grover, CEO
Southern Metropolitan Cemeteries Trust
19 August 2020

Attestations

Financial Management Compliance Attestation Statement

I, Dr Vanda Fortunato, on behalf of the Responsible Body, certify that the Southern Metropolitan Cemeteries Trust has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.

Dr Vanda Fortunato
Trust Chairperson
Southern Metropolitan Cemeteries Trust
19 August 2020



Conflict of Interest and Duty to Disclose

I, Jane Grover, certify that the Southern Metropolitan Cemeteries Trust has put in place appropriate internal controls and processes to ensure that it has complied with the requirements of clause 9 of Schedule 1A of the Act, and has implemented a 'Conflict of Interest' policy consistent with the minimum accountabilities required by the VPSC. Declaration of private interest forms have been completed by all executive staff within the Southern Metropolitan Cemeteries Trust and members of the Board, and all declared conflicts have been addressed and are being managed. Conflict of interest is a standard agenda item for declaration and documenting at each Board meeting.

Jane Grover, CEO
Southern Metropolitan Cemeteries Trust
19 August 2020

Data Integrity Declaration

I, Jane Grover, certify that the Southern Metropolitan Cemeteries Trust has put in place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. The Southern Metropolitan Cemeteries Trust has critically reviewed these controls and processes during the year.

Jane Grover, CEO
Southern Metropolitan Cemeteries Trust
19 August 2020





*"SMCT is more than a job,
it is actually a career path"*

"After several years in Canada, I returned to SMCT as I enjoyed the job and the culture here. My background was in horticulture, although I have worked now as a gardener, grave digger, memorial installer, chapel assistant, crematorium operator, funeral supervisor, facilities coordinator and as a maintenance lead.

So I guess you could say I am a bit of a jack of all trades." - Daniel

Congratulations Daniel (left) who is celebrating 10 years with SMCT and is the Maintenance Lead Support at Bunurong Memorial Park.

Strategic Priority 1

Embracing Customer Centricity

The FY20 year will no doubt be a year marked in history as one that challenged us in unimaginable ways. With the devastation of the summer bushfires, leading directly into the life-changing effects of the global COVID-19 pandemic, no one could have imagined the emotional and economic challenges that would face our communities.



Through these challenging times, we continued to be guided by our organisational 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."

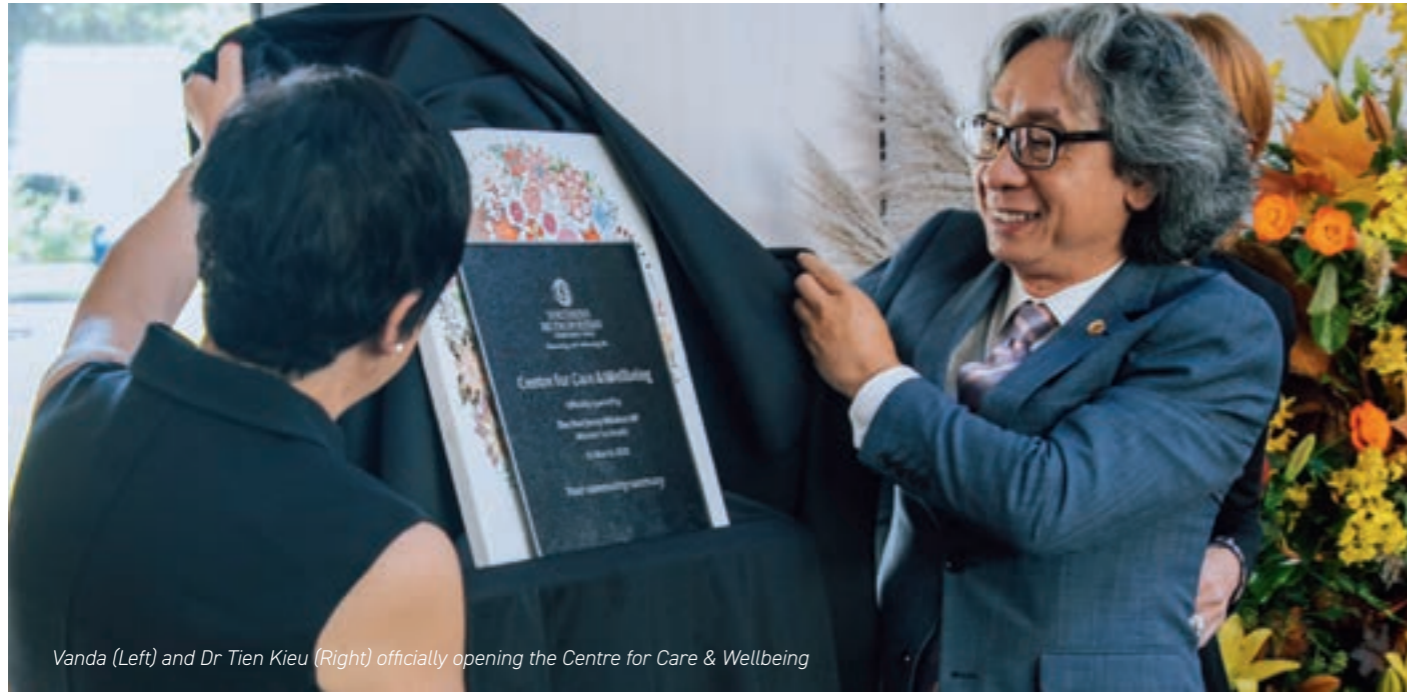
Our unwavering commitment to our purpose during these times was a clear demonstration of our genuine customer centric philosophy. Our community was always at the heart of our decision making as we continued to navigate the ongoing changing conditions that impacted all of us.

No time in recent history has there been such restrictions imposed on families who have lost

a loved one. With the insights gained from our strong relationships with community and our understanding of the importance of grieving well, we prioritised providing a deliberate and caring response to reinforce the message of hope and, that 'together we will get through this'. We continue to be committed to caring for our community. We are proud of our organisational culture of care and compassion, which is complemented by agility and innovation. This unique culture has allowed us to re-shape our service offering to support members of our community transitioning through grief during these challenging times, while also continuing to deliver crucial strategic initiatives to ensure the ongoing sustainability of the organisation.

Key Outcomes

- Navigating the evolving conditions relating to COVID-19, while taking a deliberate approach to ensure ongoing access to SMCT teams and services.
- Pivoting our service offering to provide value in new and unique ways to support the community.
- The completion and opening of the Centre for Care & Wellbeing, providing a safe place for people navigating grief to connect with one another.



Vanda (Left) and Dr Tien Kieu (Right) officially opening the Centre for Care & Wellbeing

- The community's appreciation of our continued commitment to customer centricity and optimal service standards is evidenced by our Net Promotor Score of 87 (up 11 from FY19) and Net Easy Score of 90 (up 7 from FY19).

Centre for Care & Wellbeing

As an organisation, we understand the importance of supporting people as they navigate through grief. As such, in February 2017 we commenced a pilot program for a Centre for Care & Wellbeing (CCW) within the grounds of Springvale Botanical Cemetery. The initiative for this community space was evident through the many people visiting our locations and mourning the loss of their loved one alone.

CCW provides a vital point of connection for people who have experienced a loss. It is a safe place for them to share their thoughts, feelings and experiences and work towards establishing their 'new normal'. Due to the overwhelming success of the pilot program, SMCT invested in building a custom designed centre. The centre was completed during FY20 and officially opened by Dr Tien Kieu, Member for South Eastern Metropolitan Region, on Wednesday 11 March 2020. Celebrations for the centre's opening

coincided with the Trust's 10th anniversary, marking two significant milestones in the role our organisation has played in the reimagining of memorial parks as places for the living.

As a society, we struggle to understand the impact of grief fully and therefore have limited services to offer those significantly impacted. CCW fills this void for our community, which is more important now than ever.

While COVID-19 has seen the temporary closure of the centre, we altered our service delivery model by offering online wellness services and ongoing contact with our regular visitors; ensuring that they continue to feel connected to the SMCT community.

Ensuring Ongoing Opportunities

Through our engagement strategies and ongoing analysis of social and economic conditions, we continue to assess how SMCT is positioned to serve the needs of our diverse Victorian community.

As an organisation responsible for over one-third of burials and half of the cremations across Victoria annually, SMCT endeavours to accommodate the requirements of over 230 different multi-cultural groups.

"I would like to thank all of you, especially one staff member who was so patient and helpful to us on the morning of 19th June... You showed us your golden heart in supporting people with disabilities and you couldn't imagine how much you inspired me, as a disability support worker, to try harder to assist these people to have more opportunities to participate in the community. I wish your life is always filled with love and happiness."

- Disability Support Worker,
Interchange Outer East

To ensure that SMCT is positioned to meet community needs, we have completed numerous stock development projects throughout FY20. A significant development extending three key burial areas (Robina, Oaks and Birches) at Springvale Botanical Cemetery was completed with acceptance from the community far exceeding expectations.



Key infrastructure and stock projects continue to be developed within Bunurong Memorial Park to service the increasing desire of specific community groups keen to establish their long-term community 'footprint' at this beautiful Australiana location.

In addition, we continue to take a proactive approach to identify opportunities within our historic locations.

Dedicated team members proactively research records, conduct onsite inspections and identify and process re-claimed graves that meet the requirements to have them returned to available positions for the community. With six of our nine locations nearing 'end of cemetery life', this strategy provides the local community with rare opportunities in these historic locations.

Continuing to Enhance the Customer Experience

Over the past five years, SMCT has been on a deliberate journey of improving the customer experience in line with our customer centric philosophy. The initial focus was to assess and enhance touchpoints within our Customer Experience Teams (e.g. Contact Centre, Sales, Funeral Director Bookings etc.).

To complement the success of the Customer Experience Team program, and in line with our 'One Team' philosophy, we commenced an Operations team initiative designed to foster a genuine customer centric approach in the way we deliver day to day services.

Guided by our PRIDE values, the operational excellence program's focus includes leadership capability, employee engagement, safety, workforce management, quality assurance and continuous improvement.



Regular Springvale Botanical Cemetery visitor Giuseppe (Left) with Jane.

Over the reporting period, some of the operational excellence program key initiatives include:

- Tangible and actionable Customer Experience Commitments developed in collaboration with team members that help to guide our day to day decisions, performance and behaviour.
- A 'Stop for Safety' day was held for all Operations teams across the entire organisation. With over 100 employees in attendance, an inspiring guest speaker reinforced the need for safety to be top of mind for everyone at all times.
- A proactive approach implemented to horticulture planning across all nine SMCT locations (362 hectares) has provided improved standards, efficiencies and enhanced communication of key cross-site activities.
- A focus on improved operational consistency has required significant investment into the review and refinement of over 240 standard

operating procedures across all operational activities. This investment provides team members with clarity in relation to customer delivery standards required to deliver SMCT's best in class service.

Data and insights acquired through our Voice of the Customer program provide clear evidence of improvements to our customer experience, supporting the success of these newly introduced initiatives.

Prioritising the Customer Experience while Navigating COVID-19

Like all organisations, SMCT has been impacted significantly as a result of the global COVID-19 pandemic. As the scale of the pandemic became evident, SMCT anchored itself in its purpose and commitment to the customer experience to guide decision making throughout this challenging time.

We understand the significance of families providing a meaningful farewell for a loved one.



2020 Net Promoter Score



2020 Easy Score

With increased restrictions during this time, our responsibility was to pivot our service offering to ensure that we continued to remain accessible and in a position to respond with care. With employee and community safety as the priority, we worked tirelessly to adjust operational procedures. We introduced a host of new services for families, including catering for those unable to attend in person.

In line with the governments 'If you can, stay at home' directives, we introduced working from home arrangements for many of our teams. For our Customer Experience and Operational teams required onsite, we deployed new safety procedures and sanitisation stations across each SMCT location. We increased our communication programs and introduced additional onsite signage to inform employees, industry partners and visitors to remain safe under the changing COVID-19 environment.

We understood that navigating grief is complex and that it was our obligation to ensure that we could continue to meet the needs of our community. We spent much of the second half of 2020 committed to reshaping our service offering while adhering to all government directives for the benefit of all Victorians.

To remain agile and respond to the changing landscape, we provided accessible and flexible service delivery throughout the organisation that encouraged team members to identify practical solutions to support families at this time. The following are some of the initiatives implemented:

- Extending streaming of chapel services to live streaming of graveside services.
- New hospitality & florist offerings including the delivery of floral tributes within SMCT locations, removing the need for people to attend onsite, yet still honouring their loved one with flowers.

- No contact drive-through florist service over key dates e.g. Mother's Day weekend, reduced risk of high volumes of people visiting our florist.
- A socially distanced, seated dining experience allowing family members to spend added time remembering their loved one over a meal.
- Enhanced takeaway food offering including individual boxed food packages, allowing our café to continue to operate when restricted to takeaway only.
- To remain agile and respond to the changing landscape, we activated a flexible service delivery philosophy. We transformed our Centre for Care & Wellbeing timetable to an online video series designed to promote self-care and connection from home (Classes included Meditation, Qigong, Stretch and Movement).
- New online event delivery model to provide families with support and connection at significant dates throughout the year. Our popular Mother's Day remembrance service in March was a testament to the healing these events provide our community, with over 200 households participating.
- Increased communication program informing funeral director partners and our visitors of altered restrictions and implications for each SMCT location.

SMCT is unique within the industry for many reasons, one of which is its extensive in-house food, beverage and hospitality offering. With a large team supporting the delivery of this strong performing area, SMCT was impacted significantly by the effects of COVID-19 restrictions, almost ceasing these operations.

However, in line with our commitment to securing employment and retention of capability, we re-deployed our hospitality team into other

areas such as sanitisation cleaning, and newly introduced client services. These initiatives helped us comply with the rapidly changing social restrictions and continue to provide a safe environment for our teams and the community.

While dealing with the implications of COVID-19, our commitment was to continue to support our community during their time of need; a clear demonstration of our genuine customer-centric philosophy.

Looking Forward

As we move into FY21 we will continue to navigate the ongoing changing conditions in relation to the global COVID-19 pandemic. In doing so, our commitment to guiding our community as they navigate through grief will remain at the forefront of our decision making.

The changes that have been brought about by the pandemic challenged us to consider new ways of delivering value. We will continue to explore what our 'new normal' is and how we can further

adjust our service delivery model to enhance our offering further and to meet changing community expectations.

FY21 will also be a year of preparing for the future to ensure that SMCT is positioned to meet community requirements over the long term. A re-assessment of the Bunurong Memorial Park master plan will be conducted to ensure that it is appropriately positioned to meet changing community requirements. This initiative provides community groups with a vital opportunity to engage with SMCT to future plan their long-term community 'footprint' within this unique location.

In line with our commitment to ongoing improvement, we will continue to enhance our customer centric approach and will be guided by insights gained from our strong community relationships. We will continue to walk beside our community as we move into FY21. The new year will be another period of unknown challenges; however, we will continue with our message of hope and that 'together we will get through this'.



The Children's Remembrance Service provides a vital community touchpoint and time of reflection for families.

Strategic Priority 2

Pursuing Strategic Growth

Our organisation remains focused on the long-term. We continue to build strong foundations through investing in people capabilities that drive innovation and help reshape the service offering to meet our communities evolving expectations. We recognise the role our values and purpose play in building a healthy and balanced organisational culture, one that is successful and looking outwardly for the bettering of our society.

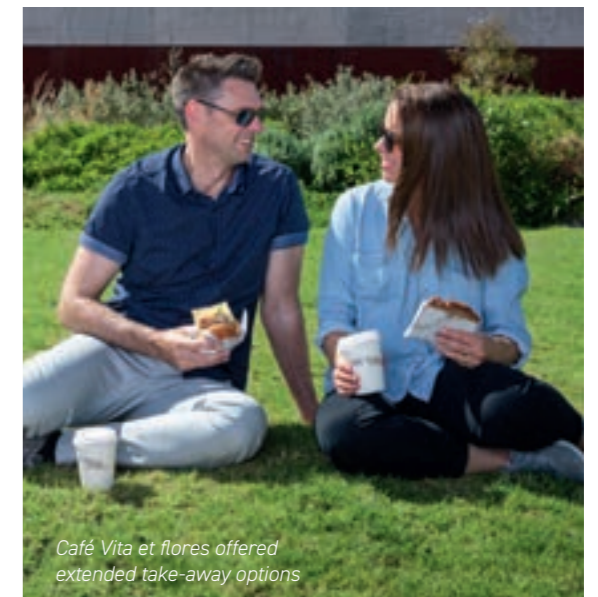
Aligned with our purpose, we continued to support the needs of our diverse Victorian community. We swiftly reshaped our services to provide meaningful ways for families to honour and celebrate loved ones, under newly introduced social distancing restrictions.

"The pandemic was an opportunity for us to demonstrate care - care for our teams. If they feel they are looked after, they are going to respond to our customers in a caring way."

- Jane Grover

It was an opportunity for our organisation to step forward once again and embrace change. We were committed to doing everything possible to keep our gates open and protect jobs while supporting the Victorian economy.

Taking a leadership position and working collaboratively with other local and interstate Trusts has enabled us to pivot quickly, supporting the communities needs and highlighting new commercial opportunities. The world has changed



Café Vita et flores offered extended take-away options

forever. We are now in a service delivery era that requires our organisation to be accessible and agile. As new restrictions came into effect, our Trust and leadership team worked together to reprioritise key activities that supported remote and online services for our team, industry partners and client families.

Our strategic direction and vision have prepared the organisation to adapt and respond to a rapidly changing future and emerging conditions while navigating unprecedented times of global and national change.



Building on these strong foundations, SMCT will continue to anticipate and evolve our service offerings and business models in response to the diverse and changing needs of our communities.

