sureplan
FRIENDLY SOCIETY LTD

# ANNUAL REPORT 17-18

*For the year 30 June 2018, for presentation and adoption at the 83rd Annual General Meeting to be held on Thursday, 8th November 2018 at 10.00am at the United Service Club, 183 Wickham Terrace, Brisbane.*

ABN: 70 087 649 456

sureplan

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FRIENDLY SOCIETY LTD

## CORE BUSINESS

To provide low cost funeral funding services (insurance and bonds) by means that are in the best interest of the members.

## VISION

To be widely recognised as a successful and ethical provider of quality funeral funding services to an expanding membership base.

## PURPOSE

To provide members' families with the ability to pay up-front funeral costs promptly.

## VALUES

Sureplan is committed to:

- delivering value to our members through products
- maintaining the highest standards of integrity
- providing timely and responsive member service
- supporting and developing our people

# CONTENTS

# Directors' Report
for the year ended 30 June 2018

The Directors of Sureplan Friendly Society Ltd present the report on the Consolidated Entity for the financial year ended 30th June 2018.

## DIRECTORS

The name and particulars of the directors of the society in office for the whole of the financial year and up to the date of this report.

**John Just** PSM B.Bus., FCPA, FAICD
*Independent Non-Executive Director*

- Qualifications, Experience & Special Responsibilities:
  - Chairman from 3/7/2010. Retired 31/12/2017
  - Retired Deputy Chief Executive (Resource Management) Queensland Police Service
  - Member of Audit, Due Diligence, Risk, Investment and Remuneration Committees
- Directors' Meetings attended: 7 of 7
- Fund Membership: Sureplan Family Fund

**Jim Walsh** LL.B, GAICD
*Independent Non-Executive Director*

- Qualifications, Experience & Special Responsibilities:
  - Chairman from 1/1/2018
  - Deputy President, Administrative Appeals Tribunal
  - Member of Due Diligence, Investment, Remuneration and Risk Committees
- Directors' Meetings attended: 11 of 12
- Fund Membership: Sureplan Family Fund

**Geoffrey Woodcroft** B.Bus., GradCert L & C, M.Leadership, GAICD
*Independent Non-Executive Director*

- Qualifications, Experience & Special Responsibilities:
  - Vice President Human Resources and Corporate Services, Peabody Australia
  - Member of Audit, Due Diligence and Remuneration Committees
- Directors' Meetings attended: 10 of 12
- Fund Membership: Sureplan Family Fund

**Bill Wendt** MBA, FAICD, MIMC, CMAHRI, MIIE
*Independent Non-Executive Director*

- Qualifications, Experience & Special Responsibilities:
  - Retired CEO Cadet Training & Employment
  - Member of Audit, Risk and Remuneration Committees
- Directors' Meetings attended: 12 of 12
- Fund Membership: Sureplan Gold

**Russell Cole** B.Com, FCA, Reg Coy Auditor
*Independent Non-Executive Director (appointed 1/11/2017)*

- Qualifications, Experience & Special Responsibilities:
  - Director & Chair of Audit and Risk Committee, PTB Group Ltd
  - Director Lansdowne Corporate Services
  - Member of Risk, Audit and Investment Committees
- Directors' Meetings attended: 7 of 7
- Fund Membership: Sureplan Family Fund

## DIRECTOR /SECRETARY

**Mary-Ann Cook** B.Bus., GAICD
*Non Independent Executive Director*

- Qualifications, Experience & Special Responsibilities:
  - Managing Director, Sureplan Friendly Society Ltd
  - Member of Due Diligence and Investment Committees
- Directors' Meetings attended: 12 of 12
- Fund Membership: Sureplan Family Fund

Number of Directors' meetings held during the year - 12

## NUMBER OF COMMITTEE MEETINGS HELD DURING THE YEAR AS FOLLOWS:

| Committee Details | No of meetings held | Committee Members | No of meetings attended |
|---|---|---|---|
| **Audit** | 3 | John Just | 2 |
| (Chairman & 2 Directors) | | Geoff Woodcroft | 2 |
| | | Bill Wendt (Chair) | 3 |
| | | Russell Cole | 1 |
| **Risk** | 4 | John Just | 2 |
| (Chairman & 2 Directors) | | Jim Walsh | 4 |
| | | Bill Wendt | 4 |
| | | Russell Cole (Chair) | 2 |
| **Due Diligence** | 0 | Geoff Woodcroft | - |
| (Chairman, Director & Managing Director) | | Jim Walsh (Chair) | - |
| | | Mary-Ann Cook | - |
| **Investment** | 3 | John Just | 1 |
| (Chairman, Director & Managing Director) | | Russell Cole | 2 |
| | | Jim Walsh (Chair) | 3 |
| | | Mary-Ann Cook | 3 |
| **Remuneration** | 1 | Jim Walsh | 1 |
| (Chairman & 2 Directors) | | Geoff Woodcroft (Chair) | 1 |
| | | Bill Wendt | 1 |

## CORPORATE GOVERNANCE

This statement outlines the main corporate governance practices in place throughout the financial year.

### Board of Directors

The Board's primary role is the protection and enhancement of members' benefits.

To fulfil this role, the Board is responsible for the overall corporate governance of the Economic Entity including risk and capital management processes, formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal controls and management information systems.

It is also responsible for approving and monitoring financial and other reporting.

The Board has delegated responsibility for operation and administration of the Company to the Managing Director (MD). Responsibilities are delineated by formal authority delegations.

### Board Processes

To assist in the execution of its responsibilities, the Board has established a number of Board Committees. They are:

- Audit
- Risk
- Investment
- Due Diligence
- Remuneration

These committees have written mandates and operating procedures, which are reviewed on a regular basis. The Board has established a framework for the management of the Economic Entity including a system of internal controls and a risk management framework.

### Director Education

The Economic Entity has a formal process to educate new directors about the nature of the business, current issues, risk management, corporate strategy and the expectations concerning performance of directors. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

### Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chair, may seek independent professional advice from a suitably qualified advisor at the Economic Entity's expense.

### Composition of the Board

The names of the directors of Sureplan Friendly Society Ltd in office at the date of this report, specifying which are independent, are set out in the Director's Report page 2. The composition of the Board is determined using the following principles:

- A minimum of 5 directors with a broad range of expertise
- A majority of independent non-executive directors
- A non-executive independent director as Chairperson
- Enough directors to serve on various committees without overburdening the directors or making it difficult for them to serve.

An independent director is a director who is not a member of management (a non-executive director) and who has not within the last three years been employed in an executive capacity by the Economic Entity. Directors may be considered as independent if they are free from any business or other association that could materially interfere with their independent judgement. The Economic Entity considers that service on the Board for a period greater than 20 years renders a director non-independent.

John Just, the Board's long-standing Chairman, retired on 31/12/2017. John was appointed to the Board of Sureplan on 28/7/2004 and served as Chair from 1/9/2007 to 30/6/2008 and again from 3/7/2010 until his retirement. John brought extensive financial, compliance and administrative experience to the Board and led Sureplan successfully through the Global Financial Crisis and the resultant challenging low interest rate environment. The Board and staff thank John for his leadership, dedicated service and continuous support.

Jim Walsh was appointed Chairman from 1/1/2018. Jim is a long-term Sureplan member and experienced Director who brings legal, investment and administrative experience to the Board.

Russell Cole was appointed as a Director, by the Board, on 1/11/2017. Russell has considerable experience in the fields of financial and commercial management, risk management, corporate governance, financial reporting and compliance. Russell is very familiar with the friendly society financial and legal structure and in particular with Sureplan having been Sureplan's audit partner in the early 2000's.

## GUARANTEE

In the event of Sureplan Friendly Society Ltd ever being wound up members are subject to a guarantee not exceeding $2 per member, if liabilities exist. The total amount that the members of the company are liable to contribute if the company is wound up is $58,182 based on 29,091 current members.

## OBJECTIVES

### Short and Long-Term Objectives

- To provide quality funeral funding products to current and new Members and to continue to develop product growth opportunities including channels such as agent networks, internet, strategic alliances and member recruitment campaigns;
- To provide competent, timely and responsive service to our Members and Agents and meet distribution expectations;
- To always comply with all the Australian Prudential Regulation Authority's ( APRA) Prudential Standards (particularly LAGIC) and maintain their confidence in our ability to satisfy these Standards going forward;
- To ensure the Society's investment strategies are sound, ethical and accord with risk tolerance levels set by the board as expressed in the Society's Risk Appetite Statement;
- To attract, retain and develop quality staff;

- To maintain effective and efficient business systems while operating in a low interest rate environment that has resulted in reduced cash flow into the Management Fund; and
- To ensure that the Society complies with all statutes regarding governance and provides strong strategic direction.

## VALUES

### Sureplan is committed to:

- delivering value to our Members through our products;
- maintaining the highest standards of integrity;
- providing timely and responsive member service; and
- supporting and developing our people.

### Principal Activities during the Year

The principal activities of the Society during the year were as follows:

**The management and administration of:**

- Sureplan Family Fund
- Sureplan Gold
- Sureplan Body Transportation Funeral Fund

The Society focuses exclusively on the management, development and administration of these funeral funds to ensure that results which are in the best interest of its members are achieved. These best results will be attained through meeting the identified operational and strategic objectives, the achievement of which will ensure the continuing supply of viable, relevant and cost effective funeral funding options to its members.

### Likely future developments and expected results

In addition to our overall objectives our key thrust for the short term will be to:

- To maintain current growth rates in Membership for Sureplan Gold and Sureplan Body Transportation Funeral Fund;
- To maintain existing Membership numbers for Sureplan Family Fund; and
- To achieve better than a breakeven financial result at 30/6/2019.

This focus is specifically driven by the current low interest environment.