Key Outcomes:

- Responding and adapting to COVID-19 with speed and agility, balancing community, organisation and employee priorities.
- Delivery of new and enhanced service offerings via multiple channels and technology platforms, to support the rapid change in customer expectations. This included online wellness services, live streaming and online remembrance events.
- Completion and opening of our purpose-built Centre for Care and Wellbeing facility to support families in their journey through grief.
- Completion of the Robina, Oaks and Birches precinct extensions to support increased stock availability within high demand burial areas within Springvale Botanical Cemetery.

- Delivery of the first phase (Vision 2020) of our Information Technology strategy and Business transformation roadmap which provided a robust governance framework and foundational capabilities, including enterprise IT architecture, master data repository and data warehouse. The new data warehouse will support improved reporting capability and insights to identify growth opportunities.

Meeting Our Evolving Customer Expectations

We are deliberate and considered in the steps we take to achieve sustainable growth. This year our growth ultimately came in the form of learnings for the next evolution of SMCT service offerings to meet the changing needs of our community. As government restrictions came into effect, onsite visitor numbers expectedly declined. Our operations adjusted quickly and within weeks had pivoted to provide online offerings that could scale with redeployed team members.

Our florist and hospitality teams introduced a host of new service offerings that helped us redesign our future customer experience to be more mobile and adaptable. Through regular communication with industry partners and the community, we helped families navigate their available options. Our hospitality services remained at the heart of providing meaningful experiences for those who have recently lost a loved one.

Supporting Loved Ones

The extension of our Centre for Care & Wellbeing (CCW) to online audiences provides the opportunity for SMCT to reach more people and support through self-care and wellness programs for those grieving. CCW is a demonstration of our organisational purpose and the strong commitment to meet the needs of our most vulnerable customers.

CCW is a first of its kind with community feedback helping to shape the support services provided to families. The new purpose-built community facility will form an integral part of SMCT's service offering, giving Victorians hope and care in their time of need. We believe that our organisation has an opportunity to help make our society better. With declined mental health and increased loneliness across our community, CCW provides a place of connection that fosters strong and lasting relationships.

Building A Community Brand - 'Leading With The Heart'

SMCT's strong community focus and purpose-led brand ethos has shaped our approach to communication and underpins our desire to create lasting relationships with our customers.

We are redefining the role that cemeteries and memorial parks have traditionally played in our society, with our latest advertising campaign featuring "The Perfect Place to Celebrate Life".

This provided a platform for us to talk about the many features and options available when selecting the "perfect place to celebrate and honour" a loved one.

The campaign features images of family and friends with first-person quotes that express why they consider SMCT to be the perfect place for their loved one. The use of first-person quotes introduces a range of personal experiences, each unique and providing a way to approach the different cultural groups we serve with relevant messages.

The campaign translates across different media channels, advocating our organisational purpose of 'choice' for families to honour and celebrate a loved one.



"Dad, meet Lily."

Choosing the perfect place for loved ones to remember and celebrate life can provide wonderful peace of mind. The Springvale Botanical Cemetery has a range of options, each designed to perfectly reflect cultural and personal preferences.

The perfect place to celebrate life.

Visit smct.org.au
or call 8558 8278

 **SPRINGVALE**
BOTANICAL CEMETERY

Growing Our Digital Assets

As physical restrictions evolved, the role of our digital assets became our lifeline. The rapid pace of organisational change in response to the pandemic required increased communication between our teams, partners and customers. Initiatives from our Digital Transformation Roadmap were prioritised and brought forward to respond to the changing needs of our community.

The pandemic highlighted the need for us to prioritise strategies that encourage service delivery that is accessible and mobile. As we introduced new online wellbeing sessions and remembrance events, we discovered that customers were quick to embrace these new formats. In addition to strong participation levels, the online sessions provided greater awareness and social sharing opportunities to encourage others to discover these support services.

We are committed to providing customer-centric digital solutions that are relevant, consistent and accessible for all. While our locations may be geographically fixed, our role in supporting and guiding our society in honouring and celebrating their loved ones is boundless. We are ambitious in the transformation of our digital experience. We will continue to expand and optimise our owned, earned and paid channels in the effort to create more lasting and meaningful relationships with our customers.

Pursuing Land Acquisition and Development

With six of the nine locations within our portfolio reaching end-of-life, a major strategic focus during the year was to plan for a new community memorial park. The new memorial park would further extend on our vision of creating memorial



Conceptual design of a new memorial park in Melbourne's South East.

parcs of the 21st century, with environmentally sustainable design principles and a soft handprint. The proposed community memorial park will support the growing demands of Melbourne's multi-cultural south east region whilst ensuring sustainable long term growth for SMCT.

Information Technology and Business Transformation Portfolio

The Australian Government, in their Digital Transformation Strategy for 2025, emphasises the importance of investing in technology to accelerate the transformation towards meeting the changing behaviour and needs of Australia's diverse population.

In FY19, SMCT embarked on a three year Information Technology (IT) Strategy and Business Transformation Roadmap to support the extensive organisational changes required to enhance our service delivery offering and provide improved access to information and systems. The COVID-19 pandemic has further highlighted the need for robust technology platforms to support service delivery in the new work from home environments.

The first (1st) phase of our Information Technology (IT) transformation program, known as 'Vision 2020', formed the foundational work completed within the first year. The Vision 2020 Program helped address and resolve the concerns with information quality and reliability through the enhancement of information systems, processes,

technology and governance. At the centre of this project was a redesign of our organisational data architecture and the new data management and visualisation technology that underpinned this. With more integrated and accessible data available, our organisation can now leverage insights via introduced data warehouse and dashboarding tools.

IT Risk Management and Compliance

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

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

A vital component of the 'Vision 2020' project was to rectify impending and inherent network risks through the relocation of infrastructure to a Managed Data Centre. These data network and security enhancements provide increased levels of connectivity, providing our organisation with best-practice infrastructure foundations.

ICT expenditure

The total ICT expenditure incurred during 2019-2020 is \$5,337,160 (excluding GST) with the details shown below:

| Business as usual (BAU) ICT expenditure total \$000 | Non-business as usual (non-BAU) ICT expenditure | | |
|---|---|--------------------------------------|-----------------------------------|
| | (Total=operational and capital expenditure) \$000 | Operational expenditure (OPEX) \$000 | Capital expenditure (CAPEX) \$000 |
| \$3,139,869 | \$2,197,291 | - | \$2,197,291 |



FY20 Financial Performance

We have always taken a long term and balanced approach to our financial growth. With Australia experiencing its first recession in 29 years, our organisation's focus was on keeping our gates open and our teams employed throughout the pandemic. FY20 was a time to demonstrate through actions the values and culture we had fostered over the past ten years. It was an opportunity to show leadership, redeploying employees into newly created roles to better service our customers and initiatives that helped to maintain revenue.

With restrictions imposed to onsite visitation, the effects of the pandemic were most significantly experienced in pre-need and hospitality revenue streams. Both areas have, over the past few years, experienced substantial 'growth' which has underpinned SMCT's revenue growth trajectory and are expected to gradually normalise with the easing of restrictions.

Operating in a highly commercial environment while remaining focused on customer needs, underpinned by our purpose and values, we have achieved a growth of 38% in revenue, along with a doubling of our operating result over the last seven years. Our clear strategic direction

has aided us in navigating changes to societal attitudes and the complexities associated with the sector, while working within the regulations of the *Cemeteries & Crematoria Act 2003*.

Financial Report

The financial report (pp. 60 -119) covers the 12 months from 1 July 2019 to 30 June 2020, with the prior year's comparatives covering the 12 months from 1 July 2018 to 30 June 2019.

Financial Performance

For the financial year ending 30 June 2020, SMCT produced a positive result of \$12.8m. This surplus was achieved from a cemetery operations revenue of \$59.0m and investment income of \$14.5m and after the impact of the 3% cemetery levy of \$2.2m payable to the Victorian Government.

During the reporting period, SMCT investments (which underpins our community perpetual maintenance obligations) have decreased by -\$9.6m to \$276.3m, through distribution reinvestment (+\$12.8m) but offset by fees (-\$1.7m) and market losses (-\$20.7m) as a result of financial market volatility mainly due to Covid-19.

Summary of Financial Results for 2020 and the past four Financial Periods (\$'000)

| | FY20 | FY19 | FY18 | FY17 | FY16 |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Operating Statement | | | | | |
| Income from Transactions | \$59,048 | \$64,523 | \$63,095 | \$63,000 | \$54,445 |
| Cost of Goods Sold | (\$9,415) | (\$11,518) | (\$9,364) | (\$10,304) | (\$7,888) |
| Investment Income | \$14,520 | \$16,756 | \$14,624 | \$14,800 | \$11,840 |
| Expenses from Transactions | (\$49,152) | (\$45,675) | (\$43,795) | (\$39,897) | (\$38,170) |
| Cemetery Levy | (\$2,214) | (\$2,437) | (\$2,312) | (\$2,185) | (\$1,979) |
| Operating Result | \$12,787 | \$21,649 | \$22,248 | \$25,414 | \$18,248 |
| Other Economic Flows Gain/(Loss)* | (\$20,552) | \$1,800 | \$0 | \$0 | \$0 |
| Other Comprehensive Income/(Loss)** | - | \$2,418 | \$7,941 | \$46,062 | (\$4,427) |
| Comprehensive Result for the Period | (\$7,765) | \$25,867 | \$30,189 | \$71,476 | \$13,821 |
| Balance Sheet | | | | | |
| Assets | | | | | |
| Investments/Investment Property | \$276,305 | \$285,933 | \$269,783 | \$249,840 | \$213,021 |
| All Other Assets | \$240,806 | \$232,808 | \$220,857 | \$204,091 | \$167,072 |
| Total Assets | \$517,111 | \$518,741 | \$490,640 | \$453,931 | \$380,093 |
| Liabilities | | | | | |
| Unearned Income | \$49,979 | \$44,279 | \$40,871 | \$37,610 | \$33,950 |
| All other Liabilities | \$11,159 | \$9,759 | \$10,933 | \$9,270 | \$10,566 |
| Total Liabilities | \$61,138 | \$54,038 | \$51,804 | \$46,880 | \$44,516 |
| Net Assets | \$455,973 | \$464,703 | \$438,836 | \$407,051 | \$335,576 |
| Equity | | | | | |
| Perpetual Maintenance Reserves | \$337,400 | \$337,400 | \$310,908 | \$285,907 | \$259,161 |
| Other Equity | \$118,573 | \$127,303 | \$127,928 | \$121,144 | \$76,415 |
| Total Equity | \$455,973 | \$464,703 | \$438,836 | \$407,051 | \$335,576 |

* Other Economic Flows Gain/(Loss) includes market value gains on Investments (FY20). This was recognised in Other Comprehensive Income/(Loss) in previous years (FY19, FY18, FY17 and FY16)

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

SMCT's operating result of \$12.8m was down by \$8.9M on the prior year, driven by lower cemetery revenue in FY20, lower distribution income from investment and higher operating expenses related to the pandemic.

Lower operating revenue in FY20 was caused mainly by the impact of the COVID-19 social

distancing restrictions on SMCT's pre-need sales and hospitality income in quarter four of FY20.

FY20 also saw lower numbers of Mausoleum crypts sold, with the launch of Saint Padre Pio Three mausoleum in the prior year being the main contributor of higher revenue in FY19.

Despite the negative impact of COVID-19 social distancing restrictions on our pre-need sales, unearned income increased by \$5.7m or 12.9% during the year, with a closing balance of \$50.0m.

FY20 has been a year of continued investment in infrastructure and assets with expenditure on capital works and stock projects totalling \$13.8m, highlighted by:

- The refurbishment of the Centre for Care and Wellbeing (CCW) building.
- The construction and delivery of various infrastructure works, including dams and roads at Bunarong Memorial Park (BMP).
- The delivery of several major IT projects, including the Master Data Centre.
- The construction and delivery of monumental graves projects, including Robina, Oaks and Birches at Springvale Botanical Cemetery and the Islamic monumental at BMP.

Financial Performance Objectives

SMCT's operating result of \$12.8m was \$0.2m favourable against the FY20 Budget with SMCT's investment incomes, providing an offset for the drop in cemetery operations revenue.

Whilst SMCT had positive investment income of \$14.5m (\$6.8m above budget), in Other Economic Flows SMCT recognised a net loss on investments of \$20.7m due to market volatility mainly related to COVID-19.

Subsequent Events

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



Café Vita et flores
Wedding function
entree

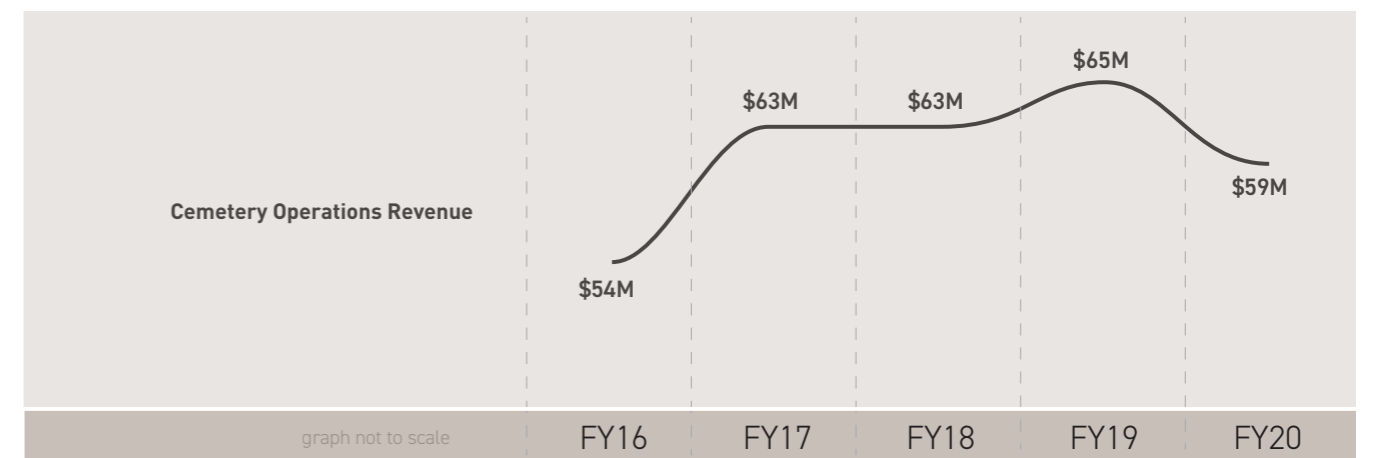
Comparison of Actual vs. Budget for the 12-month Period ending 30 June 2020 (\$'000)

| | Actual | Budget | Variance |
|---------------------------------------|----------|----------|----------|
| Cemetery operations revenue | 59,048 | 65,326 | (6,278) |
| Cost of goods sold | (9,415) | (10,738) | 1,323 |
| Investment income | 14,520 | 7,700 | 6,820 |
| Total revenue | 73,568 | 73,026 | 542 |
| Operating expenses | (51,366) | (49,708) | (1,658) |
| Operating result before cemetery levy | 15,001 | 14,758 | 243 |
| Cemetery levy | 2,214 | 2,178 | 36 |
| Operating result | 12,787 | 12,580 | 207 |

Comparison of FY20 Actual vs. Budget Key Financial Results

| | FY20 Actual | FY20 Budget | FY20 Variance |
|----------------------------------|-------------|-------------|---------------|
| Cremations (no.) | 8,997 | 9,316 | (319) |
| Internments (no.) | 4,469 | 4,259 | 210 |
| Grave revenue (\$m) | 22.24 | 24.3 | (2.06) |
| Mausolea crypt revenue (\$m) | 6.54 | 9.54 | (3.0) |
| Hospitality revenue (\$m) | 4.78 | 5.78 | (1.0) |
| Cremation memorial revenue (\$m) | 5.96 | 5.22 | 0.74 |

Cemetery Operations Revenue Growth FY16-FY20



graph not to scale

Key Influences on Operational Performance Summary

| | |
|-------------|---------|
| FY20 ACTUAL | \$22.2M |
| FY20 BUDGET | \$24.3M |
| FY19 ACTUAL | \$22.4M |

Grave revenue contributed 37.7% to operating revenue driven by:

- Large community sales at Bunurong Memorial Park (BMP) and Springvale Botanical Cemetery (SBC);
- Continued high demand of Song He Yuan and Song He Xin Yuan positions;
- Successful activation of areas such as Robina, Oaks and Birches and;
- Successful sales coming from grave research initiatives at Melbourne General Cemetery.

Mausolea revenue represented 11.1% of operating revenue, highlighted by continued sales from Saint Padre Pio Three mausoleum at SBC and Saint Michael the Archangel at MGC.

| | |
|-------------|---------|
| FY20 ACTUAL | \$6.5M |
| FY20 BUDGET | \$9.5M |
| FY19 ACTUAL | \$10.7M |

| | |
|-------------|--------|
| FY20 ACTUAL | \$6.0M |
| FY20 BUDGET | \$5.2M |
| FY19 ACTUAL | \$5.6M |

Cremation Memorial revenue contributed to 10.1% of total operating revenue, and was 7.1% and 14.2% above budget and prior year.

Continued focus on positions at SBC (Song He Xin Yuan and Garden of No Distant Place) and BMP (Sienna Garden) driving revenue. Large uptake of wall positions and an increased in demand for waterside positions at SBC.

Hospitality revenue was 17.3% below budget and down on prior year by 11.0% due to social distancing directives that restricted gatherings during quarter 4.

| | |
|-------------|--------|
| FY20 ACTUAL | \$4.8M |
| FY20 BUDGET | \$5.8M |
| FY19 ACTUAL | \$5.4M |

| | |
|-------------|-------|
| FY20 ACTUAL | 8,997 |
| FY20 BUDGET | 9,316 |
| FY19 ACTUAL | 8,932 |

Cremations - Volume was lower than budgeted by 3.4% but increased against prior year by 0.7%. The slow increase is in-line with the overall trend across Victoria and death increase rate over the last 12 months. Cremation revenue contributed \$7.2m or 12.2% of total income, representing an increase of 2% on 2019.

Interments - Volume of interments were 210k (4.9%) higher than budget and in line with the burial trend across Victoria. Interment revenue was above budget and prior year by 2.5% and 4.9% respectively.

| | |
|-------------|-------|
| FY20 ACTUAL | 4,469 |
| FY20 BUDGET | 4,259 |
| FY19 ACTUAL | 4,225 |

FY20 Consultancies

| Consultant | Purpose of Consultancy | Start Date | End Date | Total Approved Project Fee | Expenditure 2019-2020 |
|--|---|------------|------------|----------------------------|-----------------------|
| Speller International | Business transformation project | 31/07/2019 | 30/06/2020 | \$600,000.00 | \$433,121.00 |
| Greg Bailey Consulting | Bradman Program | 4/08/2019 | 3/04/2020 | \$115,600.00 | \$115,600.00 |
| Jackie Duke Insights | Customer journey commissioning | 21/11/2019 | 24/04/2020 | \$104,000.00 | \$104,000.00 |
| Context (GML Heritage) | Conservation plan submission, policy and survey for St Kilda Cemetery | 11/09/2019 | 25/06/2020 | \$90,650.00 | \$90,650.00 |
| MC3 Consulting (Clemolly Pty Ltd) | Strategic infrastructure development plan | 12/02/2020 | 30/06/2020 | \$38,500.00 | \$38,500.00 |
| Zenith Surveys | Survey services across various locations | 11/07/2019 | 5/12/2019 | \$33,406.00 | \$33,406.00 |
| Ecology And Heritage Partners | Biodiversity assessment | 23/09/2019 | 27/05/2020 | \$33,201.80 | \$33,201.80 |
| Bateup Actuarial & Consulting Services Pty Ltd | Actuarial report for proposed new Community Memorial Park business proposal | 13/07/2019 | 30/09/2019 | \$16,192.00 | \$16,192.00 |
| | | | | \$1,031,549 | \$864,671 |

Consultants

In FY20, there were 8 consultancies (Displayed in the table above) where the total fees payable to the consultancies were \$10,000 or greater. The total expenditure incurred in relation to these consultancies was \$0.9m (excl. GST). In FY20, there were 9 consultancies where the total fees payable were less than \$10,000 (excl. GST). The sum of these consultancies was \$31,807 or 4% of total consultancy fees.

Looking Forward

The unprecedented events from the COVID-19 crisis will continue to have significant impacts throughout our society and economy for some time. These unparalleled conditions will continue to evolve customer expectations, requiring SMCT to respond quickly in this new and untested environment. The opportunity is for us to be the 'trusted advisor', guiding and advocating for the community during this challenging time.

In FY21, SMCT will continue to pursue growth through:

- Ongoing planning and community engagement of our future memorial park supporting the growing communities in Melbourne's south-east.
- The Re-assessment of Bunurong Memorial Park's masterplan, due to the accelerated pre-need demand over the past years.
- The introduction of a 'Future Service Delivery Model' that provides enterprise-wide capabilities and improves access to our offerings.
- The second (2nd) phase of our Information Technology (IT) transformation program will support our 'Future Service Delivery Model' with integrated services offering increased capability and the attaining of valuable customer insights.

Celebrating
10
YEARS

A heartfelt thank you to the many employees who have dedicated themselves each day to support SMCT and the community we serve.



We understand the past year has presented some of the most challenging times our community and organisation have faced. However, throughout this time, we have continued to see and hear of amazing acts of kindness and discretionary effort across the organisation.

We are proud of the flexibility demonstrated in response to the continually changing environment and thank each of our employees for their dedication and support of SMCT. The above floral arrangement was created by our talented Café Vita et flores team as a tribute to the employees of 2020.

Strategic Priority 3

Enhancing Stakeholder Engagement

We have continued to build our organisation's strategic direction around initiatives that promote community connection and care. The Southern Metropolitan Cemeteries Trust (SMCT) is committed to listening and responding to our multifaith, multicultural and multigenerational community. We demonstrate a contemporary approach to supporting the living through inclusion, openness and respect.

The challenges of 2020 have highlighted a need for SMCT to support the community with enhanced services that are more accessible and available online. With social distancing restricting the community to come onsite, we swiftly redesigned scheduled events and support services where possible to accommodate the government's directives, while providing our loyal community with online alternatives.

Key Outcomes:

- Opening of our purpose-built Centre for Care & Wellbeing at Springvale Botanical Cemetery.
- Our annual Mother's Day Remembrance Service evolved this year from a traditional service to our first online event.
- Monash University Research partnership into the study of "Approaches to Death, Funeral Rites and Memorialisation in Contemporary Australia".
- Refurbishment of the iconic pagoda at Melbourne General Cemetery in collaboration with the Chinese Museum and the Victoria Memorial Foundation.
- Assist Victorian educational institutes with the delivery of valuable Horticulture training experience and programs.



Singer Lyndsie Storer and guitarist Taylor Sheridan perform a musical tribute for the opening of CCW.

A Centre for Care and Wellbeing

Since the inaugural launch of the Centre for Care & Wellbeing (CCW) in 2017, we are proud to have supported over 3,000 members of the Victorian community, connecting people through more than 600 sessions and activities.

Our new purpose-built CCW space was officially opened on Wednesday 11 March 2020.

This initiative is an Australian first and possibly a first for cemeteries worldwide, setting a new benchmark for the level of care cemeteries provide, by transforming them into places of community, connection and healing.

The journey of loss is inevitably one of sadness and pain. However, we hope that all who use our new Centre experience the warmth and beauty that emerges when people come together to offer kindness to one another.

Only weeks after the official opening of this new facility, Victoria experienced the first phase of COVID-19 restrictions. With higher levels of uncertainty, our community needed more than ever to come together to receive support and feelings of solidarity. With onsite connection no longer an option, our teams worked tirelessly to create a series of online self-care videos available from our website that visitors could participate in from the safety of their home.

A dedicated website page provided updated communications and ways to connect for further assistance and support throughout this time.

Remembering Loved Ones

Strengthening our vision of honouring and celebrating life, along with our commitment to support the living through their grief journey, each year, we hold community Remembrance Services. These Remembrance Services provide our organisation with an essential link to our communities changing needs and the services required to support them.

Unlike most years, the current 2020 pandemic restrictions limited our ability to invite families to annual services hosted at our locations. Understanding the important role these events play in our communities' lives, we redesigned our engagement to provide alternative ways to honour and remember loved ones.

During the season of Ching Ming Festival, we connected with Fo Guang Shan, Yun Yang and Bright Moon temples who provided ancestor and client family blessings to our community. On ANZAC Day, Jane Grover (SMCT CEO) reflected on our brave Victorian citizens, both men and women in an online video.

Our Mother's Day Remembrance Service marked the first online event hosted by SMCT



Backstage at the 2020 Live Streaming Mother's Day Remembrance Service.

Di Zhang Wang Temple with its full-size Buddha overlooks the sloping landscapes of Song He Yuan in Springvale Botanical Cemetery



in partnership with Templeton Family Funerals. This unique webinar service allowed families to join from the safety of their home, to remember, reflect and honour their Mothers. The new format was quickly embraced by the community, with higher levels of household participants than in prior years. The success of the new online format provided SMCT with valuable learnings that will help shape our events calendar beyond the present crisis.

Monash University Research

To provide meaningful and relevant services for our diverse community, we have partnered with Monash University to support the "Approaches to Death, Funeral Rites and Memorialisation in Contemporary Australia" study.

This research focuses on three specific groups and the need to understand their end of life (funeral rites) requirements better. The three groups include Baby Boomers, Christians, and Culturally and Linguistically Diverse population.

"On a more personal note, the research meant I was able to overcome difficulties I experienced visiting my parents' grave sites at Springvale. I now have a new appreciation of how beautiful it is at Springvale and a feeling of great comfort rather than sadness and apprehension. For this I will always be grateful"

- Associate Professor Helen Forbes-Mewett

We are grateful for the opportunity to work together with Monash University to understand better the community we serve. This research helps inform future planning and policies in line with the broader needs of our Victorian population.



Opening of the refurbished Chinese pagoda. Jane Grover, CEO (Left), founding board member of the Chinese Museum Maurice Leong (Middle), Anthony Carbines MP (Right).

Preserving History

We are fortunate to work with many different multicultural communities and understand the vital role that tradition and ceremony play in shaping our culture.

On Sunday 27 October 2019 we were delighted to celebrate the refurbishment of the beautiful and iconic pagoda at Melbourne General Cemetery. A special thank you to the Chinese Memorial Foundation who undertook the refurbishment work, and the Chinese Museum for partnering with us for this special community event.

Forming the entrance to Melbourne General Cemetery's dedicated Chinese community area, the Chinese pagoda symbolises the migration of Victoria's Chinese community and the making of their new home in Melbourne – a place where they can now rest peacefully and have their legacy preserved for future generations. It is a symbol of the early history of Chinese workers in Victoria and the significant contributions made by this loyal and enduring community. The refurbishment of the pagoda helps to honour ancestors here in Victoria while preserving Chinese traditions and history.

A special thank you to the Chinese Memorial Foundation who undertook the refurbishment work, and the Chinese Museum for partnering

with us for this special community event. It has been our pleasure to support all efforts to refurbish this iconic pagoda, along with the many generous individuals and community organisations who contributed to fundraising efforts for this refurbishment.

Partnership In Learning

We believe investing in the next generation of horticulturists helps provide valuable knowledge and best practice to the industry. Partnering with Holmesglen, Melbourne Polytechnic, Swinburne University and Swinburne Tafe, SMCT is providing essential training experience for students studying Arboriculture, Landscape and Horticulture subjects. Our unique environment and highly skilled team present students with variables not usually seen in domestic situations.

As educational institutions moved to online learning programs as part of their response to COVID-19, our lead arborist supported delivery of online 'Plant identification' and 'Pruning trees' training. Live and pre-recorded demonstrations provided students with alternative training and opportunities to connect and discuss preferred practices.

Looking Forward

The effects of the pandemic will continue to play out through the year ahead, and our role in the community is to respond with care and hope. We will continue to adapt our services and identify new opportunities to create lasting relationships with our community, both virtually and in-person. We understand the past year has challenged our society and believe that through listening and responding with care, upholding values of respect and equality, we can together build a better and more united tomorrow.

Strategic Priority 4

Investing In People Development

It takes a special kind of person to work at SMCT. United in their determination to make a positive difference in the lives of Victorian families, each of our people demonstrate pride, care and compassion as they work with grieving families every day of the year.

This year, more than ever, our teams engaged in incredible dedication and excellence in service delivery, as the workplace and world around us shifted at an unmatched pace. This has included working as 'one team' to reshape and reimagine our service offering, with the swift introduction of video streaming and hospitality packs for families unable to attend their loved one's service, upon the introduction of social distancing restrictions.

For some team members, it has meant the redeployment into newly created roles. As an organisation, we take our responsibility to engage, enable and support our people seriously. The arrival of COVID-19 resulted in some 30 plus hospitality employees being unable to continue work in their primary role. In line with our values and the commitment to employment sustainability, SMCT was able to offer the majority of these employees alternative roles within the organisation.

The requirement to work from home saw our teams mobilise to quickly introduce new remote communication platforms, enabling seamless service to the Victorian community. The benefits of these new platforms and ways of working will have lasting effects across our organisation and enable improved flexibility for our future workforce.

Over and above the significant collective accomplishments we have made as an



Patty, Director - People, Capability & Change (Left), Nicole, Senior Operations Manager (Centre) and Caroline, Corporate Governance Manager at SMCT's 10 Year Celebrations.

organisation this year, our proudest achievement has been our people's response to COVID-19. It is through these changing and challenging conditions that our cohesive, aligned 'one team' culture and effective leadership has shone through, enabling us to pivot, reorder and deliver sustained performance and world-class service amidst these uncertain times.

As this year marks SMCT's ten years as an organisation, we are delighted to congratulate



Tom (left), SMCT's Osteopath providing employee support as part of our Activate Health Program.

three team members, who are each celebrating ten years of service within the SMCT family. A heartfelt thanks to Kim (Page 2), Daniel (Page 24) and Dianne for their valuable contributions over this time.

'I can make a difference' annual Employment Engagement Survey

'Proud, Purposed & Progressive' is how our employees describe our 'one team' workplace culture, and again, this year's annual Employee Engagement Survey results, support this sentiment.

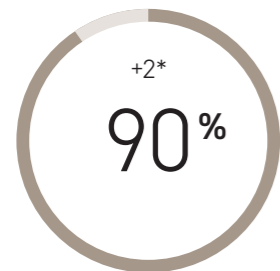
"The greatest thing about SMCT is working with an amazing team that I would consider more family than colleagues. Knowing what you do has a direct impact on people in possibly the hardest time of their life is priceless and gives endless value in what we do."

anonymous employee survey respondent

Continuing to listen to employees regarding how we can improve our culture together, remained a priority throughout FY20. Through transparent communication, we continued to foster high levels of employee trust and confidence in both our leadership and our organisational vision. Our CEO roadshows, regular one-on-one and team conversations helped provide an understanding of how each role contributed to our success.

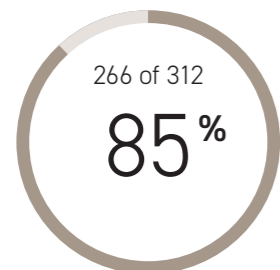
We value our employee feedback received through a range of mediums, including our annual Employee Engagement Survey conducted by Engine, one of the world's leading global organisational research providers in February 2020.

SMCT was delighted that we outperformed the strong result achieved the previous year, resulting



2020 Employee Engagement Score

*Difference from 2019



Engagement Survey Responses



in a global best-in-class score of 90% in FY20 (up 2 points from 88% in FY19). This exceptional result gives us enormous confidence that we are finding the right balance in caring for our people, our customers, and the organisation. We are proud of the culture we have fostered and understand the importance of continually investing in the growth of our people capabilities. In addition to this outstanding overall engagement result, SMCT achieved above-benchmark scores across 32 or 91% of questions.

A few highlights include:

- I am prepared to 'go the extra mile' in my role – 97%
- I enjoy the type of work that I do – 96%
- I understand how my work contributes to the success of our organisation – 95%
- Our organisation has a clearly defined vision & strategic plan – 91%
- As an organisation, we put customers at the heart of everything we do – 92%
- I am proud to work for SMCT – 91%

"The greatest thing about working at SMCT is being able to make a very difficult time in some one's life just a tiny bit easier and being surrounded by people of the same mind. Kindness is a wonderful thing."

anonymous survey respondent

Health, Safety & Wellbeing (HSW)



SMCT's Activate Health employee wellbeing program was further enhanced in FY20 to incorporate the development and embedding of a mental health framework. This new program included the design and implementation of Mental Health Care and Response workshops for leaders.

To further support the launch of our Mental Health Program, fittingly, SMCT launched its



Shelley (Middle) receiving SMCT's winning silver placement at the 2019 Melbourne International Flower and Garden Show (MIFGS). Presented by Vanda (Left) and Ruth (Right) at the 2019 SMCT Annual Meeting.

We work hard to create a safe workplace for all team members and were delighted to be shortlisted for the 2019 WorkSafe Awards for the Early Intervention Program, which recognised our safety-first culture through the SMCT Activate Health Program. Our outstanding WorkSafe Performance Indicator scores (below) continue to demonstrate our organisations commitment to creating safe working environments for all employees.

SMCT Health, Safety & Wellness Data

| WorkSafe Performance Indicators | FY20 |
|--|----------|
| SMCT Work Safe Insurance Premium Rate | 2.0% |
| SMCT Performance Rating | 0.6% |
| SMCT Performance Rating (compared with Industry average) | + 37.01% |
| Occupational Violence Statistics | FY20 |
| Work Cover accepted claims with an occupational violence cause per 100 FTE | 0 |
| Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked | 0 |
| Number of occupational violence incidents reported | 3 |
| Number of occupational violence incidents reported per 100 FTE | 1.09 |
| Percentage of occupational violence incidents resulting in a staff injury, illness or condition | 0% |

Mental Health First Aid Team on RUOK? Day (September 2020), demonstrating our ongoing commitment to fostering a supportive safety and wellbeing culture.

We have paid particular attention to our employee's needs during this time of heightened unpredictability, ensuring support for all employees through:

- The introduction of a modified Activate Health employee wellbeing program to include weekly soup lunches, offsite flu vaccinations, offsite/online EAP, modified osteopathic offering and an online work from home care and support package, focused on physical and mental wellbeing.
- Proactive, regular, timely and fact-based internal communication strategy to regularly reach all teams at all locations, including the fast-tracked launch of an 'employee app' available to all employees for enhanced communication and connection.

| Occupational Health and Safety | FY20 | FY19 | FY18 |
|---|---|---|---|
| a) The number of reported hazards/incidents for the year per 100 full-time equivalent staff members | Total Incidents: 622 Staff No: 274 Per 100 staff: 227 | Total Incidents: 746 Staff No: 294 Per 100 staff: 254 | Total Incidents: 701 Staff No: 293 Per 100 staff: 239 |
| b) The number of 'lost time' standard claims for the year per 100 full-time equivalent staff members | Total claims: 1 Per 100 staff: 0.36 | Total claims: 3 Per 100 staff: 1.02 | Total claims: 5 Per 100 staff: 1.71 |
| c) The average cost per claim for the year (including payments to date and an estimate of outstanding claim costs as advised by WorkSafe) | \$9,067 | \$23,152 | \$34,012 |

Workplace Diversity

We pride ourselves on the creation of a workplace where everyone feels recognised, valued and supported to be able to do their very best work. To support this, we strive to attract, develop and retain team members from broad talent pools, managing and maintaining the diversity of our workforce and promoting equality of opportunity, regardless of race, religion, disability or sexuality.