### Measurement of Performance

The Society has established a rigorous reporting and measurement regime where on monthly and quarterly bases operational results, recruitment levels and strategies are measured against budgeted benchmarks, Business and Strategic Plans. Progress toward targets is assessed and any remedial activity is determined. Specific success measures for all strategies have been determined and are incorporated into this regime.

### Risk Management

In accordance with prudential requirements that took effect from 1/1/2014 Sureplan has established an Internal Capital Adequacy Assessment Process (ICAAP) to assess and manage our risk and for maintaining our capital levels commensurate with our Risk Appetite and business strategy.

This ICAAP Summary Statement is a high-level document that describes and summarises the risk management and capital assessment and management processes of the Society.

The objective of the Society's ICAAP is to ensure an appropriate level of capital is maintained by the Society at all times and to meet the requirements of stakeholders including APRA and members.

The ICAAP integrates the Society's risk and capital management processes. It provides the Board and management with a framework within which business planning, business targets and day-to-day decision-making will be made with consideration of the Society's Risk Appetite and the need to maintain capital adequacy. It is designed to reflect the size, nature and complexity of the Society. It is designed to meet the Society's needs in a timely and effective manner and to recognise that capital is the price for risk and that business decisions drive risk.

The Society's Board is responsible for ensuring an appropriate level and quality of capital is maintained given the risks arising from the activities of the Society. There were no breaches of the Society's ICAAP in 2017/2018.

From 1/9/2014 the Society has incorporated into its Risk Management Framework the role of a Chief Risk Officer (CRO). From 1/1/2015 Prudential standards require that the Society has a CRO who must be involved in, and have the authority to provide effective challenge to, activities and decisions that may materially affect the institution's risk profile. Because the CRO must be independent from

business lines, other revenue-generating responsibilities and the finance function, the Society has outsourced this function.

The CRO has a direct reporting line to the MD and has regular and unfettered access to the Board and the Risk Committee. The CRO is involved in the Society's strategy and business plan/budget formation and approval process. The CRO also provides input to the Appointed Actuary relevant to the Financial Condition Report, will provide advice on new product development, links to internal and external audits and provides specific risk and governance training to the Society's management and Board.

## REVIEW OF OPERATIONS AND RESULTS OF OPERATIONS

### Net profit for year

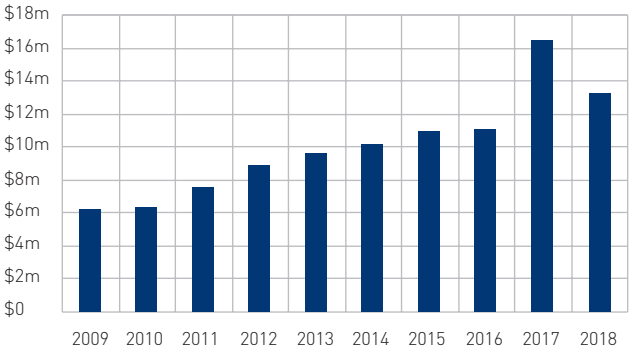
The 2017/2018 Operating Profit/Loss of the consolidated entity after income tax amounted to a profit of $52,199. In 2016/2017 it was a profit of $184,248.

### General

As noted in 2016/2017, the Society operates in an environment where global yields in wholesale markets are not only at historic lows but where the logical and usual reactions to influences in the market are not happening. This situation has not changed in 2017/2018.

Sureplan must operate in a competitive, regulated environment with economic markets that are still dominated by uncertainty and volatility. These factors are exerting downward pressure on income as well as recruitment. The downward pressures on recruitment in Sureplan Gold and Sureplan Body Transportation Funeral Fund were mitigated by the changes to the age pension Assets Test, effective from 1/1/2017. These changes drove a significant increase in recruitment in this fund in 2016/2017 and continued, albeit at a lower rate in 2017/2018. Although it is not anticipated that this level of recruitment will be sustained in 2018/2019 and these negative market forces will reimpose dominance, Sureplan expects to see a small residual increase in recruitment over the long-term driven by these changes.

This low-income environment has further impacted the Society in the areas of members' surplus distribution and Prudential Reserving requirements. In 2014/2015, to ensure that an acceptable bonus rate could be declared and that all Prudential reserving requirements would be met, the Board resolved that the management fee charged on Sureplan Gold would be reduced to 1.5% for future years, with the remaining 0.5% to be taken only if sufficient surplus has been earned. The level of surplus and the management fees transferred were closely monitored and in 2016/2017 management fees were reduced more aggressively, to less than 1%. Less than 1% management fee was again taken in 2017/2018. The budget for 2018/2019 continues this trend with 1% management fee from Sureplan Gold and expenditure levels reflecting a reduced income environment. However, further losses are not expected.




SUREPLAN GOLD ANNUAL CONTRIBUTIONS $

All prudential reserving requirements in all the funds have been met during the year. Sureplan Gold paid a pre-tax bonus at a rate of 2.10%, which is higher than the rate paid in 2016/2017 (2.06%) and is a reasonable return in a historically low interest rate environment.

Sureplan needs to continue the successful strategy of positioning itself as a conservative and reliable funeral fund specialist that provides prompt and accurate service to members and channel partners. The preservation of members' funds is Gold's key objective and bonus rates will be both predictable and low in volatility by nature. However, they will reflect the low yields returned by investment in low risk assets.

The major operational focus has continued to be the improved marketing of Sureplan's products resulting in an overall expansion of the membership data base, with our focus still heavily aligned with modern communication channels, the existing agency network and commercial alliances. The success of this focus on Sureplan Gold has continued and while recruitment in Sureplan Family

Fund is still a challenge the present low interest rate environment does not support the recruitment of anything greater than minimal new business in this Fund.

In response to negative funeral insurance press emanating from the Banking Royal Commission, Sureplan has commenced a campaign to remind members of the additional consumer protection derived from their investment in a friendly society product. There are two major differences between a friendly society and an ordinary life insurance company.

Firstly, friendly societies are comprised of multiple benefit funds and the assets of each fund, by law, must be quarantined or separated. The assets of a fund can only be used for the payment of benefits to members of that fund and all net earnings must be retained in that fund for the benefit of members. Therefore, assets cannot be moved from fund to fund for the purpose of say improving the performance of one fund. This is compared to life company funeral insurance in which the premiums are normally paid into a central pool managed by the life company.

Secondly, the rules of each fund operated by a friendly society must receive APRA approval and when doing this APRA must act in the best interest of members. This removes any chance that the rules of a fund can be changed to reduce member benefits unilaterally by a friendly society.

This unique "benefit fund" structure that ensures the assets of a fund are segregated from other assets of the society, together with the broader authority possessed by APRA, does result in a higher relative level of protection for consumers of friendly societies compared to consumers of other institutions.

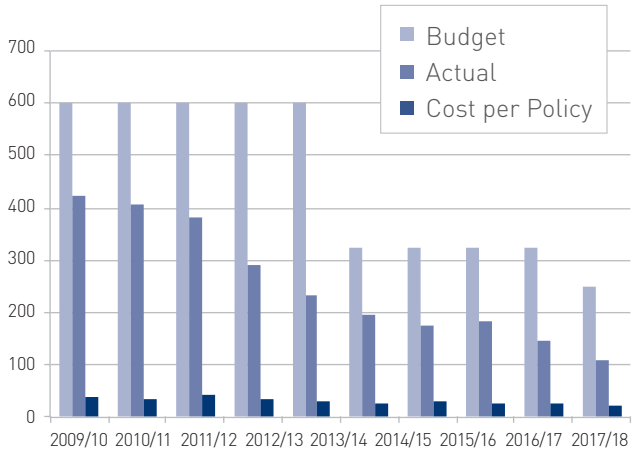
There were no other significant changes in the nature of activities of the Society during the year.

## SUREPLAN FAMILY FUND

Sureplan Family Fund continues to meet all prudential capital requirements. This continuing ability is underpinned by the matching of the members' benefit liability with the long term (now 17 year) Treasury Corporation Victoria (TCV) bond. This strategy guarantees minimum earnings requirements over the long term. However, the zero-coupon nature of this investment is impacting on cash flow requirements for this fund. The Board has established a risk mitigation strategy of withholding a portion of management fee cash flow from the Management Fund since 2016/2017. This strategy will continue in 2018/2019 and future years. Cash flow requirements during this long period of zero coupon investments and low interest are modelled and closely monitored.

No bonus was declared in 2017/2018 as surpluses are still being retained to ensure that the fund meets all APRA reserving requirements during this continuing cycle of market volatility and depressed interest rates. Until income has been realised and assets reinvested disclosed surplus does not give an indication of distributable surplus. However, the maturity bonus, established in recognition of the member's interest in the accruing surplus, was paid in 2017/2018 and will continue in 2018/2019 at the same rate as the previous years'. This bonus is included in the calculation of Members' benefits paid during the year.

Following APRA's approval of the rule change adopted by the members at the 2012/2013 Annual General Meeting a reserve of $10 million is carried as mitigation against regulatory risk.




SUREPLAN FAMILY FUND RECRUITMENT

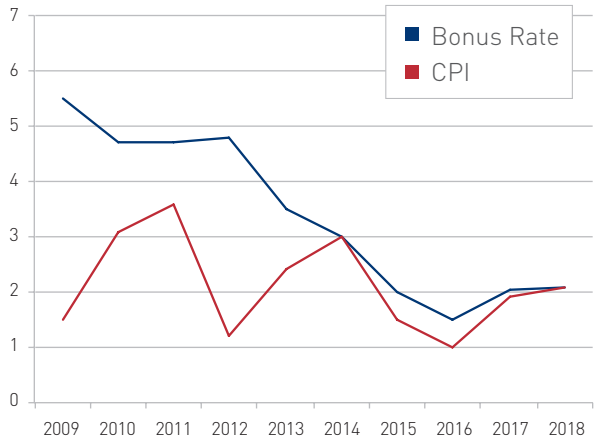
Sureplan Family Fund had 15,224 current members at 30/6/2018, (2017: 15,398). The decline in membership numbers was due mainly to a decrease in recruitment numbers.