We place emphasis on creating a workplace in which employees, and all partners who work alongside us, feel comfortable being themselves and are treated fairly, with respect, dignity and a zero-tolerance for any form of discrimination.

Our progress in creating a diverse and inclusive workplace is highlighted in the composition of our FY20 workforce as follows:

At 30 June 2020, 55% of Trust members and 100% (71% in 2019) of the Executive Leadership Team were female. Overall, 51% of our workforce is female. Our focus on hiring people with diverse experience continued in FY20, with our workforce spanning three generations, and employees ranging in age from 19 to 66 years and tenure ranging from 1 to 37 years.

Age Distribution

(headcount, not FTE equivalent as of 30th June.)

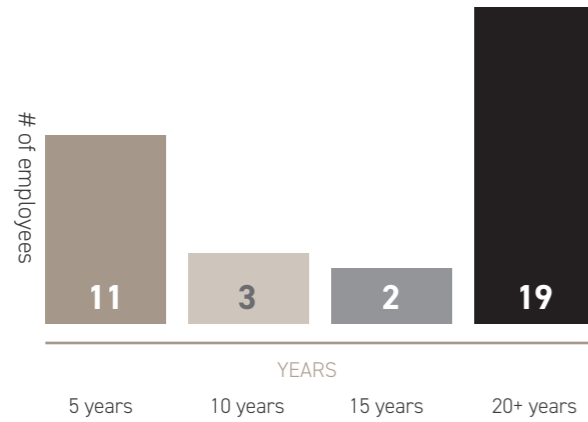
| Age | FY20 | FY19 |
|--------------------------------|------------|------------|
| Under 25 | 15 | 19 |
| 25-34 | 60 | 62 |
| 35-44 | 80 | 77 |
| 45-54 | 87 | 81 |
| 55-64 | 49 | 49 |
| 65 and Over | 7 | 6 |
| Total (excl. vacancies) | 298 | 294 |

Gender Distribution

(headcount, not FTE equivalent as of 30th June.)

| Gender | FY20 | FY19 |
|--------------------------------|------------|------------|
| Male | 146 | 142 |
| Female | 152 | 152 |
| Self described | 0 | 0 |
| Total (excl. vacancies) | 298 | 294 |

Service Milestones Reached Between July 2019 - June 2020



Flexible Working Arrangements

(headcount, not FTE equivalent as of 30th June)

| Working Arrangements | FY20 | FY19 |
|--------------------------------|------------|------------|
| Full Time | 242 | 224 |
| Part Time | 44 | 41 |
| Casual | 12 | 29 |
| Total (excl. vacancies) | 298 | 294 |

Terms Of Employment (FTE)

| Terms of Employment | FY20 | FY19 |
|--|--------------|--------------|
| Award (Hospitality & Retail) | 10.3 | 8.5 |
| Contract | 108.9 | 88.6 |
| The Southern Metropolitan Cemeteries Trust Outdoor Enterprise Agreement 2017 | 103.4 | 90.6 |
| The Southern Metropolitan Cemeteries Trust Indoor Enterprise Agreement 2015 - 2019 | 51.5 | 48.6 |
| Total (excl. vacancies) | 274.2 | 236.3 |

Training & Development

We aspire to be an employer committed to the technical and leadership development of all employees, providing opportunities for both personal and professional growth. Guided by our values, we foster a culture of continual improvement with each role contributing to the care we provide our customers every day.

Significant investment continues to be made to ensure our teams are safe and skilled in their roles. Work is underway to ensure the ongoing development of our people via COVID-friendly platforms.

We recognise and nurture talent at SMCT. We want our teams to enjoy fulfilling and rewarding careers. To support them, we continue to design, improve, and expand our range of targeted development programs to support the advancement of teams and leaders.

| Training Category | Hours* |
|----------------------------------|--------|
| Corporate Induction | 770 |
| In-role / Technical | 790 |
| Leadership | 550 |
| HSW / Licence, Risk & Compliance | 1,603 |

*Total hours reduced during the period due to COVID-19



With enhanced design and content, the FY20 Enterprise Leadership Program (ELP) has been re-activated, and delivery is currently underway for Cohort III. A further refresh of the program (in the context of COVID-19 conditions) has resulted in an additional focus on leading remote teams, concurrent with enabling online participation and an extension of program timelines to ensure maximum participant value and engagement. ELP remains a best-in-class program, supporting the development of the critical leadership capabilities required to sustain our high-performance culture.

Looking Forward

As an organisation, we are no more, and no less than the sum of the efforts, energy, and values of all of our people. Our outstanding team member's dedication and commitment make a difference every day to the lives of the community we support.

As we continue to adapt and respond to COVID-19, it is evident we are stepping into a new era of work.

During FY21 we will:

- Continue to embed and refine COVID-19 Safe Work Plans which address government directives to ensure the ongoing health & safety of employees, partners and the broader community; and
- Continue to refine and deliver a tailored Activate Health employee wellbeing program that prioritises mental health and wellbeing during this time of heightened unpredictability; and
- Continue to leverage SMCT's Talent Framework to identify, develop and retain high performing employees to underpin long term succession planning and sustainable growth; characterised by high levels of employee engagement.

With our strong foundation of employee trust and care, our focus on building capability, and our demonstrated ability to pivot and innovate, SMCT is well-positioned to establish new ways of working and service delivery to the Victorian community.

Spotlight on Sustainability

The Southern Metropolitan Cemeteries Trust (SMCT) is committed to the long term preservation of our natural environment. With each new project undertaken, we are considerate of the environmental impacts, opting for eco-friendly design and long-life construction materials to help reduce our footprint and ensure sustainable work practices.

We actively foster a culture of sustainability and look for improvements across all areas of our operations. We monitor our performance and adopt new technologies and processes to support our vision of creating beautiful natural community parks for honouring and celebrating life.

We have several extensive water catchment programs to assist with the onsite management and care of our locations and the advancement of local wildlife. We foster an organisational culture that is both socially and environmentally sensitive and responsible.

Carbon Emissions Report

As part of our organisational responsibilities, we report annually on total carbon emissions to the Department of Health and Human Services and the Environmental Protection Authority (EPA).

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

In FY20, SMCT achieved a 21% decrease (equivalent to 1,744 tonnes CO2-e) in its total carbon emissions. The reduction relates to the completion of large scale construction projects in FY19, with a final result of 6,432 CO2-e for the

year. Other factors include the effects of COVID-19 social distancing restrictions that resulted in a significant reduction in functions in FY20.

While the number of construction projects reduced, notable new projects included:

- The completion of the new Centre for Care & Wellbeing (CCW), a purpose-built community facility; and
- Extension works to the road and new burial site at the Robina, Oaks and Birches precinct (ROB).

Identifying SMCT's Top Carbon Producers

Construction Materials

The three emission sources most affected by the year-on-year reduction was concrete (73%), Fuel used by contractors (92%) and purchased electricity (11%).

Electricity

Purchased electricity remains the highest contributor to our total carbon emissions, making up 35% in FY20 and was reduced from FY19 by 10.6% or 271 tonnes CO2-e.



Autumn leaves in Springvale Botanical Cemetery garden.

Employee Commuting

Employee commuting slightly increased (1%) year-on-year, contributing to 8.3% or 534 tonnes of CO2-e of our total carbon footprint. The employee commuting data is collected from each employee and includes transport mode, distance travelled and vehicle capacity.

Looking Forward

In FY21, we will continue to look for efficiencies throughout our operation to reduce our environmental impact and provide more sustainable ways of working.

As we look to plan our next memorial park, we are working with various conservation partners to help create an eco-park with a light environmental handprint. We understand the importance of balancing the communities need to honour loved ones, with the sustainability and protection of our local and fragile surroundings.

We will continue to remain vigilant in FY21 with low impact sustainable design principles and the construction of new facilities to ensure we are sourcing the most suitable and environmentally responsible materials for the long-term benefit of our shared environment.

Reduction Initiative in FY20: The new Centre for Care & Wellbeing facility added eight additional solar panels to SMCT's energy conversion portfolio (total of 773 solar panels).

Natural Gas

Natural gas made up 21% of our total FY20 carbon emissions and is predominantly from crematorium operations, general heating and the commercial kitchens. Cremations increased by 1,315 (or 15%) in FY20 compared to the prior year, the equivalent to 98 tonnes of CO2-e.

Waste to Landfill

In FY20 total waste to landfill increased by 73 tonnes (9%). While SMCT makes every effort to relocate grave soils across other SMCT locations (soil relocation is included in this total) the volume of landfill increased year-on-year.

SMCT Carbon Footprint Annual Data

| Year | Total Emissions (tonnes CO2 equivalent) | Var (%) | Emissions per FTE (tonnes CO2 equivalent) | Var (%) | Comments |
|------|---|---------|---|---------|---|
| FY16 | 9,398 | 24.1% | 31 | 14.3% | Increase in construction projects |
| FY17 | 6,459 | (31.3%) | 28 | (9.9%) | Decrease in construction activities and solar electricity generation |
| FY18 | 6,555 | 1.49% | 23 | (18%) | Stable |
| FY19 | 8,176 | 24.7% | 34 | 49.4% | Increase in construction projects |
| FY20 | 6,432 | -21% | 24 | (29%) | Decrease in construction activities and reduced hospitality services from COVID-19 pandemic |

Looking Forward

Our strategic growth has been driven by understanding the needs of our current and future customers. The past months have highlighted the importance of organisational flexibility and the changing needs of our community in this new mobile experience economy.

Continued investment in consumer/market trends is critical to successfully reaching current and prospective customers, through relevant and contemporary channels. Enabling a service offering that is accessible and provides greater levels of choice via technology is now a standard expectation from our consumers. Therefore, SMCT will continue to invest to unlock growth opportunities through technology and business transformation.

Our transformation strategy remains adaptive with ongoing investment in new specialist capabilities to support our vision and the development of our teams. We understand the success of business transformation lies in strong leadership capabilities with an enterprise and customer-centric lens. The effects of the pandemic have confirmed the direction set out in our strategy to be correct; we will continue to be guided by this while prioritising FY21 activities to support the delivery of services to meet our customer's immediate and future needs.

Our focus will continue to be on investing in the long-term sustainability of the organisation through:

- **A Culture of Innovation:** this has been SMCT's strong value proposition. We will continue to invest in the discipline of challenging the status quo through innovation, complemented by an ongoing commitment to our purpose and values
- **Strong Foundations for Growth:** Investment in deliberate and long term growth strategies will ensure impactful and sustainable community outcomes.

- **Community Advocacy:** We will continue to listen and actively respond to the changing needs of our diverse community - seeking to form a lasting relationship with our client families through the range of onsite and online services we provide.
- **Employee Engagement:** We will continue to develop capabilities for employees working remotely, providing our people with new ways of working and technology to support their development, wellbeing and connection to SMCT's purpose and culture.
- **Genuine Commitment to Safety & Wellbeing:** We will continue to embed a safety culture and focus on employee wellbeing to support positive organisational safety outcomes.

SMCT acknowledges the strategic importance of a measured journey towards a 'new normal' in the COVID-19 environment. Ongoing implementation of a targeted and agile response to the COVID-19 pandemic and conditions which maintain the safety of SMCT's employees, partners and visitors aligns to our guiding COVID-19 principles and achieves the associated key objectives.



Strategic priorities for FY21

Embracing Customer Centricity

- Delivery of the planning, commercial and strategic engagement workstreams to support the acquisition of land for the development of a new Community Memorial Park.
- Delivery of a pilot project to expand the customer service delivery model, via a workforce enabled by technology, which provides choice and improves the mobility of our service offering.

Pursuing Strategic Growth

- The second phase of our Information Technology (IT) transformation program commencing in FY21, will support SMCT in realising its future service delivery model with integrated services offering increased accessibility and mobility through valuable customer insights. The visioning and planning of this future service delivery model will commence together with planning for 'Next Gen' technology and systems requirements.
- The 'Next Gen' systems will include Customer Relationship Management (CRM) and Enterprise Resource Planning (ERP) systems, where a 3-year program of works will replace legacy systems,

with enterprise-wide integrated platforms and best-of-market business procedures.

- Re-assessment of the Bunurong Memorial Park Masterplan to facilitate the next stage of growth, to optimise land and to meet the diverse needs of the community.
- Strategic review and assessment of the investment portfolio asset allocation and future investment strategy to maximise market returns of the community perpetual maintenance fund.

Enhancing Strategic Engagement

- Elevation and expansion of SMCT's brand through the creation of a strong strategic narrative by which customers and community will connect with our purpose and values.

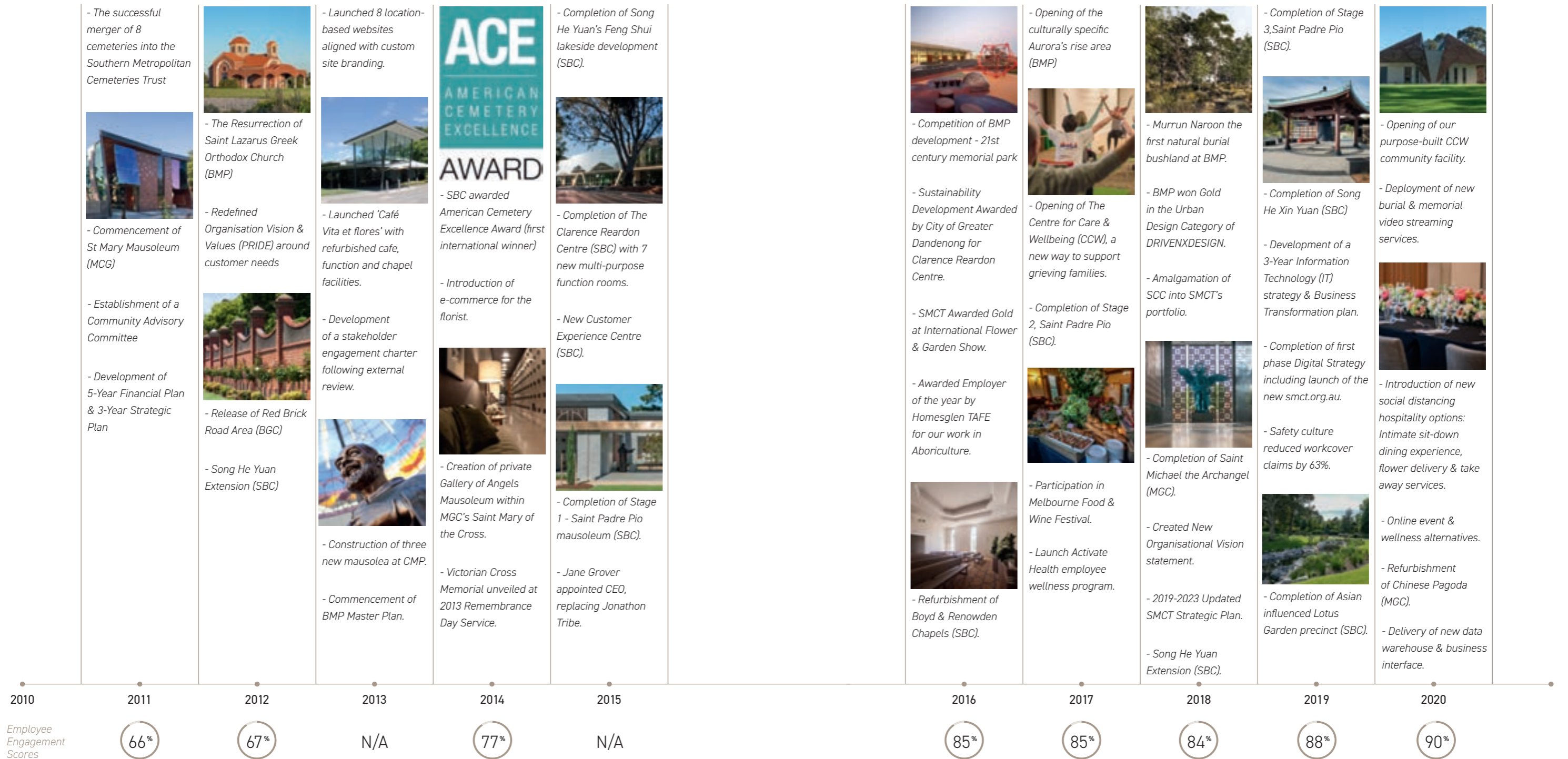
Investing in People Development

- Continue to evolve our COVID-safe work plans in line with changing directives to ensure the ongoing health & safety of employees onsite and those employees who will remain working from home for an extended period.
- Tailor the Activate Health employee wellbeing program to prioritise employee mental health and wellbeing during this time of heightened unpredictability.

Celebrating 10 years of SMCT



The timeline below helps to demonstrate how over the past 10-years, SMCT has created open community spaces designed to enhance biodiversity and lasting connections.



Employee Engagement Scores

SMCT's Portfolio References: Springvale Botanical Cemetery (SBC), Bunurong Memorial Park (BMP), Melbourne General Cemetery (MGC), Brighton General Cemetery (BGC),

Cheltenham Memorial Park (CMP), Cheltenham Pioneer Cemetery (CPC), Dandenong Community Cemetery (DCC), Sorrento Community Cemetery (SCC), St Kilda Cemetery (STK)



SOUTHERN
METROPOLITAN
CEMETERIES TRUST

Honouring and celebrating life

2020 Financial Statements

Financial Statements

Trust Chairperson's, Accountable Officer's, and Chief Finance & Accounting Officer's declaration

The attached financial statements for Southern Metropolitan Cemeteries Trust ("SMCT" or "The Trust") have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, the *Australian Charities and Not-for-profits Commission Act 2012*, the Australian Charities and Not-for-profits Commission Regulation 2013, 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 2020 and the financial position of SMCT at 30 June 2020.

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 19th August 2020.

Dr Vanda Fortunato
Trust Chairperson
Springvale
19 August 2020

Jane Grover
Accountable Officer Springvale
19 August 2020

Shireen Jahan
Chief Finance & Accounting
Officer Springvale
19 August 2020



Independent Auditor's Report

To the Board of the Southern Metropolitan Cemeteries Trust

| | |
|--|--|
| Opinion | <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"> • balance sheet as at 30 June 2020 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • trust chairperson's, accountable officer's and chief finance & accounting officer's declaration. <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"> • presenting fairly, in all material respects, the financial position of the cemetery as at 30 June 2020 and of its financial performance and its cash flows for the year then ended • complying with Australian Accounting Standards and Division 60 of the <i>Australian Charities and Not-for-profits Commission Regulations 2013</i>. |
| Basis for Opinion | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the cemetery in accordance with the auditor independence requirements of the <i>Australian Charities and Not-for-profits Commission Act 2012</i> and the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p> |
| Board's responsibilities for the financial report | <p>The Board of the cemetery is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the <i>Financial Management Act 1994</i> the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the cemetery's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p> |

| | |
|---|--|
| Auditor's responsibilities for the audit of the financial report | <p>As required by the <i>Audit Act 1994</i>, 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.</p> <p>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:</p> <ul style="list-style-type: none"> • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the cemetery's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board • conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the cemetery's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the cemetery to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. <p>I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.</p> <p>I also provide the Board with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.</p> |
|---|--|

Comprehensive Operating Statement for the Financial Year Ended 30 June 2020

| | Note | 2020 \$'000 | 2019 \$'000 |
|--|--------|-----------------|-----------------|
| Income from transactions | | | |
| Cemetery operations income | 2.1 | 59,048 | 64,523 |
| Cost of sales | 3.1 | (9,415) | (11,518) |
| | | 49,633 | 53,005 |
| Investment income | 2.1 | 14,520 | 16,756 |
| Total income | | 64,153 | 69,761 |
| Expenses | | | |
| Employee expenses | 3.1 | (26,520) | (24,064) |
| Administrative costs | 3.1 | (5,877) | (4,831) |
| Maintenance and operating costs | 3.1 | (4,535) | (4,130) |
| Finance costs | 3.1 | (1,466) | (1,325) |
| Audit fees | 8.5 | (160) | (121) |
| Other operating expenses | 3.1 | (2,992) | (2,564) |
| Depreciation and amortisation | 4.4 | (7,602) | (8,640) |
| Cemetery levy | 3.1 | (2,214) | (2,437) |
| Total expenses | | (51,366) | (48,112) |
| Net result from transactions | | 12,787 | 21,649 |
| Other economic flows included in net result | | | |
| Net gain/(loss) on non-financial assets | 3.2 | (146) | - |
| Net gain/(loss) on financial instruments | 3.2 | (20,741) | 1,800 |
| Net fair value revaluation on financial assets (investment property) | 3.2 | 335 | - |
| Total other economic flows included in net result | | (20,552) | 1,800 |
| Net result for the year | | (7,765) | 23,449 |
| Other comprehensive income | | | |
| Items that will not be reclassified to net result | | | |
| Net fair value revaluation on non-financial assets | 4.2(f) | - | 2,418 |
| Total other comprehensive income | | - | 2,418 |
| Comprehensive result for the year | | (7,765) | 25,867 |

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

Balance Sheet as at 30 June 2020

| | Note | 2020 \$'000 | 2019 \$'000 |
|---|---------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 6.1 | 17,161 | 7,923 |
| Receivables | 5.1 | 12,903 | 15,353 |
| Prepayments | | 307 | 386 |
| Inventories | 4.6 | 18,870 | 20,395 |
| Total current assets | | 49,241 | 44,057 |
| Non-current assets | | | |
| Inventories | 4.6 | 19,306 | 18,424 |
| Intangible assets | 4.3 | 3,847 | 1,657 |
| Investment properties | 4.5 | 3,455 | 3,120 |
| Property, plant and equipment | 4.2 | 168,412 | 168,670 |
| Investments and other financial assets | 4.1 | 272,850 | 282,813 |
| Total non-current assets | | 467,870 | 474,684 |
| TOTAL ASSETS | | 517,111 | 518,741 |
| Current liabilities | | | |
| Contract liabilities | 5.3 | 49,979 | 44,279 |
| Payables | 5.2 | 5,659 | 5,948 |
| Provisions for employee benefits | 3.3 (a) | 4,445 | 2,780 |
| Provisions | 5.4 | 566 | 518 |
| Total current liabilities | | 60,649 | 53,525 |
| Non-current liabilities | | | |
| Provisions for employee benefits | 3.3 (a) | 489 | 513 |
| Total non-current liabilities | | 489 | 513 |
| TOTAL LIABILITIES | | 61,138 | 54,038 |
| Net assets | | 455,973 | 464,703 |
| EQUITY | | | |
| Contributed capital | | 63,674 | 63,674 |
| Accumulated surplus/(deficit) | | 22,878 | 23,419 |
| Physical asset revaluation surplus | 4.2 (f) | 32,021 | 40,210 |
| Community perpetual maintenance reserve | 7.2 | 337,400 | 337,400 |
| TOTAL EQUITY | | 455,973 | 464,703 |

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

Statement of Changes in Equity for the Financial Year
Ended 30 June 2020

| | Note | Physical asset revaluation \$'000 | Available for sale investment revaluation \$'000 | Community perpetual maintenance \$'000 | Contributed capital \$'000 | Accumulated surplus/ (deficit) \$'000 | Total \$'000 |
|--|--------|--|--|---|----------------------------------|--|-----------------|
| Balance at 1 July 2018 | | 37,792 | 14,898 | 310,908 | 63,064 | 12,174 | 438,836 |
| Net result for the year | | - | - | - | - | 23,449 | 23,449 |
| Transfer to/(from) accumulated surplus | | - | - | 26,492 | - | (26,492) | - |
| Valuation gain/(loss) | | 2,418 | - | - | - | - | 2,418 |
| Transfer to contributed capital | | - | - | - | 610 | (610) | - |
| Opening balance adjustment on adoption of AASB 9 | | - | (14,898) | - | - | 14,898 | - |
| Balance at 30 June 2019 | | 40,210 | - | 337,400 | 63,674 | 23,419 | 464,703 |
| Effect of adoption of AASB 15 | 8.8 | - | - | - | - | (965) | (965) |
| Restated balance at 1 July 2019 | | 40,210 | - | 337,400 | 63,674 | 22,454 | 463,738 |
| Transfer between reserves | 4.2(f) | (8,189) | - | - | - | 8,189 | - |
| Net result for the year | | - | - | - | - | (7,765) | (7,765) |
| Balance at 30 June 2020 | | 32,021 | - | 337,400 | 63,674 | 22,878 | 455,973 |

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

Cash Flow Statement for the Financial Year Ended
30 June 2020

| | Note | 2020 \$'000 | 2019 \$'000 |
|---|------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Receipts from customers | | 69,009 | 68,901 |
| Goods and services tax received from the ATO | | 3,372 | 5,379 |
| Investment income receipts | | 14,520 | 16,756 |
| Total receipts | | 86,901 | 91,036 |
| Payments | | | |
| Payments to suppliers and employees | | (54,453) | (71,248) |
| Goods and services tax paid to the ATO | | (2,752) | (2,795) |
| Total payments | | (57,205) | (74,043) |
| Net cash flows from operating activities | 8.1 | 29,696 | 16,993 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (9,730) | (18,643) |
| Proceeds from sale of assets | | 50 | 19 |
| Payments for investments | | (10,778) | (14,180) |
| Net cash flows from/(used in) investing activities | | (20,458) | (32,804) |
| Net increase/(decrease) in cash and cash equivalents | | 9,238 | (15,811) |
| Cash and cash equivalents at the beginning of the financial year | | 7,923 | 23,734 |
| Cash and cash equivalents at the end of the financial year | 6.2 | 17,161 | 7,923 |

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



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

Note 1: Summary of Significant Accounting Policies

These annual financial statements represent the audited general purpose financial statements for Southern Metropolitan Cemeteries Trust ("SMCT") for the year ended 30 June 2020. The report provides users with information about SMCT's stewardship of resources entrusted to it.

(a) Statement of Compliance

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

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

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

The annual financial statements were authorised for issue by the Trust Members of SMCT on 19th August 2020.

(b) Reporting Entity

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

Springvale Botanical Cemetery
600 Princes Highway
Springvale, Victoria 3171

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

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

(c) Basis of Accounting Preparation and Measurement

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

The accounting policies have been applied in preparing the financial statements for the year ended 30 June 2020, and the comparative information presented in these financial statements for the year ended 30 June 2019.

The financial statements are prepared on a going concern basis.

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

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

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, that is, they are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

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

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

- The fair value of land, buildings and plant and equipment (refer to Note 4.2 Property, Plant and Equipment and note 4.5 Investment property);
- Employee benefit provisions are based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.3 Employee Benefits in the Balance Sheet); and

- Valuation of investments to fair value (refer to Note 4.1 Investments and other financial assets)

Goods and Services Tax (GST)

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

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

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

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

(d) Equity

Contributed Capital

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

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

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

Property, Plant and Equipment Revaluation Surplus

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

Community Perpetual Maintenance Reserve Policy

Under Section 12 of the Cemeteries and Crematoria Act 2003, SMCT must have regard to the perpetual maintenance obligations in respect of the cemeteries for which it is responsible. Consequently, SMCT makes an annual transfer from its accumulated surplus to a perpetual maintenance reserve. The amount of the transfer is based on a percentage of the total revenue generated from each right of interment in the most recent financial year, amortised on a straight-line basis over the period for which the maintenance obligation may accrue. The transfer rate is determined by SMCT annually in accordance with SMCT Perpetual Maintenance Accounting Policy.

If the annual comprehensive result is in deficit for the financial year, the transfer rate allocation will not be applicable and allocation will continue in future periods of surplus.

The following percentage rates and amortisation periods applied for the years ending 30 June 2020 and 30 June 2019:

The reserve transfer is only an indicative estimate of future obligations. Accordingly, no provision for these future costs has been recognised in these financial statements (refer Note 7.2).

| Right of Interment | Transfer Rate Year ending 30 June 2020 | Transfer Rate Year ending 30 June 2019 | Amortisation Period |
|--------------------|--|--|---|
| Cremation Memorial | 0% | 60% | Over shorter period of tenure and 100 years |
| Grave | 0% | 90% | 100 years |
| Mausoleum Crypt | 0% | 70% | 100 years |

(e) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had on the Trust based on known information. SMCT does not believe that there are any matters or circumstances that have arisen since the end of the financial year which materially affect the carrying values of assets and liabilities.

Note 2: Funding delivery of our services

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

Structure

2.1: Income from Transactions

Note 2.1: Income from Transactions

| | Note | 2020 \$'000 | 2019 \$'000 |
|---|------|----------------|----------------|
| 2.1 (a) Cemetery Operations Income | | | |
| Grave | | 22,244 | 22,353 |
| Interment | | 5,289 | 5,043 |
| Mausoleum crypts | | 6,536 | 10,659 |
| Cremation | | 7,232 | 7,104 |
| Cremation memorial | | 5,960 | 5,567 |
| Government grant | | 85 | - |
| Memorialisation | | 3,223 | 4,722 |
| Retail | | 4,783 | 5,373 |
| Other operating income | | 3,696 | 3,665 |
| Profit on disposal of property, plant and equipment | | - | 37 |
| Total cemetery operations income | | 59,048 | 64,523 |
| 2.1 (b) Investment income | | | |
| Interest income | | 27 | 210 |
| Distributions | | 12,774 | 15,505 |
| Other Investment Income | | 1,719 | 1,041 |
| Total investment income | | 14,520 | 16,756 |
| Total income from transactions | | 73,568 | 81,279 |

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

Revenue Recognition

Income is recognised in accordance with either:

- contributions by owners, in accordance with AASB 1004;
- income for not-for-profit entities, in accordance with AASB 1058;
- revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15;
- a lease liability in accordance with AASB 16;
- a financial instrument, in accordance with AASB 9; or
- a provision, in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

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 5.3.

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

Performance Obligations and Revenue Recognition Policies

Revenue is measured based on the consideration specified in the contract with the customer. SMCT recognises revenue when it transfers control of a good or service to the customer i.e. revenue is recognised when, or as, the performance obligations for the sale of goods and services to the customer are satisfied.

- Customers obtain control of the supplies and consumables at a point in time when the goods are delivered to and have been accepted at their premises.
- Income from the sale of goods are recognised when the goods are delivered and have been accepted by the customer at their premises.
- Revenue from the rendering of services is recognised at a point in time when the performance obligation is satisfied when the service is completed; and over time when the customer simultaneously receives and consumes the services as it is provided.

For sales related to rights of interment for graves, cremation memorials and mausoleum crypts, revenue is recognised when the right is passed to the customer. Any memorialisation portion is recognised separately in line with the below. These performance obligations have been selected as they align with the terms and conditions of sale related to these revenue streams.

For sales related to interment, cremation and certain memorialisation products such as granite, revenue is recognised at the time of interment or when the memorialisation product is delivered and accepted by the customer. These performance obligations have been selected as they align with the terms and conditions of sale related to these revenue streams.

For retail sales and other operating income, revenue is recognised when the performance obligation has been fulfilled, which is principally at the point of sale after deducting taxes paid/ other performance obligations.

For contracts that permit the customer to return an item, revenue is recognised to the extent it is highly probable that a significant cumulative reversal will not occur. Therefore, the amount of revenue recognised is adjusted for the expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods asset are recognised. SMCT reviews its estimate of expected returns at each reporting date and updates the amount of the asset and liability accordingly. As the sales are made with a short credit term, there is no financing element present.

Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (Note 5.3). Where the performance obligations are satisfied but not yet billed, a contract asset is recorded.

Government Grants

Income from grants to construct projects is recognised progressively as the asset is constructed. The progressive percentage costs incurred is used to recognise income because this most closely reflects the progress to completion as costs are incurred as the works are done.

Income from grants that are enforceable and with sufficiently specific performance obligations are accounted for under AASB 15 as revenue from contracts with customers, with revenue recognised as these performance obligations are met.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when SMCT gains control of the asset. On initial recognition of the asset, SMCT recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other Australian Accounting Standards.

Performance Obligations

The types of government grants recognised under AASB15 Revenue from Contracts with Customers include:

- Specific purpose grants for capital projects

Income from grants to construct the capital projects are recognised progressively as the asset is constructed. The progressive percentage costs incurred is used to recognise income because this most closely reflects the progress to completion as costs are incurred as the works are done.

Income from grants that are enforceable and with sufficiently specific performance obligations are accounted for under AASB 15 as revenue from contracts with customers, with revenue recognised as these performance obligations are met.

Previous Accounting Policy for 30 June 2019

Grant income arises from transactions in which a party provides goods or assets (or extinguishes a liability) to SMCT without receiving approximately equal value in return. While grants may result in the provision of some goods or services to the transferring party, they do not provide a claim to receive benefits directly of approximately equal value (and are termed 'non-reciprocal' transfers). Receipt and sacrifice of approximately equal value may occur, but only by coincidence.

Some grants are reciprocal in nature (i.e. equal value is given back by the recipient of the grant to the provider). SMCT recognises income when it has satisfied its performance obligations under the terms of the grant.

For non-reciprocal grants, SMCT recognises revenue when the grant is received.

Grants can be received as general purpose grants, which refers to grants which are not subject to conditions regarding their use. Alternatively, they may be received as specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use.

2.1 (c) Fair value of Assets and Services Received Free of Charge or for Nominal Consideration

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

| | 2020 | 2019 |
|---|----------|-----------|
| | \$'000 | \$'000 |
| Cash donations and gifts | 3 | 14 |
| Total fair value of assets and services received free of charge or for nominal consideration | 3 | 14 |

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the recipient obtains control over the resources, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

The exception to this would be when the resource is received from another government department (or agency) as a consequence of a restructuring of administrative arrangements, in which case such a transfer will be recognised at its carrying value in the transferring department or agency as a capital contribution transfer.

Voluntary Services

Contributions in the form of services are only recognised when a fair value can be reliably determined, and the services would have been purchased if not donated. SMCT did receive minimal volunteer services but does not depend on volunteers to deliver its services.

Dividend and Distribution Revenue

Dividends and distribution revenue is recognised when the right to receive payment is established.

Dividends and distributions represent the income arising from the SMCT's investment in financial assets.

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 amount of the asset at that time.

Other Income

Other income is recognised as revenue when received. Other income includes recoveries for salaries and wages and external services provided, and donations and bequests. If donations are for a specific purpose, they may be appropriated to a surplus, such as the specific restricted purpose surplus.

Interest Revenue

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

Note 3: The Cost of Delivering our Services

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

Structure

- 3.1 Expenses from Transactions
- 3.2 Other Economic Flows
- 3.3 Employee benefits in the Balance Sheet
- 3.4 Superannuation

Note 3.1: Expenses from Transactions

| | Note | 2020 | 2019 |
|---|------|---------------|---------------|
| | | \$'000 | \$'000 |
| Cost of sales | | | |
| Rights of interment | | 5,952 | 7,387 |
| Memorialisation | | 1,422 | 1,913 |
| Retail | | 1,715 | 1,890 |
| Other | | 326 | 328 |
| Total cost of sales | | 9,415 | 11,518 |
| Cemetery levy | | | |
| Cemetery levy | | 2,214 | 2,437 |
| Total cemetery levy | | 2,214 | 2,437 |
| Expenses from transactions | | | |
| Employee expenses (i) | | 26,520 | 24,064 |
| Administrative costs | | 5,877 | 4,831 |
| Maintenance and operating costs | | 4,535 | 4,130 |
| Audit fees | 8.5 | 160 | 121 |
| Investment management expenses | | 1,466 | 1,325 |
| Other operating expenses | | 2,992 | 2,564 |
| Total expenses from transactions | | 41,550 | 37,035 |
| Total Operating expenses from transactions | | 53,179 | 50,990 |
| Depreciation and amortisation | 4.4 | 7,602 | 8,640 |
| Total Non-Operating expenses from transactions | | 7,602 | 8,640 |
| Total expenses from transactions | | 60,781 | 59,630 |

i Includes superannuation expense of \$2.2m (2019: \$2.2m) as disclosed in note 3.4.