The Society is focused on positioning Sureplan Family Fund as a high value funeral insurance option that can save members significant premiums and deliver them a better-quality service.

## SUREPLAN GOLD

The fund had another successful year with recruitment in excess of budget. However, this excess growth is still thought to be attributable to the changes made, effective from 1/1/2017, to the Income and Assets Test that applies to pension entitlement. This change introduced an increased asset free threshold but was accompanied by a higher rate of pension reduction when the threshold was breached. Because an eligible investment in a funeral bond is exempt from the Income and Assets Test there was a significant movement of funds nationwide into funeral products. The initial size of this movement is not expected to continue but it will have a small long-term impact on recruitment in the future. This has proven to be the case in 2017/2018. The average value of a bond at 30/6/2018 is $5,865 (2017: $5,624). As in previous years the ongoing growth and maintenance of the funeral director network is still a major focus.

The rate of bonus distribution for the year ending 30 June 2018 was 2.10% despite another difficult financial year of continuing low interest rates. This rate is reflective of the low risk investment strategy of this fund and the continuing low interest rate environment. Management fees were kept to below 1% to combat these influences and the Fund attained its target of returning CPI or better to its members. Sureplan Gold has historically produced returns that either met or exceeded CPI.




SUREPLAN GOLD BONUS RATE/CPI

Surplus of $324,327 (2017: $314,209) was retained in excess of prudential reserving and to meet target surplus requirements. Target surplus is an amount of capital additional to a capital benchmark that a life insurance company chooses to hold, given its risk tolerance levels, to allow for adverse future experience. This fund had 14,358 current members at 30/6/2018 (2017: 13,703).

At the beginning of 2016/2017 all funds were invested in A- to AAAA rated government issued cpi bonds, government guaranteed term deposits, corporate floating and fixed interest bonds or term deposits, with durations that match the liability duration. However, due to the downgrade of Australian ADI's by S&P during that year some of the investments are now rated as BBB. The Board has approved the continuation of these investments.

## SUREPLAN BODY TRANSPORTATION FUNERAL FUND

This fund has progressed steadily during the year and exceeded budgeted recruitment targets. There was one claim paid in 2017/2018. This fund had 1,359 current members at 30/6/2018 (2017: 1,255).

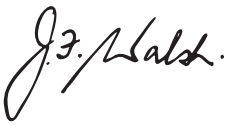
## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

## SIGNIFICANT AFTER BALANCE DATE EVENTS

There are no other matters or circumstances that have arisen since the end of the financial year that have significantly affected the operations of the Society, the results of those operations or the state of affairs of the Society, in future financial years.

Signed in accordance with a resolution of the Directors.



Director

Dated: - 27th September 2018
Place: - Brisbane

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Fax: +61 7 3221 9227
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# Declaration of Independence

**DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF SUREPLAN FRIENDLY SOCIETY LTD**

As lead auditor of Sureplan Friendly Society Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sureplan Friendly Society Ltd and the entities it controlled during the year.

**P A Gallagher**
Director

**BDO Audit Pty Ltd**

Brisbane, 27 September 2018

# Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

| | | Economic Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | Note | $ | $ | $ | $ |
| Revenues | 2 | 6,436,203 | (1,649,099) | 1,703,073 | 1,685,425 |
| Expenses | 3 | (6,295,018) | 1,639,439 | (1,561,888) | (1,695,085) |
| Profit/(loss) before income tax | | 141,185 | (9,660) | 141,185 | (9,660) |
| Income tax expense | 4 | (88,986) | 193,908 | (88,986) | 193,908 |
| Net profit/(loss) after income tax | | 52,199 | 184,248 | 52,199 | 184,248 |
| Other comprehensive income | | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME | | 52,199 | 184,248 | 52,199 | 184,248 |

*The accompanying notes form part of these financial statements.*

# Statement of Financial Position

as at 30 June 2018

| | Note | Economic Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | | $ | $ | $ | $ |
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 5 | 833,870 | 1,133,399 | 56,039 | 127,400 |
| Trade and other receivables | 6 | 281,579 | 208,535 | 741,269 | 438,822 |
| Financial assets at fair value through profit and loss | 7 | 100,507,851 | 92,728,693 | 1,654,617 | 1,824,722 |
| Other current assets | 8 | 6,812 | 6,856 | 6,812 | 6,856 |
| Current tax assets | 4 | 98,065 | 193,151 | 69,702 | 159,427 |
| TOTAL CURRENT ASSETS | | 101,728,177 | 94,270,634 | 2,528,439 | 2,557,227 |
| NON-CURRENT ASSETS | | | | | |
| Financial assets at fair value through profit and loss | 9 | 47,669,912 | 45,325,937 | - | - |
| Property, plant and equipment | 10 | 17,397 | 30,462 | 17,398 | 30,462 |
| Intangible assets | 11 | 137,875 | 208,603 | 137,874 | 208,603 |
| Deferred Tax assets | 12 | 6,717 | 7,795 | 6,717 | 7,795 |
| TOTAL NON-CURRENT ASSETS | | 47,831,901 | 45,572,797 | 161,989 | 246,860 |
| TOTAL ASSETS | | 149,560,078 | 139,843,431 | 2,690,428 | 2,804,087 |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 13 | 164,888 | 220,772 | 151,125 | 177,864 |
| Short term provisions | 14 | 515,843 | 654,962 | 515,843 | 654,962 |
| Current tax liabilities | 4 | - | - | - | - |
| Policy liabilities | 28 | 9,618,298 | 8,420,000 | - | - |
| TOTAL CURRENT LIABILITIES | | 10,299,029 | 9,295,734 | 666,968 | 832,826 |
| NON-CURRENT LIABILITIES | | | | | |
| Policy liabilities | 28 | 127,237,589 | 118,576,436 | - | - |
| TOTAL NON-CURRENT LIABILITIES | | 127,237,589 | 118,576,436 | - | - |
| TOTAL LIABILITIES | | 137,536,618 | 127,872,170 | 666,968 | 832,826 |
| NET ASSETS | | 12,023,460 | 11,971,261 | 2,023,460 | 1,971,261 |
| EQUITY | | | | | |
| Retained earnings | | 2,023,460 | 1,971,261 | 2,023,460 | 1,971,261 |
| Reserves | | 10,000,000 | 10,000,000 | - | - |
| TOTAL EQUITY | | 12,023,460 | 11,971,261 | 2,023,460 | 1,971,261 |

*The accompanying notes form part of these financial statements.*

# Statement of Changes in Equity

for the year ended 30 June 2018

| | Reserves | Retained Earnings | TOTAL |
|---|---|---|---|
| | $ | $ | $ |
| ECONOMIC ENTITY | | | |
| Balance at 1 July 2016 | 10,000,000 | 1,787,013 | 11,787,013 |
| Total comprehensive income for the year | | | |
| -Profit for the year | - | 184,248 | 184,248 |
| -Other Comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | - | 184,248 | 184,248 |
| Balance at 30 June 2017 | 10,000,000 | 1,971,261 | 11,971,261 |
| Total comprehensive income for the year | | | |
| - Profit for the year | - | 52,199 | 52,199 |
| - Other Comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | - | 52,199 | 52,199 |
| Balance at 30 June 2018 | 10,000,000 | 2,023,460 | 12,023,460 |
| | | | |
| PARENT ENTITY | | | |
| Balance at 1 July 2016 | - | 1,787,013 | 1,787,013 |
| Total comprehensive income for the year | | | |
| -Profit for the year | - | 184,248 | 184,248 |
| -Other Comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | - | 184,248 | 184,248 |
| Balance at 30 June 2017 | - | 1,971,261 | 1,971,261 |
| Total comprehensive income for the year | | | |
| -Profit for the year | - | 52,199 | 52,199 |
| -Other Comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | - | 52,199 | 52,199 |
| Balance at 30 June 2018 | - | 2,023,460 | 2,023,460 |

*The accompanying notes form part of these financial statements.*

# Statement of Cash Flows

for the year ended 30 June 2018

| | Note | Economic Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | | $ | $ | $ | $ |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Members contributions received | | 14,177,220 | 17,380,204 | - | - |
| Members claims & withdrawals | | (8,239,774) | (7,778,040) | - | - |
| Receipts from customers | | 196 | 442 | 1,329,419 | 1,544,149 |
| Payments to suppliers and employees | | (1,705,348) | (1,589,496) | (1,634,684) | (1,547,366) |
| Interest received | | 2,707,316 | 2,401,889 | 47,207 | 33,107 |
| Income tax paid | | 34,463 | 287,678 | 739 | 30,695 |
| Net investment income | | (4,847) | (501,080) | - | - |
| Net cash provided by (used in) operating activities | 21 | 6,969,226 | 10,201,597 | (257,319) | 60,585 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchase of property, plant and equipment | | (1,234) | (18,713) | (1,234) | (18,713) |
| Purchase of intangibles | | (7,991) | (70,418) | (7,991) | (70,418) |
| Purchase of investments | | (7,259,530) | (9,896,386) | 195,183 | (303,949) |
| Net cash provided by (used in) investing activities | | (7,268,755) | (9,985,517) | 185,958 | (393,080) |
| Net increase/(decrease) in cash held | | (299,529) | 216,080 | (71,361) | (332,495) |
| Cash at beginning of year | | 1,133,399 | 917,319 | 127,400 | 459,895 |
| Cash at end of year | 5 | 833,870 | 1,133,399 | 56,039 | 127,400 |

*The accompanying notes form part of these financial statements.*

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, *the Corporations Act 2001*, and the *Life Insurance Act 1995*. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial report covers Sureplan Friendly Society Ltd as the individual parent entity and the combined benefit funds of Sureplan Friendly Society Ltd as an economic entity. Sureplan Friendly Society Ltd is a company limited by guarantee, incorporated and domiciled in Australia. The parent entity financial statements have been included by taking class order relief available under CO 10/654. For the purposes of preparing the financial statements Sureplan Friendly Society Ltd is a for profit mutual entity.