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

Employee Expenses

Employee expenses include:

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

Cost of Sales

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

Cemetery Levy

In accordance with Section 18Q of the Cemeteries and Crematoria Act 2003, SMCT is required to pay a percentage of its gross earnings, as defined by the Department of Health and Human Services, to the Consolidated Fund held by the State of Victoria. 'Gross Earnings' is currently defined as cemetery operations income and investment income, excluding donations, government grants, profit or loss on sale of investments and other assets and assets received free of charge. The levy rate for this reporting period is 3% (2019: 3%).

Other Operating Expenses

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

- Fuel, light and power, water
- Repairs and maintenance
- Cleaning of facilities
- Training and development
- Other administrative expenses
- Expenditure for capital purposes

Non-Operating Expenses

Other non-operating expenses generally represent expenditure outside the normal operations such as depreciation and amortisation.

Operating Lease Payments

Operating lease payments up until 30 June 2019 (including contingent rentals) were recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

From 1 July 2019, the following lease payments are recognised on a straight-line basis:

- Short-term leases – leases with a term less than 12 months; and
- Low value leases – leases with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than \$10,000.

Note 3.2: Other Economic Flows

| | 2020 | 2019 |
|--|-----------------|--------------|
| | \$'000 | \$'000 |
| Net gain/(loss) on non-financial assets | | |
| Impairment of property plant and equipment, and intangible assets | (107) | - |
| Net gain/(loss) on disposal of property plant and equipment | (39) | - |
| Total net gain/(loss) on non-financial assets | (146) | - |
| Net gain/(loss) on financial instruments at fair value | | |
| Net gain/(loss) on financial instruments at fair value | (20,741) | 1,800 |
| Total net gain/(loss) on financial instruments at fair value | (20,741) | 1,800 |
| Other gains/(losses) from other economic flows | | |
| Net fair value revaluation on non financial assets (investment property) | 335 | - |
| Total other gains/(losses) from other economic flows | 335 | - |
| Total other gains/(losses) from economic flows | (20,552) | 1,800 |

*See note 8.8 for impact of restatement

Other Gains/(Losses) From Other Economic Flows

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

- Impairment of financial and non-financial assets;
- Gains and losses on fair value movements of financial instruments; and
- Fair value movements in investment properties.

Note 3.3: Employee Benefits in the Balance Sheet

| | 2020 | 2019 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Current Provisions | | |
| Employee benefits ⁱ | | |
| Annual leave | | |
| -unconditional and expected to be settled within 12 months ⁱⁱ | 1,163 | 874 |
| -unconditional and expected to be settled after 12 months ⁱⁱⁱ | 196 | 146 |
| Long service leave | | |
| -unconditional and expected to be settled within 12 months ⁱⁱ | 332 | 294 |
| -unconditional and expected to be settled after 12 months ⁱⁱⁱ | 1,137 | 1,080 |
| Continuity of service - conditional and expected to be settled within 12 months ⁱⁱ | 35 | 41 |
| Rostered days off - unconditional and expected to be settled within 12 months ⁱⁱ | 110 | 61 |
| Pandemic leave - unconditional and expected to be settled within 12 months ⁱⁱ | 1,136 | - |
| Total Current Provisions | 4,109 | 2,496 |
| Provision Related to Employee Benefit On-Costs | | |
| Annual Leave - unconditional and expected to be settled within 12 months ⁱⁱ | 137 | 105 |
| Annual Leave - unconditional and expected to be settled after 12 months ⁱⁱⁱ | 23 | 17 |
| Long Service Leave - unconditional and expected to be settled within 12 months ⁱⁱ | 40 | 35 |
| Long Service Leave - unconditional and expected to be settled after 12 months ⁱⁱⁱ | 136 | 127 |
| Total Employee Benefit On-Costs | 336 | 284 |
| Total Current Provisions | 4,445 | 2,780 |
| Non-current provisions | | |
| Long service leave - conditional and expected to be settled after 12 months | 437 | 459 |
| On-costs on non-current employee provisions | 52 | 54 |
| Total Non-Current Provisions | 489 | 513 |
| Total Provisions | 4,934 | 3,293 |

Notes:

ⁱ Employee benefits consist of amounts for accrued days off, pandemic leave, annual leave and long service leave accrued by employees, not including on-costs.

ⁱⁱ The amounts disclosed are nominal amounts.

ⁱⁱⁱ The amounts disclosed are discounted to present values.

Note 3.3 (a): Employee Benefits and Related On-Costs

| | 2020 | 2019 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Current Employee Benefits and Related on Costs | | |
| Annual leave | 1,519 | 1,143 |
| Long service leave | 1,644 | 1,535 |
| Pandemic leave | 1,136 | - |
| Continuity of service | 36 | 41 |
| Rostered days off | 110 | 61 |
| Total Current Employee Benefits and Related On-Costs | 4,445 | 2,780 |
| Non-Current Employee Benefits and Related On-Costs | | |
| Long service leave | 489 | 513 |
| Total Non-Current Employee Benefits and Related On-Costs | 489 | 513 |
| Total Employee Benefits and On-Costs | 4,934 | 3,293 |

Note 3.3 (b) Movement in On-Costs Provision

| | 2020 | 2019 |
|--|------------|------------|
| | \$'000 | \$'000 |
| Balance at the Start of the Year | 338 | 354 |
| Additional provisions recognised | 57 | - |
| Unwinding of discount and effect of changes in the discount rate | (7) | (9) |
| Reduction due to transfer out | - | (7) |
| Balance at the End of the Year | 388 | 338 |

Employee Benefit Recognition

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

Provisions

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

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

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

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

All employees have been granted, up to a maximum of four weeks per employee, as a once off special pandemic leave as recommended by the Department of Health and Human Services.

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

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

Long Service Leave

Liability for Long Service Leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where SMCT does not expect to settle the liability within 12 months because it will not have

the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

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

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

Note 3.4: Superannuation

| Fund | Paid contribution for the year | | Contribution outstanding at year end | |
|------------------------------------|--------------------------------|----------------|--------------------------------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Defined Benefit Plans (i) | | | | |
| LASB/Vision superannuation fund | 104 | 172 | - | - |
| Other | | | | |
| Defined Contribution Plans: | | | | |
| Vision Super | 886 | 946 | 20 | 88 |
| Other | 1,226 | 1,053 | 20 | 103 |
| Total | 2,216 | 2,171 | 40 | 191 |

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

On-Costs Related to Employee Benefits

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

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

Defined Benefit Superannuation Plans

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

SMCT does not recognise any unfunded defined benefit liability in respect of the plans because SMCT has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the State's defined benefits liabilities in its disclosure for administered items, in its annual financial statements.

However superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of SMCT.

The name, details and amounts that have been expensed in relation to the major employee superannuation funds and contributions made by SMCT are disclosed in table Note 3.4.

Defined Contribution Superannuation Plans

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

The defined contribution funds receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with the Superannuation Guarantee Legislation (9.5%) (2019: 9.5%). SMCT's current contribution ranges between 9.5% and 13.0% (2019: 9.5%-13%).

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

On the basis of the results of the most recent full actuarial investigation at 30th June 2017, SMCT's current contribution is in 2020: 13% (2019: 13%) of the superannuation salary.

Superannuation Liabilities

SMCT does not recognise any unfunded defined benefit liability in respect of the superannuation plans because the Cemetery Trust has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due.

Note 4: Key Assets to Support Service Delivery

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

Structure

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

Note 4.1: Investments and Other Financial Assets

| | 2020 | 2019 |
|--------------------------------------|----------------|----------------|
| | \$'000 | \$'000 |
| Non-Current | | |
| Managed Investment Schemes | | |
| - Fair value through profit and loss | 272,850 | 282,813 |
| Total other Financial Assets | 272,850 | 282,813 |

The financial investments held by SMCT are fair value through profit and loss.

Investment Recognition

Investments 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 SMCT classifies its other financial assets between current and non-current assets based

on Management's intention at balance date with respect to the timing of disposal of each asset. SMCT assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

All financial assets, except for those measured at fair value through the Comprehensive Operating Statement are subject to annual review for impairment.

Derecognition of Financial Assets

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

- The rights to receive cash flows from the asset have expired; or
- SMCT retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- SMCT has transferred its rights to receive cash flows from the asset and either:
 - Has transferred substantially all the risks and rewards of the asset; or
 - Has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of Financial Assets

At the end of each reporting period, SMCT assesses whether there is objective evidence that a financial asset or group of financial assets is impaired.

In order to determine an appropriate fair value as at 30 June 2020 for its portfolio of financial assets, SMCT has used the market value of investments held provided by the portfolio manager, Russell Investments.

The above valuation process was used to quantify the level of impairment (if any) on the portfolio of financial assets as at year end.

Managed Investment Schemes

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

Russell Investments declare unit prices for each investment fund by taking into account the investment return of the assets invested into, income, the tax payable, imputation credits, and relevant fees and expenses. Generally, one-unit price is declared each business day for each investment option and the same unit price is used for buying and selling.

Unit prices are also validated daily by State Street, the appointed custodian and administrator of the fund. The calculation is done daily to the effective date. To minimise the impact of significant market movements during this 2-day period, safeguards have been put in place, as documented in a Russell Investment's unit pricing policy, and the market movement is monitored daily.

There are numerous levels of checks performed by State Street and the Russell Investments Fund Operations teams including but not limited to:

- daily pricing tolerance checks;
- benchmarking of unit price movement vs benchmarks on a daily basis; and
- detailed reconciliation processes.

Based on this rigour, and with the oversight of the Finance and Investment Committee, SMCT believes the valuation by Russell Investments is the best estimate of the fair value of the investments at 30 June 2020.

SMCT regards this investment as level 2 according to AASB 13 Fair Value Hierarchy. The fund publishes its daily unit price and asset value which is adopted by SMCT. We acknowledge there is significant estimation uncertainty as the investment is not quoted in an active market and inputs are observable indirectly.

Note 4.2: Property, Plant and Equipment

Initial Recognition

Items of property, plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment loss. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a merger/machinery of government change are transferred at their carrying amounts.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Theoretical opportunities that may be available in relation to the asset(s) are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

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

Revaluations of Non-Current Physical Assets

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

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

Revaluation decrements are recognised in 'Other Comprehensive Income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment.

Revaluation increases and revaluation decreases relating to individual assets within an asset class are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation surplus is not transferred to accumulated funds on de-recognition of the relevant asset, except where an asset is transferred via contributed capital.

In accordance with FRD 103H Non-financial physical assets, SMCT's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For the purpose of fair value disclosures, SMCT has determined classes of assets on the basis of the nature, characteristics and risks of the asset 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 reassessing 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.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Valuation Hierarchy

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

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

- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Identifying Unobservable Inputs (level 3) Fair Value Measurements

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

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

Consideration of Highest and Best Use (HBU) for Non-Financial Physical Assets

Judgements about highest and best use must take into account the characteristics of the assets concerned, including restrictions on the use and disposal of assets arising from the asset's physical nature and any applicable legislative/contractual arrangements.

In accordance with AASB 13 Fair Value Measurement paragraph 29, SMCT has assumed the current use of a non-financial physical asset is its HBU unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

Non-Specialised Land, Non-Specialised Buildings

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

For non-specialised land and non-specialised buildings, an independent valuation was performed by the Valuer-General Victoria to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset.

Specialised Land and Specialised Buildings

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

During the reporting period, SMCT held Crown Land. The nature of this asset means that there are certain limitations and restrictions imposed on its use and/or disposal that may impact their fair value.

The market approach is also used for specialised land and specialised buildings although it is adjusted for the community service obligation (CSO) to reflect the specialised nature of the assets being valued. Specialised assets contain significant, unobservable adjustments; therefore, these assets are classified as Level 3 under the market based direct comparison approach.

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

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

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

Vehicles

SMCT acquires new vehicles and at times disposes of them before completion of their economic life. The process of acquisition use and disposal in the market is managed by the Cemetery Trust who set relevant depreciation rates during use to reflect the consumption of the vehicles. As a result, the fair value of vehicles does not differ materially from the carrying amount (depreciated cost).

Plant and Equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2020.

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

4.2 (a) Property, Plant and Equipment - Gross Carrying Amount and Accumulated Depreciation

| | 2020 | 2019 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Cemetery infrastructure land at fair value | 15,365 | 15,470 |
| Total Land | 15,365 | 15,470 |
| Buildings, infrastructure and improvements at fair value | 161,978 | 156,118 |
| Less accumulated depreciation | (18,325) | (12,997) |
| Total Buildings, Infrastructure and Improvements | 143,653 | 143,121 |
| Plant and equipment at fair value | 11,129 | 10,580 |
| Less accumulated depreciation | (7,123) | (6,075) |
| Total Plant and Equipment | 4,006 | 4,505 |
| Office equipment, furniture and fittings at fair value | 7,473 | 7,048 |
| Less accumulated depreciation | (3,518) | (2,714) |
| Total Office Equipment, Furniture and Fittings | 3,955 | 4,334 |
| Capital Works in Progress at Cost | 1,433 | 1,240 |
| Total Property, Plant and Equipment | 168,412 | 168,670 |

4.2 (b) Reconciliation of Property, Plant and Equipment (Public Administration Purpose Groups)

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

| Note | Cemetery Land | Buildings, Infrastructure and Improvements | Plant and Equipment | Office Equipment, Furniture and Fittings | Capital Works in Progress | Total |
|--|----------------|--|---------------------|--|---------------------------|----------------|
| Balance at 1 July 2018 | 13,296 | 135,533 | 4,612 | 3,861 | 735 | 158,037 |
| Additions | - | 12,455 | - | - | 5,980 | 18,435 |
| Expenditure on capital works | - | - | - | - | (897) | (897) |
| Transfer to completed assets | - | 1,911 | 942 | 1,147 | (4,369) | (369) |
| Transfer to other asset classes | (74) | - | - | - | (209) | (283) |
| Disposals | - | - | (3) | - | - | (3) |
| Depreciation expense | 4.4 | (6,778) | (1,045) | (675) | - | (8,498) |
| Revaluation of PPE thru asset revaluation reserves | | 2,248 | - | - | - | 2,248 |
| Balance at 1 July 2019 | 4.2 (a) | 15,470 | 143,121 | 4,506 | 4,333 | 168,670 |
| Additions | - | 82 | 228 | - | 6,985 | 7,295 |
| Transfer to completed assets | - | 5,791 | 577 | 435 | (6,793) | 10 |
| Transfer to other asset classes | (105) | - | - | - | - | (105) |
| Disposals | - | - | (89) | - | - | (89) |
| Depreciation expense | 4.4 | - | (5,341) | (1,129) | (810) | (7,280) |
| Impairment of assets | - | - | (87) | (2) | - | (89) |
| Balance at 30 June 2020 | 4.2 (a) | 15,365 | 143,653 | 4,006 | 3,956 | 168,412 |

Land and Buildings Carried at Valuation

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

In compliance with FRD 103H, in the year ended 30 June 2020, SMCT's management conducted an annual assessment of the fair value of land and buildings and leased buildings. To facilitate this, management obtained from the Department of Treasury and Finance the Valuer General Victoria indices for the financial year ended 30 June 2020. Management believe the Valuer General's indices are the best available information available.

The fair value of the land has been adjusted by a managerial revaluation in 2019. There has been no managerial revaluation in 2020. The indexed value was then compared to individual assets written down book value as at 30 June 2019 to determine the change in their fair values. The Department of

Health and Human Services determined there was no managerial adjustment required in 2020 as the movement was less than 10%.

There was no material financial impact on change in fair value of buildings.