The Economic Entity incorporates the parent entity with following benefit funds:

- Sureplan Family Fund
- Sureplan Gold Fund
- Sureplan Body Transportation Funeral Fund
- Sureplan Management Fund

The presentation currency of the financial report is Australian dollars. The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report was authorised for issue on 27th September 2018 by the directors of Sureplan Friendly Society Ltd.

### Basis of Preparation

#### Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected current assets, non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### Accounting Policies

#### a. Principles of Consolidation

A controlled entity is any entity Sureplan Friendly Society Ltd has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 1 to the financial statements above. All controlled entities have a June financial year end.

All inter-Economic Entity balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered, or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

### b. Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity, respectively.

### c. Property, Plant and Equipment

Each class of property, plant and equipment is stated at historical cost, including cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less any accumulated depreciation and impairment losses.

**Depreciation**

The depreciable amount of all fixed assets including capitalised lease assets, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Plant and equipment | 16.67% or 20 % Prime cost |
| Furniture and fittings | 7.5% or 20% Prime cost |
| Computer equipment | 16.67%, 20% or 25% Prime cost |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

## d. Financial Instruments

**Recognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Financial assets at fair value through profit and loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit or loss in the period in which they arise. Assets in this category are classified as current assets in the Statement of Financial Position if they are expected to settle within 12 months; otherwise they are classified as non-current assets.

**Held-to-maturity investments**

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

**Available-for-sale financial assets**

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income.

**Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**Derivative instruments**

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the profit or loss unless they are designated as hedges.

**Fair Values**

Fair values may be used for financial and non-financial asset and liability measurement as well as sundry disclosures.

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. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the group.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Impairment**

At each reporting date, the Society assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

### e. Impairment of Assets

At the end of each reporting period the Society assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined, and impairment losses are recognised in profit and loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

### f. Employee Benefits

Provision is made for the Economic Entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

### g. Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### h. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

### i. Revenue

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances and duties and taxes paid. Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised using the effective interest method, using the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

### j. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### k. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### l. New and amended standards and interpretations adopted during the year

The Group applied, for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 July 2016. The nature and the impact of each new standard and/or amendment was not significant.

**New and amended standards and interpretations issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

| New/revised pronouncements | Nature of change | Application date to the Group | Impact to the Group |
|---|---|---|---|
| AASB 9 *Financial Instruments* (December 2014) | The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. This supersedes AASB 9 (issued in December 2009-as amended) and AASB 9 (issued in December 2010). | 1 July 2018 | Based on the preliminary assessment performed on the Group, the effect of AASB 9 is not expected to have a material effect on the Group. A more detailed assessment will be completed in the near future. |
| AASB 15 *Revenue from Contracts with Customers* | The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. | 1 July 2018 | The Group does not expect a significant impact of AASB 15. |
| AASB 16 (issued February 2017) | AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases.<br>There are some optional exemptions for leases with a period of 12 months or less and for low value leases.<br>Lessor accounting remains largely unchanged from AASB 117. | 1 July 2019 | Based on the preliminary assessment performed on the Group, the effect of AASB 16 is not expected to have a material effect on the Group. A more detailed assessment will be completed in the near future. |

### m. Intangible Assets

Intangible assets that are acquired by the Economic Entity which have finite lives are measured at cost less accumulated amortisation.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit and loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

**Amortisation**

Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The amortisation rates used for each class of amortisable assets are:

| Class of Fixed Asset | Amortisation Rate |
|---|---|
| Computer software | 16.67 % Prime cost,<br>Purchases from 1/7/2015 20% |

## n. Policy Liabilities Valuation

**1) Sureplan Family Fund**

Mortality probabilities of 15% lower than the Australian Life Tables 2010-12, unchanged from previous year.

**Net discount rate of 1.94% which is based on:**

| | |
|---|---|
| Expected gross investment rate earnings | 3.58% |
| Expected fund expenses rate | 1. 1% |
| Taxation rate 7.2% | 0.18% |
| Future compound bonuses of | 0.36% |
| Policy liabilities | $47,265,104 |
| Future discretionary bonuses | $4,746,672 |
| Maturity Bonus | $55,439 |
| Retained surplus | $10,000,000 |
| **TOTAL** | **$62,067,215** |

**2) Sureplan Body Transportation Funeral Fund**

Liability valuations were calculated as the mean estimate assuming 1 in 20 deaths are eligible for funeral transport (occurring outside a 70km radius) and that the average cost of transport is $1,831.

The methodology above has been carried out with the following valuation assumptions:

- Mortality probabilities of 15% lower than the Australian Life Tables 2010-12, in line with the Family Fund mortality experience
- Net discount rate of .30% which is based on:
  - Expected gross investment rate earnings 2.03% less transfers from surplus at up to 2% of assets.
  - Expected fund expenses rate: Fund expenses of $3.81 p.a. per member
  - Taxation rate (taxed on profit) 0.00%

Policy Liabilities $123,768, fund expenses of 2% of assets $49,756, plus future fee expenses $75,821.

The increases from 2015/2016 arise from increased membership and a lower future investment earning rate.

**3) Sureplan Gold Fund**

Members' liabilities in this fund have been valued as the present value of all future benefits payable to members' nominees at current account balances. Due to the choice of valuation assumptions, the best estimate of policy liabilities is equal to the sum of members' account balances as at the valuation date.

Sureplan claims a tax deduction for the investment income component of a funeral benefit when paid.

The deduction creates a tax credit. The value of the tax credit is added to the benefit paid, but only if Sureplan has sufficient assessable income to allow for the deduction claimed.

**4) Sureplan Gold Fund Provisional Bonus Allocation**

Bonuses allocated to members who have not been a member for greater than 12 months do not vest in the member until 12 months' membership is attained.

## o. Critical accounting estimates and judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group

**Key estimates — Impairment**

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

For benefit fund actuarial assumptions refer to Note 1(n).

## p. Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the economic entity as lessee are classified as operating leases. Payments made under operating leases are charged to profit and loss over the period of the lease.

### q. Capital Adequacy Position

Following are the capital requirements for the Society at 30 June 2018 reported in compliance with Prudential Standard LPS 110.

Capital components of the Management Fund and all Benefit Funds aggregated are:

| | Net Assets | Policy Liabilities | Surplus | DTA | PCA |
|---|---|---|---|---|---|
| Sureplan Family Fund | 62,067,215 | 52,067,215 | 10,000,000 | - | - |
| Sureplan Gold Fund | 84,539,327 | 84,539,327 | - | - | - |
| Sureplan Body Transportation Funeral Fund | 249,345 | 249,345 | - | - | - |
| Sureplan Management Fund | 2,023,460 | - | 2,023,460 | 69,702 | 457,118 |
| | 148,879,347 | 136,855,887 | 12,023,460 | 69,702 | 457,118 |
| Regulatory adjustments | | | - | | |
| Common Equity Tier 1 Capital | | | 11,953,758 | | |
| Tier 2 Capital | | | - | | |
| Total Capital Base of Society | | | 11,953,758 | | |
| PCA | | | 457,118 | | |
| Multiple | | | 26.15 | | |

## NOTE 2: REVENUE

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| Operating revenue | | | | |
| - Revenue from Benefit Funds | - | - | 1,639,940 | 1,597,442 |
| | - | - | 1,639,940 | 1,597,442 |
| Net Investment income | | | | |
| - Interest received | 2,775,513 | 2,482,356 | 38,056 | 46,593 |
| - Fair value movement of financial assets at fair value through the profit and loss | 2,863,603 | (4,520,159) | 25,077 | 41,390 |
| - Net Gain on sale/maturity of Bonds | - | (500,668) | - | - |
| Revenue Component of member contributions | 796,892 | 888,930 | - | - |
| Other Income | 195 | 442 | - | - |
| Total Income | 6,436,203 | (1,649,099) | 1,703,073 | 1,685,425 |

## NOTE 3: EXPENSES

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| Claims Expense | 643,995 | 738,874 | - | - |
| Member Liability Revaluation | 2,703,819 | (5,276,975) | - | - |
| Depreciation of plant and equipment | 14,299 | 12,375 | 14,299 | 12,375 |
| Amortisation of computer software | 78,719 | 83,664 | 78,719 | 83,664 |
| Net expense resulting in movements in provision for employee entitlements | 13,630 | 23,022 | 13,630 | 23,022 |
| Superannuation contributions expense | 56,013 | 60,264 | 56,013 | 60,264 |
| Employment Expenses | 574,830 | 604,754 | 574,830 | 604,754 |
| Accommodation Expenses | 63,896 | 61,735 | 63,896 | 61,735 |
| Marketing Expenses | 383,736 | 431,153 | 383,736 | 431,153 |
| Administration Expenses | 418,283 | 497,622 | 376,765 | 418,118 |
| Transfer to Policy Liability | 1,343,798 | 1,124,073 | - | - |
| | 6,295,018 | (1,639,439) | 1,561,888 | 1,695,085 |

## NOTE 4: INCOME TAX

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| Current tax expense | | | | |
| Income tax expense/(benefit) comprises: | | | | |
| Current tax expense/ (benefit) | 88,986 | (193,908) | 88,986 | (193,908) |
| Deferred tax expense | - | - | - | - |
| | 88,986 | (193,908) | 88,986 | (193,908) |
| Numerical reconciliation of income tax expense to prima facie tax payable. | | | | |
| Profit before income tax | 141,185 | (9,660) | 141,185 | (9,660) |
| | 141,185 | (9,660) | 141,185 | (9,660) |
| Prima facie tax/(benefit) on operating profit at 30% (2017:30%) | 42,355 | (2,898) | 42,355 | (2,898) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | | | |
| Management Fees | (491,982) | (479,233) | (491,982) | (479,233) |
| Non-Deductable Management Fund expenses | (37,864) | 21,512 | (37,864) | 21,512 |
| Imputation Credits | (761) | (604) | (761) | (604) |
| Taxable Trust Distributions | 6,602 | 6,384 | 6,602 | 6,384 |
| Timing differences | 2,745 | (4,046) | 2,745 | (4,046) |
| Non-Taxable movement Investments | (7,523) | (12,417) | (7,523) | (12,417) |
| Tax loss | 485,666 | 470,698 | 485,666 | 470,698 |
| Under/Over adjustments | 7,808 | (34,616) | 7,808 | (34,616) |
| Provision for Deferred Tax Asset | - | (158,688) | - | (158,688) |
| Utilisation Society tax losses | 81,940 | - | 81,940 | - |
| Income tax expense | 88,986 | (193,908) | 88,986 | (193,908) |
| Tax Assets | | | | |
| Current tax asset | 98,065 | 193,151 | 69,702 | 159,427 |
| Tax liabilities | | | | |
| Provision for Income Tax | - | - | - | - |

## NOTE 5: CASH AND CASH EQUIVALENTS

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| Cash at bank (at call interest paid monthly) | 833,670 | 1,133,199 | 55,839 | 127,200 |
| Petty Cash | 200 | 200 | 200 | 200 |
| | 833,870 | 1,133,399 | 56,039 | 127,400 |

## NOTE 6: TRADE AND OTHER RECEIVABLES

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| Sundry Debtors | 2,446 | - | 728,975 | 419,778 |
| Accrued Interest | 271,347 | 203,150 | 4,508 | 13,659 |
| Other receivables | 7,786 | 5,385 | 7,786 | 5,385 |
| | 281,579 | 208,535 | 741,269 | 438,822 |

*There are no balances within trade and other receivables that contain assets that are impaired or past due*

## NOTE 7: FINANCIAL ASSETS

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| Other Managed Public Securities at fair value | 77,398,313 | 74,620,497 | 1,021,764 | 996,686 |
| Term Deposits (30 days to less than 1 years' duration) | 23,045,989 | 18,034,261 | 632,853 | 828,036 |
| Cash Enhanced Funds at fair value. | 63,549 | 73,935 | - | - |
| | 100,507,851 | 92,728,693 | 1,654,617 | 1,824,722 |

## NOTE 8: OTHER CURRENT ASSETS

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| Prepaid Expenses | 6,812 | 6,856 | 6,812 | 6,856 |

## NOTE 9: LONG TERM FINANCIAL ASSETS

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS | 2018 $ | 2017 $ | 2018 $ | 2017 $ |
| Other Managed Public Securities at fair value | 6,677,014 | 6,419,058 | - | - |
| State Government Treasury Bonds at fair value | 40,992,898 | 38,906,879 | - | - |
| | 47,669,912 | 45,325,937 | - | - |

## NOTE 10: PROPERTY, PLANT & EQUIPMENT

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2018 $ | 2017 $ | 2018 $ | 2017 $ |
| Plant & equipment at cost | 138,200 | 136,966 | 138,200 | 136,966 |
| Accumulated depreciation | (120,803) | (106,504) | (120,803) | (106,504) |
| Net carrying value | 17,397 | 30,462 | 17,397 | 30,462 |
| Movements in plant & equipment | | | | |
| Opening balance | 30,462 | 24,124 | 30,462 | 24,124 |
| Additions | 1,234 | 18,713 | 1,234 | 18,713 |
| Depreciation | (14,299) | (12,375) | (14,299) | (12,375) |
| Closing Balance | 17,397 | 30,462 | 17,397 | 30,462 |

## NOTE 11: INTANGIBLES

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2018 $ | 2017 $ | 2018 $ | 2017 $ |
| Computer Software | 598,602 | 590,611 | 598,602 | 590,611 |
| Accumulated amortisation | (460,727) | (382,008) | (460,727) | (382,008) |
| Net carrying value | 137,875 | 208,603 | 137,875 | 208,603 |
| Movements in Software | | | | |
| Opening balance | 208,603 | 221,849 | 208,603 | 221,849 |
| Additions | 7,991 | 70,418 | 7,991 | 70,418 |
| Amortisation | (78,719) | (83,664) | (78,719) | (83,664) |
| Closing Balance | 137,875 | 208,603 | 137,875 | 208,603 |

## NOTE 12: DEFERRED TAX ASSETS

| Deferred tax assets comprise temporary differences attributable to: | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| Sureplan Gold Members Tax Credits | 6,717 | 7,795 | 6,717 | 7,795 |
| | 6,717 | 7,795 | 6,717 | 7,795 |
| Sureplan Gold Members Tax Credits | | | | |
| Opening Balance | 7,795 | 8,438 | 7,795 | 8,438 |
| Maturities | (1,078) | (643) | (1,078) | (643) |
| Closing Balance | 6,717 | 7,795 | 6,717 | 7,795 |
| Total movements | (1,078) | (643) | (1,078) | (643) |

*Sureplan Gold Members Tax Credits were incurred in 2003 and 2004 and are payable on the maturity of the associated bonds.*

## NOTE 13: TRADE AND OTHER PAYABLES

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2016 |
| | $ | $ | $ | $ |
| Trade account payables | 12,359 | 30,800 | 9,210 | 30,800 |
| Sundry creditors and accruals | 89,182 | 123,467 | 78,568 | 80,559 |
| Accrued employee benefits | 63,347 | 66,505 | 63,347 | 66,505 |
| | 164,888 | 220,772 | 151,125 | 177,864 |

*Contractual cash flows from trade and other payables are equal to their carrying amounts. Trade and other payables are all contractually due within 6 months of year end.*

## NOTE 14: SHORT TERM PROVISIONS

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| Provision for employees Long Service Leave | 181,877 | 165,088 | 181,877 | 165,088 |
| Provision for Directors' Retirement Benefit | 333,966 | 489,874 | 333,966 | 489,874 |
| | 515,843 | 654,962 | 515,843 | 654,962 |

| Movements in Provision for Directors' Retirement Benefit | | | | |
|---|---|---|---|---|
| Opening balance | 489,874 | 441,523 | 489,874 | 441,523 |
| Withdrawals | (150,915) | - | (150,915) | - |
| Additions | (4,993) | 48,351 | (4,993) | 48,351 |
| Closing Balance | 333,966 | 489,874 | 333,966 | 489,874 |

## NOTE 15: AUDITORS' REMUNERATION

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| Remuneration of the auditor of the parent entity for: | | | | |
| - auditing or reviewing the financial report | 32,000 | 29,480 | 32,000 | 29,480 |
| - taxation services | 16,170 | 15,400 | 16,170 | 15,400 |
| | 48,170 | 44,880 | 48,170 | 44,880 |

## NOTE 16: KEY MANAGEMENT PERSONNEL COMPENSATION

| | Short-term benefits | | Post employment benefit | | |
|---|---|---|---|---|---|
| | Salary & Fees | Bonus | Other | Long-term Benefits Superannuation | Total |
| 2018 Total Compensation | 735,350 | 4,500 | - | 56,013 | 795,863 |
| 2017 Total Compensation | 632,667 | - | - | 60,264 | 692,931 |

*Remuneration shown as short-term benefits means (where applicable) wages, salaries, annual leave and sick leave, profit-sharing and bonuses, value of fringe benefits received, retirement benefits, but excludes out of pocket expense reimbursements. All remuneration to Directors was approved by the members at the previous Annual General Meeting of the Society. There are no other transactions with Key Management Personnel.*

## NOTE 17: LEASE COMMITMENTS PAYABLE

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| Lease commitments payable due within the following time band: | | | | |
| – Less than 1 year | 66,132 | 63,896 | 66,132 | 63,896 |
| – Greater than 1 year but less than 5 years | 243,599 | 205,422 | 243,599 | 205,422 |
| – Greater than 5 years | - | 104,309 | - | 104,309 |
| | 309,731 | 373,627 | 309,731 | 373,627 |

*Lease commitments are for accommodation at Ground Floor, 133 Leichhardt St, Spring Hill.*
*The lease commenced on 1/12/2017 and expires on 1/12/2022 with a 7-year option.*

## NOTE 18: RELATED PARTY INFORMATION

### a. Directors

Directors in office during the financial year were:

- John Just (Chairman) Retired 31/12/2017
- James Walsh (Chairman) Elected 1/1/2018
- Geoffrey Woodcroft
- Mary-Ann Cook (Executive Director)
- Bill Wendt
- Russell Cole (Appointed 1/11/2017)

### b. Transactions with directors

The directors, as members, made contributions to Sureplan Family Fund and Sureplan Gold during the current and prior year, which are trivial in nature and within normal member relationships on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with the director at arm's length in the same circumstances.

### c. Controlled entities

Management fees are received by the parent entity from Sureplan Family Fund, Sureplan Gold and Sureplan Body Transportation Funeral Fund in accordance with the benefit fund rules. Detail of the management fee income brought to account is disclosed in Note 2. Sureplan Friendly Society Ltd is the ultimate parent entity.