4.2 (c) Property, Plant and Equipment - Fair Value Measurement Hierarchy for Assets

| Balance as at 30 June 2020 | Note | Carrying Amount as at 30 June 2020 \$'000 | Fair Value Measurement at End of Reporting Period Using: | | |
|---|---------------|--|--|----------------------------------|----------------------------------|
| | | | Level 1 ⁽¹⁾ \$'000 | Level 2 ⁽¹⁾ \$'000 | Level 3 ⁽¹⁾ \$'000 |
| Cemetery Infrastructure Land at Fair Value | | | | | |
| Non-specialised land | | 7,062 | - | 7,062 | - |
| Specialised land | | 8,303 | - | - | 8,303 |
| Total of Land at Fair Value | 4.2(a) | 15,365 | - | 7,062 | 8,303 |
| Buildings, Infrastructure and Improvements at Fair Value | | | | | |
| Non-specialised buildings | | 715 | - | 715 | - |
| Specialised buildings | | 142,938 | - | - | 142,938 |
| Total of Buildings at Fair Value | 4.2(a) | 143,653 | - | 715 | 142,938 |
| Other Plant and Equipment at Fair Value | | | | | |
| - Plant and equipment | 4.2(a) | 4,006 | - | - | 4,006 |
| - Office equipment, furniture and fittings | 4.2(a) | 3,956 | - | - | 3,956 |
| Total Other Plant and Equipment at Fair Value | 4.2(a) | 7,962 | - | - | 7,962 |
| | | 166,980 | - | 7,777 | 159,203 |

| | Carrying Amount as at 30 June 2019 \$'000 | Fair Value Measurement at End of Reporting Period Using: | | |
|---|--|---|----------------------------------|----------------------------------|
| | | Level 1 ⁽¹⁾ \$'000 | Level 2 ⁽¹⁾ \$'000 | Level 3 ⁽¹⁾ \$'000 |
| Balance as at 30 June 2019 | | | | |
| Cemetery Infrastructure Land at Fair Value | | | | |
| Non-specialised land | 7,062 | - | 7,062 | - |
| Specialised land | 8,408 | - | - | 8,408 |
| Total of Land at Fair Value | 15,470 | - | 7,062 | 8,408 |
| Buildings, Infrastructure and Improvements at Fair Value | | | | |
| Non-specialised buildings | 1,433 | - | 1,433 | - |
| Specialised buildings | 141,688 | - | - | 141,688 |
| Total of Buildings at Fair Value | 143,121 | - | 1,433 | 141,688 |
| Other Plant and Equipment at Fair Value | | | | |
| - Plant and equipment | 4,505 | - | - | 4,505 |
| - Office equipment, furniture and fittings | 4,334 | - | - | 4,334 |
| Total Other Plant and Equipment at Fair Value | 8,839 | - | - | 8,839 |
| | 167,430 | - | 8,495 | 158,935 |

Notes

*i Classified in accordance with the fair value hierarchy.
There have been no transfers between levels during the period (2019: no transfers).*

Note 4.2 (d) – Property, Plant and Equipment - Reconciliation of Level 3 Fair Value Measurement

| | Note | Cemetery 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 |
|--|---------------|-----------------------------------|--|---|--|
| Balance at 1 July 2018 | | 7,296 | 133,384 | 4,611 | 3,861 |
| Purchases (sales) | 4.2(b) | - | 14,366 | 942 | 1,147 |
| Transfers in (out) of Level 3 | 4.2(b) | - | - | - | - |
| - Transfers to other asset classes | 4.2(b) | (74) | - | - | - |
| Gains or losses recognised in net result | | | | | |
| - Depreciation | 4.4 | - | (6,062) | (1,044) | (675) |
| - Impairment loss | 4.2(b) | - | - | (3) | - |
| Subtotal | 4.2(c) | 7,222 | 141,688 | 4,506 | 4,333 |
| Items recognised in other comprehensive income | | | | | |
| - Revaluation | | 1,186 | - | - | - |
| | | 8,408 | 141,688 | 4,506 | 4,333 |
| Balance at 30 June 2019 | 4.2(c) | 8,408 | 141,688 | 4,506 | 4,333 |
| Purchases (sales) | 4.2(b) | - | 5,873 | 805 | 435 |
| Transfers in (out) of Level 3 | 4.2(b) | - | - | (89) | - |
| - Transfers to other asset classes | 4.2(b) | (105) | - | - | - |
| Gains or losses recognised in net result | | | | | |
| - Depreciation | 4.4 | - | (4,623) | (1,129) | (810) |
| - Impairment loss | 4.2(b) | - | - | (87) | (2) |
| Subtotal | | 8,303 | 142,938 | 4,006 | 3,956 |
| Items recognised in other comprehensive income | | | | | |
| - Revaluation | | - | - | - | - |
| | 4.2(c) | 8,303 | 142,938 | 4,006 | 3,956 |
| Balance at 30 June 2020 | 4.2(c) | 8,303 | 142,938 | 4,006 | 3,956 |
| Unrealised gains/(losses) on non-financial assets | | | | | |
| Balance at 30 June 2020 | 4.2(c) | 8,303 | 142,938 | 4,006 | 3,956 |

Note 4.2 (e) -Property, Plant and Equipment – Fair Value Determination

| Asset class | Likely valuation | Significant inputs (Level 3) |
|---|--|--|
| Specialised Land - nine cemetery sites | Market approach (90% reduction) | Community Service Obligations Adjustments |
| Specialised buildings - buildings and improvements over nine cemetery sites | Depreciation replacement cost approach | - Direct Cost per square metre -Cost per unit |
| Specialised buildings - infrastructure over nine cemetery sites | Depreciated replacement cost approach | Useful life of specialised infrastructure - Cost per unit |
| Plant and equipment | Depreciated replacement cost approach | - Cost per unit - Useful life |
| Office equipment | Depreciated replacement cost approach | - Cost per unit - Useful life |

Note 4.2 (f) Property, Plant and Equipment Asset Revaluation Surplus

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Property, Plant and Equipment Asset Revaluation Surplus | | |
| Balance at the beginning of the reporting period | 40,210 | 37,792 |
| Transfer to Accumulated Surplus* | (8,189) | - |
| Revaluation Increment | | |
| - Land (refer Note 4.2 (b)) | - | 2,248 |
| - Investment Property (refer Note 4.5 (a)) | - | 170 |
| Balance at the End of the Reporting Period* | 32,021 | 40,210 |
| Represented by: | | |
| - Land | 1,261 | 3,600 |
| - Buildings, infrastructure and improvements | 29,411 | 35,261 |
| - Plant and equipment | 1,349 | 1,349 |
| | 32,021 | 40,210 |

* As part of reconciling the accumulated surplus account for FY19/20, management identified a transfer required from the asset revaluation reserve to the accumulated surplus. Amounts were identified in the reserve which should have been taken to accumulated surplus for a total of \$8.2 million related to previous revaluations. The adjustment was processed in the current year.

Note 4.3 Intangible Assets

Note 4.3 (a): Intangible Assets – Gross Carrying Amount and Accumulated Amortisation

| | 2020 \$'000 | 2019 \$'000 |
|---------------------------------|----------------|----------------|
| Capitalised computer software | 5,050 | 4,083 |
| Capital works in progress costs | 2,702 | 1,138 |
| Impairment write downs | (18) | - |
| Accumulated amortisation | (3,887) | (3,564) |
| Total Intangible Assets | 3,847 | 1,657 |

Note 4.3 (b): Intangible Assets - Reconciliation of the Carrying Amount by Class of Asset

| | Note | Capitalised Computer Software \$'000 | Capital Works in Progress \$'000 | Total \$'000 |
|--------------------------------|---------------|---|-------------------------------------|-----------------|
| Balance at 1 July 2018 | | 325 | - | 325 |
| Additions | | 335 | 1,138 | 1,473 |
| Amortisation (note 4.4) | 4.4 | (141) | - | (141) |
| Balance at 30 June 2019 | 4.3(a) | 519 | 1,138 | 1,657 |
| Additions | | 966 | 1,564 | 2,530 |
| Impairment write down | | (18) | - | (18) |
| Amortisation (note 4.4) | 4.4 | (322) | - | (322) |
| Balance at 30 June 2020 | 4.3(a) | 1,145 | 2,702 | 3,847 |

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

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to SMCT.

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

Purchased Intangible Assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally

generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and 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.

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

An internally-generated intangible asset arising from development (or from the development

phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

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

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

Note 4.4: Depreciation and Amortisation

| | 2020 | 2019 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Depreciation | | |
| Buildings, infrastructure and improvements | 5,341 | 6,778 |
| Plant and equipment | 1,129 | 1,045 |
| Office equipment, furniture and fittings | 810 | 676 |
| Total Depreciation | 7,280 | 8,499 |
| Amortisation | | |
| Computer software | 322 | 141 |
| Total Amortisation | 322 | 141 |
| Total Depreciation and Amortisation | 7,602 | 8,640 |

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated.

Depreciation is generally calculated on a straight-line basis at rates that allocate the asset's value, less any estimated residual value over its estimated useful life.

Amortisation

Amortisation is allocated to intangible non-produced assets with finite useful lives on a systematic (typically straight-line) basis over the asset's useful life. Amortisation begins when

the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The consumption of intangible non-produced assets with finite useful lives is classified as amortisation.

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

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

| | 2020 | 2019 |
|---|----------------|----------------|
| Buildings | 14 to 50 years | 14 to 50 years |
| Plant and equipment | 2 to 50 years | 2 to 50 years |
| Infrastructure and improvements | 5 to 100 years | 5 to 100 years |
| Other equipment, furniture and fittings | 3 to 25 years | 3 to 25 years |
| Computer software | 3 to 5 years | 3 to 5 years |

Note 4.5: Investment Property

Note 4.5 (a) Movements in Carrying Value for Investment Properties as at 30 June 2020

| | 2020 | 2019 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Balance at Beginning of Period | 3,120 | 2,950 |
| Net gain/(loss) from fair value adjustments | 335 | - |
| Asset revaluation reserve | - | 170 |
| Balance at End of Period | 3,455 | 3,120 |

Note 4.5 (b): Fair Value Measurement Hierarchy for Investment Properties

| | Carrying Amount as at 30 June 2020 | Fair Value Measurement at End of Reporting Period Using: | | |
|-----------------------|--|---|------------------------|------------------------|
| | | Level 1 ⁽¹⁾ | Level 2 ⁽¹⁾ | Level 3 ⁽¹⁾ |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Investment properties | 3,455 | - | 3,455 | - |
| | 3,455 | - | 3,455 | - |

| | Carrying Amount as at 30 June 2019 | Fair Value Measurement at End of Reporting Period Using: | | |
|-----------------------|--|---|------------------------|------------------------|
| | | Level 1 ⁽¹⁾ | Level 2 ⁽¹⁾ | Level 3 ⁽¹⁾ |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Investment properties | 3,120 | - | 3,120 | - |
| | 3,120 | - | 3,120 | - |

Investment Properties

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

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

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

The fair value of the Cemetery Trust's investment properties at 30 June 2020 have been arrived on the basis of an independent valuation carried out by independent valuers Valuer-General Victoria (performed at 30 June 2020). The valuation was determined by reference to market evidence of transaction process for similar properties with no significant unobservable adjustments, in the same location and condition and subject to similar lease and other contracts.

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

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2020.

Note 4.6: Inventories

| | 2020 | 2019 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Work in Progress/Undeveloped Land | | |
| Land: interment purposes | 1,483 | 1,526 |
| Grave foundations/beams | 10,583 | 12,200 |
| | 12,066 | 13,726 |
| Finished Goods | | |
| Consumables/maintenance stores | 106 | 103 |
| Land: interment purposes | 231 | 155 |
| Grave foundations/beams | 2,987 | 2,717 |
| Mausoleum crypts | 3,108 | 3,474 |
| Cremation memorials | 111 | 116 |
| Other | 261 | 104 |
| | 6,804 | 6,669 |
| Total Current Inventories | 18,870 | 20,395 |
| Non-Current | | |
| Finished Goods | | |
| Land: interment purposes | 480 | 619 |
| Grave foundations/beams | 10,470 | 7,405 |
| Mausoleum crypts | 5,667 | 7,494 |
| Cremation memorials | 2,689 | 2,906 |
| | 19,306 | 18,424 |
| Total Non-Current Inventories | 19,306 | 18,424 |
| Total Inventories | 38,176 | 38,819 |
| Represented by: | | |
| Consumables/maintenance stores | 106 | 103 |
| Land: interment purposes | 2,195 | 2,300 |
| Grave foundations/beams | 24,041 | 22,322 |
| Mausoleum crypts | 8,776 | 10,968 |
| Cremation memorials | 2,800 | 3,022 |
| Other | 258 | 104 |
| Total Inventories | 38,176 | 38,819 |

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: Other Assets and Liabilities

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

Structure

- 5.1 Receivables
- 5.2 Payables
- 5.3 Contract liabilities
- 5.4 Non-financial physical assets classified as held for sale including disposal groups and directly associated liabilities
- 5.5 Other provisions

Note 5.1: Receivables

| | 2020 | 2019 |
|----------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Contractual | | |
| Trade debtors | 1,168 | 1,884 |
| Accrued investment income | 2,720 | 1,005 |
| Sundry debtors | 9,015 | 12,238 |
| | 12,903 | 15,127 |
| Statutory | | |
| GST receivable | - | 226 |
| Total Current Receivables | 12,903 | 15,353 |
| Total Receivables | 12,903 | 15,353 |

Receivables Recognition

Receivables consist of:

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

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition.

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.

SMCT is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various geographical areas. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

Impairment Losses of Contractual Receivables

Refer to Note 7.1(c) Contractual receivables at amortised costs for SMCT's contractual impairment losses.

Doubtful Debts

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

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

Note 5.2: Payables

| | 2020 | 2019 |
|---------------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Current | | |
| Contractual | | |
| Trade Creditors | 1,388 | 1,133 |
| Accrued Salaries, Wages and On-costs | 255 | 934 |
| Accrued Cemetery Levy | 2,214 | 2,437 |
| Accrued and Other Creditors | 1,752 | 1,444 |
| Subtotal Contractual (current) | 5,609 | 5,948 |
| Statutory | | |
| GST Payable | 50 | - |
| Total Payables | 5,659 | 5,948 |

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

Payables Recognition

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable and salaries and wages payable represent liabilities for goods and services provided to the SMCT prior to the end of the financial year that are unpaid; and
- statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

The normal credit terms for accounts payable are usually Nett 60 days.

Maturity Analysis of Payables

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

Note 5.3: Contract Liabilities

| | 2020 | 2019 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Unearned income (including deposits received in advance & unearned memorialisation income) | 49,979 | 44,279 |
| Total Other Liabilities | 49,979 | 44,279 |

Most contract liabilities relates to unearned income for deposits received in advance where the performance obligation is yet to be satisfied (see note 2.1). These are classified as a current liability as SMCT does not have an unconditional right to defer settlement. Pre-purchases and pre-need deeds are redeemed when a need arises. Pre-paid fees are recognised at their nominal (contracted) value.

Some of SMCT's revenue streams, primarily rights of interment for graves, cremation memorials and

mausoleum crypts, provide the customer with a right of return at the Cemetery Trust's discretion (see note 2.1). Therefore, a refund liability is recognised for the issued rights expected to be returned/cancelled. The assumptions and the estimated amount of returns are based on historical evidence and are reassessed at the end of each reporting period. As at 30 June 2020, no material refund liability existed. The costs to recover the product are not material because no physical good is transacted.

Note 5.3 (a): Reconciliation of Contract Liabilities

| | 2020 |
|---|---------------|
| | \$'000 |
| Opening balance brought forward from 30 June 2019 on first time application of AASB 15 | 45,366 |
| Add: amounts received in the current year for performance obligations yet to be completed during the period | 9,833 |
| Less: revenue recognised from performance obligations satisfied in the current year that was included in the opening contract liability balance | (5,220) |
| Total Contractual Liabilities | 49,979 |
| Represented By | |
| Current contract liabilities | 49,979 |
| Non-current contract liabilities | - |

* as AASB 15 applied for the first time from 1 July 2019, there is no comparative information available.

Note 5.4: Other Provisions

| | 2020 | 2019 |
|--|------------|------------|
| | \$'000 | \$'000 |
| Current Provisions | | |
| Onerous contracts | 566 | 518 |
| Total Current Provisions | 566 | 518 |
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Balance at Beginning of Period | 518 | 479 |
| Amount taken to operating statement | 48 | 39 |
| Total Provision for Loss on Onerous Contracts | 566 | 518 |

Provisions are recognised when either a legal or constructive obligation, as a result of a past event, exists at the balance sheet date and where the amount of the obligation can be reliably estimated, and the future sacrifice of economic benefits is probable.

An onerous contract is considered to exist when the unavoidable cost of meeting the contractual obligations exceeds the estimated economic benefits to be received under the contract.

Other 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 provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

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 SMCT.

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 Cash and cash equivalents
- 6.2 Commitments for expenditure

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

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as liabilities on the balance sheet.

Note 6.1 Cash and Cash Equivalents

| | 2020 | 2019 |
|--|---------------|--------------|
| | \$'000 | \$'000 |
| Cash on Hand | 11 | 11 |
| Cash at Bank | 17,150 | 7,912 |
| Total Cash and Cash Equivalents | 17,161 | 7,923 |

6.2 Commitments for Expenditure

| | 2020 | 2019 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Capital Commitments | | |
| Inventory | 954 | 421 |
| Property, plant and equipment | 4,568 | 3,295 |
| Intangible assets | 253 | 2,515 |
| Total Capital Commitments | 5,775 | 6,231 |
| Operating Expenditure Commitments | | |
| Electricity, Gas, Other | 3,013 | 2,822 |
| Total Operating Expenditure Commitments | 3,013 | 2,822 |
| Total Commitments for Expenditure (inclusive of GST) | 8,788 | 9,053 |

| | 2020 | 2019 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Capital Commitments | | |
| Not longer than 1 year | 5,775 | 6,231 |
| Total Capital Commitments | 5,775 | 6,231 |
| Operating Expenditure Commitments | | |
| Not longer than 1 year | 1,813 | 1,923 |
| Longer than 1 year and not longer than 5 years | 1,200 | 899 |
| Total Operating Expenditure Commitments | 3,013 | 2,822 |
| Total Commitments | | |
| Not longer than 1 year | 7,588 | 8,154 |
| Longer than 1 year and not longer than 5 years | 1,200 | 899 |
| Total Commitments for Expenditure (Inclusive of GST) | 8,788 | 9,053 |
| Less GST recoverable from the Australian Taxation Office | | |
| Total Commitments (Exclusive of GST) | 8,788 | 9,053 |

Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed at their nominal value and are inclusive of the GST payable. In addition, where it is considered appropriate and provides additional

relevant information to users, the net present values of significant projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the Balance Sheet.

Note 7: Risks, Contingencies and Valuation Uncertainties

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

Structure

- 7.1 Financial Instruments
- 7.2 Contingent Assets and Contingent Liabilities

Note 7.1: Financial Instruments

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.