## NOTE 19: CONTINGENT LIABILITIES

The Society has a loan facility of $300,000 (2017: $300,000) in place with the Commonwealth Bank as required under an agreement for access to the bank's PDC (Direct debit) system. This facility has not been used.

## NOTE 20: PRINCIPAL PLACE OF BUSINESS

Sureplan Friendly Society Ltd is a non-listed public company, incorporated in Australia, with its registered Office and principal place of business Ground Floor, 133 Leichhardt Street, Spring Hill, Qld. Principal activities of the company are the management of three benefit funds.

## NOTE 21: CASH FLOW INFORMATION

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER INCOME TAX | | | | |
| Net Profit/(Loss) | 52,199 | 184,248 | 52,199 | 184,248 |
| Depreciation/Amortisation | 93,018 | 96,039 | 93,018 | 96,039 |
| Increase/(decrease) in receivables | (73,043) | (80,880) | (301,369) | (66,779) |
| Increase/(decrease) in other current assets | 44 | (4,906) | 44 | (4,906) |
| (Increase)/decrease in accounts payable | (52,725) | 22,587 | (23,579) | (14,787) |
| Transfer to provision for employee entitlements | (142,279) | 71,373 | (142,279) | 71,373 |
| Transfers to tax provisions | 96,163 | (168,803) | 89,725 | (163,213) |
| Revaluation Investments | (2,863,603) | 4,520,159 | (25,078) | (41,390) |
| Movement in Member Liability | 9,859,452 | 5,561,780 | - | - |
| Net cash from operating activities | 6,969,226 | 10,201,597 | (257,319) | 60,585 |

## NOTE 22: EVENTS AFTER THE BALANCE SHEET DATE

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected the operations of the Society, the results of those operations or the state of affairs of the Society.

## NOTE 23: MEMBER'S GUARANTEE

In the event of Sureplan Friendly Society Ltd ever being wound up members are subject to a guarantee not exceeding $2.00 per member, if liabilities exceed assets.

## NOTE 24: FINANCIAL RISK MANAGEMENT

The Economic Entity has exposure to credit risk, liquidity risk and market risk through its transactions in a range of financial instruments including:

- Cash assets;
- Term deposits;
- Government and Commercial Paper; and
- Units in managed trusts.

This note presents information about the Economic Entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and the oversight of the risk management framework. The Board has established the Risk Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities. The Board has also appointed a Chief Risk Officer whose role is, to be involved in and have authority, to provide effective challenge to activities and decision making that may materially affect Sureplan's risk profile. This position is an outsourced function.

## NOTE 24: FINANCIAL RISK MANAGEMENT (CONT.)

Risk management policies are established to identify and analyse the risks faced by the Economic Entity, to set appropriate risk limits and controls, and to monitor risk and adherence to limits.

The Economic Entity's Audit Committee oversees how management monitors compliance with the Economic Entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Economic Entity. The Audit Committee is assisted in its oversight by Internal Audit. Internal audit is an outsourced function that undertakes regular reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### Credit Risk

Credit risk is defined as the risk of a counterparty default. For the Economic Entity it arises from default by financial institutions. The maximum exposure to credit risk at reporting date is represented by the carrying amount of the company's financial assets.

To mitigate this risk Investments are to be made in accordance with the Benefit Fund rules and the Investment Policy approved by the Board for each fund. This is monitored by the Investment Committee and compliance reported to the Board. The Board limits all investments in cash and short-term securities to issuers with a credit rating equal to or greater than P2 (Moody's Investor Services) or BBB (S&P Australian Ratings).

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

### Liquidity Risk

Liquidity risk is the risk that the Economic Entity will not be able to meet its financial obligations as they fall due. The key risk is that liquid funds will not be available to meet funeral benefits as members die.

To mitigate this risk Investments are to be made in accordance with the Benefit Fund rules and the Investment Policy approved by the Board for each fund. This is to be monitored by the Investment Committee and compliance reported to the Board. The Managing Director is to include the estimated member liability in the Balance Sheet of the Fund's monthly report so that any material mismatch in the assets and liabilities can be identified. The Prudential Capital Requirements of each fund must be complied with at all times.

### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Economic Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Society has no direct material exposure to market risk other than interest rate risk. The Society is indirectly exposed to equity price risk and has elected to disclose information in relation to this.

#### Interest Rate Risk

The Economic Entity is not exposed to interest rates on borrowings but is susceptible to fluctuations in interest rates on cash and cash equivalents and on investments. Unfavourable fluctuations in the market value of investments impacts directly on the performance of individual member's investments with the Society. This may have adverse effects on the Society's ability to attract new members/investment in its products.

## NOTE 24: FINANCIAL RISK MANAGEMENT (CONT.)

To mitigate this risk Investments are to be made in accordance with the Benefit Fund rules and the Investment Policy approved by the Board for each fund. This is monitored by the Investment Committee and compliance reported to the Board. The primary goal of the Economic Entity's investment strategy is to maximise investment return for its members while minimising risk, given the investment profile of each fund's members. Management is assisted by external advisors in this regard.

Current interest rate exposure is as follows:

- Fixed Interest Rate $127.425 million
- Floating Interest Rate $15.16 million

**Interest Rate Risk Sensitivity Analysis**

At 30 June 2018, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| CHANGE IN PROFIT | $ | $ | $ | $ |
| Increase in interest rate by 1% | 382,149 | 331,927 | 11,369 | 13,315 |
| Decrease in interest rate by 1% | (382,149) | (331,927) | (11,369) | (13,315) |

### Equity Price Risk

The Economic Entity has exposure to equity markets through its investments in units in managed trusts. The key risk is that fluctuations in equity values will result in the Economic Entity not being able to meet prudential solvency and capital adequacy requirements.

To mitigate this risk, investments are to be made in accordance with the Benefit Fund rules and the Investment Policy approved by the Board for each fund. This is to be monitored by the Investment Committee and compliance reported to the Board. The Investment Policies restrict exposure to equity markets to those funds whose liability duration matches equity duration and volatility cycles. A strategic investment of $15.5 million in Treasury Corporation of Victoria, zero coupon, 30-year bond was made to offset the volatility of equity price risk.

If the ASX 200 were to decline by 10%, the Society's listed investments would decline by $558,360

If the ASX 200 were to increase by 10%, the Society's listed investments would increase by $558,360

### Capital Risk Management

The Society considers its capital to consist of its accumulated retained earnings.

In managing its capital, the Society's primary objective is to ensure its continued ability to meet its promised members' benefits and to provide a consistent return for its members through a combination of capital growth and bonus allocation.

This policy balances risk and returns at an acceptable level and also maintains a sufficient funding base to enable the Society to meet its working capital and strategic investment needs.

## NOTE 25: FAIR VALUE OF FINANCIAL INSTRUMENTS

### a) The carrying amounts and fair values of our financial assets are shown below:

| | As at 30 June 2018 | | As at 30 June 2017 | |
|---|---|---|---|---|
| ECONOMIC ENTITY | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial Assets | $ | $ | $ | $ |
| Term Deposits | 23,045,989 | 23,045,989 | 18,034,261 | 18,034,261 |
| Commercial Paper | 48,536,886 | 48,536,886 | 46,305,317 | 46,305,317 |
| Government Paper | 71,011,281 | 71,011,281 | 68,663,569 | 68,663,569 |
| Units in Managed Trusts | 5,583,607 | 5,583,607 | 5,051,483 | 5,051,483 |
| | 148,177,763 | 148,177,763 | 138,054,630 | 138,054,630 |

| | As at 30 June 2018 | | As at 30 June 2017 | |
|---|---|---|---|---|
| PARENT ENTITY | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial Assets | $ | $ | $ | $ |
| Term Deposits | 632,853 | 632,853 | 828,036 | 828,036 |
| Commercial Paper | 504,075 | 504,075 | 503,496 | 503,496 |
| Units in Managed Trusts | 517,689 | 517,689 | 493,190 | 493,190 |
| | 1,654,617 | 1,654,617 | 1,824,722 | 1,824,722 |

The carrying amounts and fair values of our financial liabilities are shown below:

| | As at 30 June 2018 | | As at 30 June 2017 | |
|---|---|---|---|---|
| ECONOMIC ENTITY | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial Liabilities | $ | $ | $ | $ |
| Policy Liabilities | 136,855,887 | 136,855,887 | 126,996,436 | 126,996,436 |

## NOTE 25: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

### b) Fair value estimates

The fair value estimates were determined as follows:

#### Investments

(i) *Assets measured at cost:* Fair value is not reasonably determinable due to the unpredictable nature of cash flow and lack of suitable method of arriving at a reliable fair value.

(ii) *Assets measured at fair value:* Fair values of financial assets available for sale are determined based on quoted market prices.

(iii) *Assets measured at amortised cost:* The carrying values of financial assets held to maturity approximate their fair value due to short-term maturities of these securities.

#### Fair value hierarchy

The Group measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

**Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument;

**Level 2:** Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:

- quoted market prices in active markets for similar instruments;
- quoted prices for identical or similar instruments in markets that are considered less than active; or
- other valuation techniques where all significant inputs are directly or indirectly observable from market data.

**Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values for financial instruments traded in active markets are based on quoted market prices at reporting date. The quoted market price for financial assets is the current bid price. The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. To the extent possible assumptions used are based on observable market prices and rates at the end of the reporting date.

## NOTE 25: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

The table below categorises financial instruments measured and recognised at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised.

| Economic Entity | Level 1 $ | Level 2 $ | Level 3 $ | TOTAL $ |
|---|---|---|---|---|
| **2018** | | | | |
| Financial assets at fair value through profit and loss | 107,184,865 | 40,992,898 | - | 148,177,763 |
| Financial Liabilities at fair value through profit and loss | - | - | 136,855,887 | 136,855,887 |
| **2017** | | | | |
| Financial assets at fair value through profit and loss | 99,147,751 | 38,906,879 | - | 138,054,630 |
| Financial Liabilities at fair value through profit and loss | - | - | 126,996,436 | 126,996,436 |
| **Parent Entity** | | | | |
| **2018** | | | | |
| Financial assets at fair value through profit and loss | 1,654,617 | - | - | 1,654,617 |
| **2017** | | | | |
| Financial assets at fair value through profit and loss | 1,824,722 | - | - | 1,824,722 |

The group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

There have been no significant transfers into or out of each level during the year ended 30 June 2018 or the prior year.

Valuation techniques used to derive Level 2 and 3 fair values recognised in the financial statements

The following table sets out the valuation techniques used to measure fair value within Level 2, including a description of the significant inputs used.

| Description | Valuation approach and inputs used |
|---|---|
| Financial assets at fair value through profit and loss. | Actuarial valuation of bonds is undertaken using comparisons to similar investments for which market observable prices are available. |

The following table sets out the valuation techniques used to measure fair value within Level 3, including a description of the significant inputs used.

| Description | Valuation approach and inputs used |
|---|---|
| Financial liabilities at fair value through profit and loss. | Actuarial valuation of policy liabilities is undertaken using unobservable inputs for the liability for each type of Fund as disclosed in Note 1(n). |

**Valuation process**

The Society's Appointed Actuary calculates liabilities in accordance with APRA Prudential Standards.

Refer Note 28 for reconciliation of Level 3 Fair Value Measurements.

## Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets, is as follows:

| | Interest Rate | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Weighted Average Effective Fixed Interest Rate | | Fixed Interest Within 1 Year | | Fixed Interest 1 to 5 years | | Fixed Interest Greater than 5 years | | Floating Interest Rate | | Total | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | % | % | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| ECONOMIC ENTITY FINANCIAL ASSETS: | | | | | | | | | | | | |
| Cash and cash equivalents | .50 | .60 | - | - | - | - | - | - | 833,871 | 1,133,399 | 833,871 | 1,133,399 |
| Investments | 3.95 | 3.21 | 28,461,814 | 18,034,261 | 32,602,951 | 37,097,647 | 65,333,347 | 62,714,816 | 15,168,914 | 15,156,423 | 141,567,026 | 133,003,147 |
| Total Financial Assets | | | 28,461,814 | 18,034,261 | 32,602,951 | 37,097,647 | 65,333,347 | 62,714,816 | 16,002,785 | 16,289,822 | 142,400,897 | 134,136,546 |

*The Total Financial Assets figure above does not include $5,583,607 (2017: $5,051,483) assets in Unit Trusts*

| | | | Fixed Interest 1 to 5 Years | | Floating Interest Rate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | % | % | $ | $ | $ | $ | $ | $ |
| PARENT ENTITY FINANCIAL ASSETS: | | | | | | | | |
| Cash and cash equivalents | .10 | .10 | - | - | 56,039 | 127,400 | 56,039 | 127,400 |
| Investments | 2.69 | 2.68 | 632,853 | 828,036 | 504,075 | 503,496 | 1,136,928 | 1,331,532 |
| Total Financial Assets | | | 632,853 | 828,036 | 560,114 | 630,896 | 1,192,967 | 1,458,932 |

*The Total Financial Assets figure above does not include $517,689 (2017: $493,190) assets in Unit Trusts*

## NOTE 27: MATURITY PROFILE FINANCIAL LIABILITIES

| | Maturity Profile of Financial Liabilities | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Within 1 Year | | 1 -5 Years | | Over 5 Years | | Total | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| ECONOMIC ENTITY FINANCIAL LIABILITIES: | | | | | | | | |
| Trade and other Payables | 164,888 | 220,772 | - | - | - | - | 164,888 | 220,772 |
| Member's Liability | 9,618,298 | 8,420,000 | 30,610,847 | 27,377,285 | 96,626,742 | 91,199,151 | 136,855,887 | 126,996,436 |
| Total Financial Liabilities | 9,783,186 | 8,640,772 | 30,610,847 | 27,377,285 | 96,626,742 | 91,199,151 | 137,020,775 | 127,217,208 |

| | Within 1 Year | | Total | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| PARENT ENTITY FINANCIAL LIABILITIES: | | | | |
| Trade and other Payables | 151,125 | 177,864 | 151,125 | 177,864 |
| Total Financial Liabilities | 151,125 | 177,864 | 151,125 | 177,864 |

## NOTE 28: BENEFIT FUND SUMMARY FOR THE YEAR ENDED 30 JUNE 2018

| | Sureplan Family Fund | Sureplan Gold | Sureplan BTFF | All Benefit Funds |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **BENEFIT FUND ALLOCATED SURPLUS** | | | | |
| Value of Policy Liabilities (start of period prior to surplus allocation) | 49,393,848 | 76,059,321 | 218,893 | 125,672,062 |
| Allocation of surplus as at previous reporting date | - | 1,002,370 | - | 1,002,370 |
| Liability component of contributions | - | 13,380,328 | - | 13,380,328 |
| Withdrawals | - | (7,376,427) | - | (7,376,427) |
| Allocation of surplus | - | 1,142,691 | - | 1,142,691 |
| Actuarial revaluation | 2,673,367 | - | 30,452 | 2,703,819 |
| Member's Tax Credit | - | 6,717 | - | 6,717 |
| **Value of Policy Liabilities (end of period)** | 52,067,215 | 84,215,000 | 249,345 | 136,531,560 |
| BENEFIT FUND PROFIT AND LOSS | | | | |
| Net investment income | 3,387,772 | 2,183,138 | 5,071 | 5,575,981 |
| Revenue component of contributions | 763,142 | - | 33,750 | 796,892 |
| Other income | 196 | - | - | 196 |
| Fees to management fund | (826,037) | (807,319) | - | (1,633,356) |
| Claims expense | (643,555) | - | (440) | (643,995) |
| Members liability revaluation | (2,673,367) | - | (30,452) | (2,703,819) |
| Other expenses | (20,326) | (19,927) | (7,848) | (48,101) |
| Income tax expense | 12,175 | (203,083) | (81) | (190,989) |
| **Profit/loss after tax** | - | 1,152,809 | - | 1,152,809 |
| Unallocated Surplus (start of period) | - | 314,209 | - | 314,209 |
| Surplus allocated to members | - | (1,061,452) | - | (1,061,452) |
| Provisional allocation to members | - | (81,239) | - | (81,239) |
| **Unallocated Surplus (end of period)** | - | 324,327 | - | 324,327 |
| TOTAL MEMBER FUNDS | | | | |
| Current Liability | | | | 9,618,298 |
| Non-Current Liability | | | | 127,237,589 |
| Reserves | | | | 10,000,000 |
| **(Value of Policy Liabilities plus Unallocated Surplus)** | | | | 146,855,887 |
| **BENEFIT FUND BALANCE SHEET SUMMARY** | | | | |
| Net Assets (Total Member Funds) | 52,067,215 | 84,539,327 | 249,345 | 136,855,887 |
| Other Liabilities | 635,913 | 75,030 | 1,566 | 712,509 |
| Reserves | 10,000,000 | - | - | 10,000,000 |
| **Total Assets** | 62,703,128 | 84,614,357 | 250,911 | 147,568,396 |

# Directors' Declaration

The directors of Sureplan Friendly Society Ltd declare that:

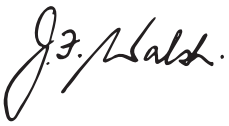
a) The accompanying financial statements are in accordance with the *Corporations Act 2001* and:
   i. comply with Accounting Standards and the Corporations Regulations 2001;
   ii. give a true and fair view of the financial position for the year ended 30 June 2018 and the performance for the year ended on that date; and
   iii. comply with International Financial Reporting Standards as disclosed in note1.

b) The allocation and distribution of the surplus of the benefit funds of the company have been made in accordance with Division 5 of Part 4 of the *Life Insurance Act 1995* and the benefit fund rules of each fund; and

c) No assets of any benefit fund have been applied or invested in contravention of the Act; and

d) As at the date of the statement, there are reasonable grounds to believe that the company and each of its benefit funds, will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the directors.



DIRECTOR

Dated: 27th September 2018

Place: Brisbane

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

# Independent Auditor's Report

To the members of Sureplan Friendly Society Ltd

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Sureplan Friendly Society Ltd (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of Sureplan Friendly Society Ltd, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Company's and the Group's financial position as at 30 June 2018 and of their financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

**BDO Audit Pty Ltd**

**P A Gallagher**
Director

Brisbane, 27 September 2018

# SUREPLAN FAMILY FUND

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| INVESTMENT INCOME | | | |
| Interest | | 207,139 | 236,656 |
| Changes in net market values | 4 | 3,193,543 | (4,729,474) |
| TOTAL INVESTMENT INCOME | | 3,400,682 | (4,492,818) |
| Direct investment expense | | 12,910 | 12,451 |
| NET INVESTMENT INCOME | | 3,387,772 | (4,505,269) |
| Revenue component of member contributions | | 763,142 | 837,930 |
| Other Income | 5 | 196 | 442 |
| TOTAL INCOME | | 4,151,110 | (3,666,897) |
| | | | |
| OPERATING EXPENSES | | | |
| Fees to management fund | 11 | 826,037 | 869,439 |
| Claims expense | | 643,555 | 738,160 |
| Member liability revaluation | | 2,673,367 | (5,326,364) |
| Other expenses | 2 | 20,326 | 48,452 |
| TOTAL OPERATING EXPENSES | | 4,163,285 | (3,670,313) |
| OPERATING PROFIT/LOSS BEFORE INCOME TAX | | (12,175) | 3,416 |
| Income Tax Expense | 3 | (12,175) | 3,416 |
| OPERATING PROFIT/LOSS AFTER INCOME TAX | | - | - |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE INCOME | | - | - |
| Unallocated Surplus or Deficiency at the beginning of the reporting period | | | |
| Transfer to Reserves | | - | - |
| TOTAL AVAILABLE FOR ALLOCATION | | - | - |
| Allocated to members | | - | - |
| UNALLOCATED SURPLUS OR DEFICIENCY AT THE END OF THE REPORTING PERIOD | | - | - |