Note 7.1 (a): Financial Instruments: Categorisation

| 2020 | Note | Financial Assets at Amortised Cost \$'000 | Financial Assets at Fair Value Through Net Result \$'000 | Financial Liabilities at Amortised Cost \$'000 | Total \$'000 |
|--|------|--|---|---|-----------------|
| Contractual Financial Assets | | | | | |
| Cash and cash equivalents | 6.1 | 17,161 | - | - | 17,161 |
| Receivables | | | | | |
| - Trade Debtors | 5.1 | 1,168 | - | - | 1,168 |
| - Other Receivables | 5.1 | 11,735 | - | - | 11,735 |
| Investments and other financial assets | | | | | |
| - Managed investment/units | 4.1 | - | 272,850 | - | 272,850 |
| Total Financial Assets ⁽ⁱ⁾ | | 30,064 | 272,850 | - | 302,914 |
| Financial Liabilities | | | | | |
| Payables | 5.2 | - | - | 5,609 | 5,609 |
| Total Financial Liabilities ⁽ⁱⁱ⁾ | | - | - | 5,609 | 5,609 |

| 2019 | Note | Financial Assets at Amortised Cost \$'000 | Financial Assets at Fair Value Through Net Result \$'000 | Financial Liabilities at Amortised Cost \$'000 | Total \$'000 |
|--|------|--|---|---|-----------------|
| Contractual Financial Assets | | | | | |
| Cash and cash equivalents | 6.1 | 7,923 | - | - | 7,923 |
| Receivables | | | | | |
| - Trade Debtors | 5.1 | 1,884 | - | - | 1,884 |
| - Other Receivables | 5.1 | 13,243 | - | - | 13,243 |
| Investments and other financial assets | | | | | |
| - Managed investment/units | 4.1 | - | 282,813 | - | 282,813 |
| Total Financial Assets ⁽ⁱ⁾ | | 23,050 | 282,813 | - | 305,863 |
| Financial Liabilities | | | | | |
| Payables | 5.2 | - | - | 5,948 | 5,948 |
| Total Financial Liabilities ⁽ⁱⁱ⁾ | | - | - | 5,948 | 5,948 |

i The carrying amount excludes statutory receivables (i.e. GST receivable)

ii The carrying amount excludes statutory payables (i.e. GST payables)

Financial Assets at Amortised Cost

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

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

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

SMCT recognises the following assets in this category:

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

Financial Assets at Fair Value Through Net Result

Equity instruments that are held for trading are classified as fair value through net result. Other financial assets are required to be measured at fair value through net result unless they are measured at amortised cost or fair value through other comprehensive income as explained above.

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

SMCT has designated all of its managed investment schemes as fair value through net result.

Financial Liabilities at Amortised Cost

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

- payables (excluding statutory payables)

Derecognition of Financial Assets

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

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

Derecognition of Financial Liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

Reclassification of Financial Instruments

Subsequent to initial recognition, reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when, and only when, SMCT's business model for managing its financial assets has changed such that its previous model would no longer apply.

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

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

Maturity Analysis of Financial Liabilities as at 30 June

| | Note | Carrying Amount \$'000 | Not Past Due and Not Impaired \$'000 | Maturity Dates | | | |
|------------------------------------|--------------------|---------------------------|---|-----------------------------|----------------------|-----------------------------|---------------------|
| | | | | Less than 1 Month \$'000 | 1-3 Months \$'000 | 3 Months - 1 Year \$'000 | 1-5 Years \$'000 |
| 2020 | | | | | | | |
| Financial Liabilities | | | | | | | |
| At amortised cost | | | | | | | |
| Payables | 5.2 ⁽ⁱ⁾ | 5,609 | 5,609 | - | - | - | - |
| Total Financial Liabilities | | 5,609 | 5,609 | - | - | - | - |
| 2019 | | | | | | | |
| Financial Liabilities | | | | | | | |
| At amortised cost | | | | | | | |
| Payables | 5.2 | 5,948 | 5,787 | 120 | 37 | - | 4 |
| Total Financial Liabilities | | 5,948 | 5,787 | 120 | 37 | - | 4 |

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

Note 7.1 (c): Contractual Receivables at Amortised Cost

| 30 June 2019 | Note | Current | Less than 1 Month | 1-3 Months | 3 Months - 1 Year | 1-5 Years | Total | |
|--|------|---------|-------------------|------------|-------------------|-----------|-------|--------|
| | | | | | | | | |
| Expected Loss Rate | | 0% | 0% | 0% | 0% | 0% | | |
| Gross carrying amount of contractual receivables (\$,000s) | 5.1 | 12,903 | 8,782 | 382 | 161 | 104 | 754 | 10,183 |
| Loss Allowance | | - | - | - | - | - | - | - |
| 30 June 2020 | | | | | | | | |
| Expected Loss Rate | | 0% | 0% | 0% | 0% | 0% | | |
| Gross carrying amount of contractual receivables (\$,000s) | 5.1 | 15,127 | 13,684 | 651 | 133 | 153 | 506 | 15,127 |
| Loss Allowance | | - | - | - | - | - | - | - |

Impairment of Financial Assets Under AASB 9 Financial Instruments

SMCT applies the allowance for expected credit loss for the relevant financial instruments, in accordance with AASB 9 Financial Instruments 'Expected Credit Loss' approach. Based on negligible bad debts are the bulk of SMCT's revenue being prepaid, expected credit loss risk is low. Subject to AASB 9 Financial Instruments, impairment assessment includes the SMCT's contractual receivables, statutory receivables and its investment in debt instruments.

Equity instruments are not subject to impairment under AASB 9 Financial Instruments. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9 Financial Instruments. While cash and cash equivalents are also subject to the impairment requirements of AASB 9 Financial Instruments, any identified impairment loss would be immaterial.

Contractual Receivables at Amortised Cost

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

Credit loss allowance is classified as other economic flows in the net result. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

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

Statutory Receivables and Debt Investments at Amortised Cost

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

Both the statutory receivables and investments in debt instruments are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses.

Note 7.2: Contingent Assets and Contingent Liabilities

As a non-adjusting contingent event, SMCT discloses that the Australian Charities & Not-for-profit Commission (ACNC) is currently reviewing SMCT's charitable status. This is still in the early preliminary stages of assessment.

Community Perpetual Maintenance Reserve

The Trust 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 the Trust must have regard to its obligation in relation to the funding of the perpetual maintenance of each public cemetery.

At this time there will be ongoing significant cash outflow for perpetual maintenance of each public cemetery but is unable to calculate a sufficiently reliable estimate of any related present obligation which may arise under the accounting standards and accordingly has not recognised a value for this obligation in these financial statements.

The Trust has nevertheless created a related reserve and is disclosed as a Community Perpetual Maintenance Reserve in the Statement of Changes in Equity.

Note 8: Other disclosure

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

Structure

| | |
|-----|--|
| 8.1 | Reconciliation of Net Result for the Year to Net Cash Flow from Operating Activities |
| 8.2 | Responsible persons disclosure |
| 8.3 | Remuneration of Executive Officers |
| 8.4 | Related Parties |
| 8.5 | Remuneration of Auditors |
| 8.6 | Ex-gratia payments |
| 8.7 | Events occurring after balance sheet date |
| 8.8 | Application of new accounting standards and adjustments of prior periods |
| 8.9 | AASB's issued that are not yet effective |

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

| | Note | 2020 \$'000 | 2019 \$'000 |
|--|------|----------------|----------------|
| Net Result for the Year | | (7,765) | 23,449 |
| Non-Cash Movements | | | |
| Depreciation/amortisation | 4.4 | 7,602 | 8,640 |
| Impairment of non-financial assets | | 107 | - |
| Revaluation of investment property | | (335) | - |
| Movements Included in Investing and Financing Activities: | | | |
| Net (Gain)/Loss from Disposal of Non-Financial Physical Assets | | 39 | (16) |
| Net (Gain)/Loss from fair value movements of Financial Assets | | 20,741 | (1,800) |
| Movements in Assets and Liabilities | | | |
| Change in operating assets and liabilities | | | |
| (Increase)/decrease in receivables | | 2,450 | (1,825) |
| (Increase)/decrease in prepayments | | 79 | (144) |
| (Increase)/decrease in inventories | | 643 | (13,545) |
| Increase/(decrease) in payables | | (167) | (1,133) |
| Increase/(decrease) in provisions | | 48 | 41 |
| Increase/(decrease) in contract liabilities | | 4,613 | 3,408 |
| Increase/(decrease) in employee benefits | | 1,641 | (82) |
| Net Cash Flows From/(Used in) Operating Activities | | 29,696 | 16,993 |

Note 8.2: Responsible Persons Disclosures

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

| | <u>Period</u> |
|--|------------------------|
| Responsible Minister | |
| The Honourable Jenny Mikakos, Minister for Health, Minister for Ambulance Services | 1/07/2019 - 30/06/2020 |
| Governing Boards | |
| Sue Renkin (Chairman) | 1/07/2019 - 31/10/2019 |
| Vanda Fortunato (Chairperson) | 1/11/2019 - 30/06/2020 |
| Julie Busch | 1/07/2019 - 30/06/2020 |
| Sam Afra | 1/07/2019 - 30/06/2020 |
| Leigh Mackay | 1/07/2019 - 30/06/2020 |
| Roger Chao | 1/07/2019 - 30/06/2020 |
| Sandhya Chakravarty | 1/07/2019 - 30/06/2020 |
| Phil Davies | 1/07/2019 - 30/06/2020 |
| Craig Burke | 1/07/2019 - 30/06/2020 |
| Robin Buckham | 1/07/2019 - 30/06/2020 |
| Accountable Officers | |
| Jane Grover | 1/07/2019 - 30/06/2020 |

Remuneration of Responsible Persons

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

| Income Band | 2020 | 2019 |
|---|-------------|-------------|
| | No. | No. |
| \$10,000 - \$19,999 | 9 | 8 |
| \$20,000 - \$29,999 | 1 | - |
| \$30,000 - \$39,999 | - | 1 |
| \$340,000-\$349,999 | - | 1 |
| \$400,000 - \$409,999 | 1 | - |
| Total Numbers | 11 | 10 |
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to: | 564 | 495 |

Note 8.3: Remuneration of Executive Officers

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

| Remuneration of Executive Officers | Total Remuneration | |
|---|--------------------|--------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Short-term Benefits | 1,042 | 1,137 |
| Post-employment Benefits | 338 | 107 |
| Other Long-term Benefits | 22 | 27 |
| Total Remuneration ⁱ | 1,402 | 1,271 |
| Total Number of Executives | 8 | 6 |
| Total Annualised Employee Equivalent ⁱⁱ | 5.0 | 5.8 |

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

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

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

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

Short-Term Employee Benefits

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

Post-Employment Benefits

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

Other Long-term Benefits

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

Note 8.4: Related Parties

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

- all key management personnel (KMP) and their close family members;
- Cabinet ministers (where applicable) and their close family members; and
- all Cemetery Trusts and public-sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

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

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

| KMPs | Position Title |
|--|-------------------------|
| Sue Renkin (departed 31/10/2019) | Chair of SMCT |
| Vanda Fortunato (appointed 1/11/19) | Chair of SMCT |
| Julie Busch | Trust Member |
| Sam Afra | Trust Member |
| Leigh Mackay | Trust Member |
| Roger Chao | Trust Member |
| Sandhya Chakravarty | Trust Member |
| Phil Davies | Trust Member |
| Craig Burke | Trust Member |
| Robin Buckham | Trust Member |
| Jane Grover | Chief Executive Officer |
| Angela Uilderks | Executive |
| Noel Renwick (departed 9/08/2019) | Executive |
| Jason Bosch (appointed 12/08/2019 and departed 31/12/2019) | Executive |
| Shireen Jahan (appointed 17/02/2020) | Executive |
| Patty Holten | Executive |
| Niloo Amendra | Executive |
| Caroline Richards | Executive |

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

| | 2020 | 2019 |
|--|---------------|---------------|
| Compensation - KMPsⁱ | \$'000 | \$'000 |
| Short-term Employee Benefits | 1,552 | 1,597 |
| Post-employment Benefits | 385 | 141 |
| Other Long-term Benefits | 29 | 33 |
| Total | 1,966 | 1,771 |

ⁱ KMP's are also noted in Note 8.2 Responsible Persons and Note 8.3 Remuneration of Executives.

Significant Transactions with Government Related Entities

During the year SMCT had related entity transactions with the Department of Health and Human Services, being the payment of the 2018-19 cemetery levy of \$2.4 million (2018-19 \$2.3 million). The levy payable to the Department of Health and Human Services in respect of 2019-20 is \$2.2 million (2018-19 was \$2.4 million).

Insurance products are obtained from the Victorian Managed Insurance Authority

Transactions with KMPs and Other Related Parties

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

Outside of normal citizen type transactions with the SMCT, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties. There were no related party transactions with Cabinet Ministers required to be disclosed in 2020.

There were no related party transactions required to be disclosed for the SMCT Board of Directors, Chief Executive Officer and Executive Directors in 2020.

Note 8.5: Remuneration of Auditors

| | 2020 | 2019 |
|---|---------------|---------------|
| Victorian Auditor-General's Office | \$'000 | \$'000 |
| Audit of financial statement | 99 | 89 |
| | 99 | 89 |
| | 2020 | 2019 |
| Other providers | \$'000 | \$'000 |
| Audit fees other | 61 | 32 |
| | 61 | 32 |
| Total Audit Fees | 160 | 121 |

Note 8.6: Ex-Gratia Expenses

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

Note 8.7: Events Occurring After the Balance Sheet Date

There are no material events occurring after the Balance Sheet Date.

Note 8.8 Application of New Accounting Standards and Adjustment of Prior Period

Application of New Accounting Standards

Leases

This note explains the impact of the adoption of AASB 16 Leases on SMCT's financial statements.

SMCT has applied AASB 16 with a date of initial application of 1 July 2019. SMCT has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions of AASB 16 for all leases for which it is a lessee. As a result of our assessment, there is no change required to be recognised in retained earnings as at 1 July 2019.

Previously, SMCT determined at contract inception whether an arrangement is or contains a lease under AASB 117 and Interpretation 4 – 'Determining whether an arrangement contains a Lease'. Under AASB 16, SMCT assesses whether a contract is or contains a lease based on the definition of a lease.

Leases classified as operating leases under AASB 117

As a lessee, SMCT previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to SMCT. Under AASB 16, SMCT recognises where exemption is availed in respect of short-term and low value leases.

SMCT has elected to apply the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117 applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* is applicable from the first reporting period beginning after 1st January 2019 which for SMCT is 1 July 2019. If the arrangement is enforceable and has sufficiently specific performance obligations, it will be accounted for under AASB 15 *Revenue from Contracts with Customers* and revenue will be recognised as performance obligations are satisfied.

The impact on SMCT is in respect of memorialisation plaques only. Where plaques are ordered by SMCT, our performance obligation to our customer is not satisfied until the plaque is delivered to the customer. Previously SMCT recognised the revenue when the sale was made. There is typically a 60 day lag between placing an order and goods being receipted into stock and passed to the customer, SMCT has recognised 10 months income only in FY2020 regarding this product line. There is a net adjustment of \$0.96 million to retained earnings as a result of SMCT applying the principals of AASB 15 and performance obligations to memorialisation income for the first time.

In addition, unearned income of \$44 million has been reclassified from Other Liabilities to Contract Liabilities.

Impact on the balance sheet due to the adoption of AASB 15 in the 2018-19 year is illustrated below with the following reconciliation between the at 30 June 2019 carrying amounts and the balances reported under the new accounting standard:

Comparative information has not been restated.

| Balance Sheet as at | Before New Accounting Standards 30 June 2019 (restated) | Net Impact of AASB 15 | After New Accounting Standards 1 July 2019 |
|---|--|----------------------------------|---|
| Total Current Assets | 44,057 | - | 44,057 |
| Total Non-Current Assets | 474,684 | - | 474,684 |
| Total Assets | 518,741 | - | 518,741 |
| Current Liabilities | | | |
| Contract liabilities | - | 45,366 | 45,366 |
| Payables | 5,948 | (122) | 5,826 |
| Provisions for employee benefits | 2,780 | - | 2,780 |
| Provisions | 518 | - | 518 |
| Other liabilities | 44,279 | (44,279) | - |
| Total Current Liabilities | 53,525 | 965 | 54,490 |
| Total Non-Current Liabilities | 513 | - | 513 |
| Total Liabilities | 54,038 | 965 | 55,003 |
| Net Assets | 464,703 | (965) | 463,738 |
| Equity | | | |
| Contributed capital | 63,674 | - | 63,674 |
| Accumulated surplus/(deficit) | 31,608 | (965) | 30,643 |
| Physical asset revaluation surplus | 32,021 | - | 32,021 |
| Available for sale investment revaluation surplus | - | - | - |
| Perpetual maintenance surplus | 337,400 | - | 337,400 |
| Total Equity | 464,703 | (965) | 463,738 |

Income of Not-For-Profit Entities

AASB 1058 Income for Not-for-Profit Entities which is applicable from the first reporting period beginning after 1st January 2019 and establishes principles for not-for-profit entities that apply to: (a) transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and (b) the receipt of volunteer services.

The adoption of AASB 1058 did not have an impact on the financial statements.

Note 8.9: AASBs Issued that are not Yet Effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2020 reporting period. Department of Treasury and Finance assesses the impact of all these new standards and advises SMCT of their applicability and early adoption where applicable.

As at 30 June 2020, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. SMCT has not and does not intend to adopt these standards early.

| Topic (a) | Key Requirements | Effective Date |
|-----------------------------|---|----------------|
| AASB 17 Insurance Contracts | The new Australian standard eliminates inconsistencies and weaknesses in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. This standard does not currently apply to not-for-profit public sector entities. The AASB is undertaking further outreach to determine the applicability of this standard to the not-for-profit public sector. | 1-Jan-21 |

Disclosure index

The following index highlights the Southern Metropolitan Cemeteries Trust compliance under current Victorian legislation.

| Legislation | Requirement | Page Reference |
|---|--|----------------|
| Charter and purpose | | |
| FRD 22H | Manner of establishment and the relevant ministers | 11 |
| FRD 22H | Purpose, functions, powers and duties | 19 |
| FRD 22H | Initiatives and key achievements | 25-53 |
| FRD 22H | Nature and range of services provided | 16 |
| Management and structure | | |
| FRD 22H | Organisational structure | 13 |
| Financial and other information | | |
| FRD 10A | Disclosure index | 119 |
| FRD 11A | Disclosure of ex-gratia expenses | 115 |
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