*The accompanying notes form part of these financial statements.*

## STATEMENT OF FINANCIAL POSITION AS AT YEAR ENDED 30 JUNE 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| ASSETS | | | |
| Cash and Cash Equivalents | 6 | 352,691 | 392,216 |
| Trade and other receivables | 7 | 4,593 | 32,375 |
| Financial Assets | 8 | 62,345,844 | 59,327,070 |
| TOTAL ASSETS | | 62,703,128 | 59,751,661 |
| | | | |
| LIABILITIES | | | |
| Trade and other payables | 9 | 635,913 | 357,813 |
| TOTAL LIABILITIES | | 635,913 | 357,813 |
| NET ASSETS | | 62,067,215 | 59,393,848 |
| | | | |
| MEMBERS FUNDS | | | |
| Value of Policy Liabilities | 10 | 52,067,215 | 49,393,848 |
| Unallocated Surplus/Deficiency | | - | - |
| Reserves | | 10,000,000 | 10,000,000 |
| TOTAL BENEFIT FUND MEMBERS' FUNDS | | 62,067,215 | 59,393,848 |

*The accompanying notes form part of these financial statements.*

## NOTE 1: SUMMARY OF ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared for use by members of the company which has been drawn up in accordance with the *Life Insurance Act 1995*. The directors have determined that the fund is not a reporting entity.

The financial report has been prepared in accordance with the requirements of the following Australian Accounting Standards:

AASB 1031: Materiality
AASB 110: Events after the Balance Sheet Date
AASB 101: Presentation of Financial Statements
AASB 108: Accounting Policies, Changes in Accounting and Errors

No other Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### a) Financial Assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Statement of Comprehensive Income in the period in which they arise.

### b) Interest Rate Risk

The fund is not exposed to any material risk from interest rates. Financial Assets and Liabilities disclosed in the accounts are non interest bearing except as otherwise disclosed.

### c) Financial Assets and Liabilities

The carrying amount of Financial Assets and Liabilities recorded in the financial statements are disclosed at net fair values as determined by reference to expected future net cash flows.

### d) Credit Risk Exposure

The maximum credit risk exposure of Financial Assets is represented by the carrying amounts of assets recognised in the Statement of Financial Position net of any provision for losses. The fund does not have any significant concentrations of credit risk with any single counterparty or group of counterparties with the exception of funds invested with recognised financial institutions or state governments.

### e) Receivables

Receivables represent the principal amounts due at balance date less, where applicable, any provision for doubtful debts.

### f) Income Recognition

Trust distributions are brought to account when the right to receive the distribution is established.

### g) Accounts Payable

Accounts payable represent the principal amounts outstanding at balance date plus where applicable any accrued interest.

### h) Policy Liabilities Valuation

#### Sureplan Family Fund

Mortality probabilities of 15% lower than the Australian Life Tables 2010-12, unchanged from the previous year.

- Net discount rate of 1.94% which is based on:

| | |
|---|---|
| Expected gross investment rate earnings | 3.58% |
| Expected fund expenses rate | 1.1% |
| Taxation rate 7.2% | 0.18% |
| Future compound bonuses of | 0.36% |

| | |
|---|---|
| Policy liabilities | $47,265,104 |
| Future discretionary bonuses | $4,746,672 |
| Maturity Bonus | $55,439 |
| Retained surplus | $10,000,000 |
| TOTAL | $62,067,215 |

## NOTE 2: OTHER EXPENSES

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Actuary & Valuation Fees | 5,000 | 26,400 |
| Bank fees & taxes | 14,383 | 20,765 |
| Stamp Duty | 943 | 1,287 |
| | 20,326 | 48,452 |

## NOTE 3: INCOME TAX

TAX EFFECT OF POLICIES SOLD POST 31/12/2002
INCOME TAX EXPENSE

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

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Operating Surplus before tax | 60,000 | - |
| Prima facie tax on operating profit at 30% | 18,000 | - |
| Add tax effect of Permanent differences (exempt income) | (231,953) | (221,989) |
| Society Tax Loss | 6,392 | (3,797) |
| Under/Over Adjustment | - | 527 |
| Assessable Income | 195,386 | 228,675 |
| Income tax attributable to operating surplus | (12,175) | 3,416 |

## NOTE 4: CHANGES IN NET MARKET VALUE

| | | |
|---|---|---|
| SECURITIES HELD AT REPORTING DATE: | | |
| State Government Treasury Bonds | 2,086,019 | (4,889,602) |
| Other public securities | 1,107,524 | 160,128 |
| | 3,193,543 | (4,729,474) |

## NOTE 5: OTHER INCOME

| | | |
|---|---|---|
| Miscellaneous income | 196 | 442 |

## NOTE 6: CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Cash at bank (At call, interest paid monthly) | | |
| (Effective interest rate of .50%) (2017: .60%) | 352,691 | 392,216 |

## NOTE 7: TRADE AND OTHER RECEIVABLES

| | | |
|---|---|---|
| Sundry Debtors | 80 | 26,773 |
| Accrued Income | 4,513 | 5,602 |
| | 4,593 | 32,375 |

## NOTE 8: FINANCIAL ASSETS

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Units in Managed Investment | 5,065,918 | 4,558,293 |
| Term Deposits (effective interest rate 2.45%)(2017: 2.53%) | 825,231 | 1,000,000 |
| Other Managed Public Securities at fair value | 6,677,014 | 6,419,058 |
| State Government Treasury Bonds - held to maturity | 49,777,681 | 47,349,719 |
| | 62,345,844 | 59,327,070 |
| MATURITY ANALYSIS | | |
| Not longer than 6 months | 825,231 | 4,558,293 |
| Longer than 6 months but less than 1 year | - | 1,000,000 |
| Other Managed Public Securities greater than 4 years but less than 10 years | 6,677,014 | 6,419,058 |
| CPI Bonds maturity November 2035 | 8,784,783 | 8,442,840 |
| Maturity October 2035 Face Value $75.3 million | 40,992,898 | 38,906,879 |
| | 57,279,926 | 59,327,070 |
| Disclosure based on the 3 level Fair Value hierarchy | | |
| Financial Assets at fair value through profit and loss | | |
| Level 1 | 16,287,028 | 20,420,191 |
| Level 2 | 40,992,898 | 38,906,879 |
| | 57,279,926 | 59,327,070 |

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on closing quoted bid prices at reporting date, excluding transaction costs.

In valuing unlisted investments, included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted to the fair values of these investments.

## NOTE 9: TRADE AND OTHER PAYABLES

| | | |
|---|---|---|
| Provision for Income Tax | (28,363) | (26,944) |
| Sundry creditors | 664,276 | 384,757 |
| | 635,913 | 357,813 |

## NOTE 10: TRANSFERS TO OR FROM VALUE OF POLICY LIABILITIES

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| MEMBERS LIABILITIES | | |
| Balance/liability at the beginning of the period | 49,393,848 | 54,720,212 |
| Revaluation of liabilities by actuarial review | 2,673,367 | (5,326,364) |
| Allocation of surplus during the year | - | - |
| Balance/ liability at the end of the period | 52,067,215 | 49,393,848 |

## NOTE 11: TRANSFER TO OR FROM MANAGEMENT FUND

| | | |
|---|---|---|
| Fees transferred to the management fund in accordance with benefit fund rules | 826,037 | 869,439 |

## NOTE 12 : PRESCRIBED CAPITAL AMOUNT

| | | |
|---|---|---|
| Prescribed Capital Amount in accordance with Prudential Standard LPS 110 | - | - |

## NOTE 13: AUDITOR'S REMUNERATION

Auditors remuneration is incurred by the management fund. No remuneration is paid by the benefit fund.

# SUREPLAN GOLD FUND

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| INVESTMENT INCOME | | | |
| Interest | | 2,525,246 | 2,195,025 |
| Changes in net market values | 4 | (342,108) | (320,292) |
| TOTAL INVESTMENT INCOME | | 2,183,138 | 1,874,733 |
| TOTAL INCOME | | 2,183,138 | 1,874,733 |
| OPERATING EXPENSES | | | |
| Fees to management fund | 10 | 807,319 | 728,003 |
| Other expenses | 2 | 19,927 | 26,272 |
| TOTAL OPERATING EXPENSES | | 827,246 | 754,275 |
| OPERATING PROFIT/LOSS BEFORE INCOME TAX | | 1,355,892 | 1,120,458 |
| Income Tax Expense | 3 | 203,083 | (32,035) |
| OPERATING PROFIT/LOSS AFTER INCOME TAX | | 1,152,809 | 1,152,493 |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE INCOME | | 1,152,809 | 1,152,493 |
| Unallocated Surplus or Deficiency at the beginning of the reporting period | | 314,209 | 164,086 |
| Transfers to/from management fund | | - | - |
| TOTAL AVAILABLE FOR ALLOCATION | | 1,467,018 | 1,316,579 |
| Allocated to members | | 1,061,452 | 894,902 |
| Provisional Allocation to members | | 81,239 | 107,468 |
| UNALLOCATED SURPLUS OR DEFICIENCY AT THE END OF THE REPORTING PERIOD | | 324,327 | 314,209 |

*The accompanying notes form part of these financial statements.*

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| ASSETS | | | |
| Cash and Cash Equivalents | 5 | 381,991 | 593,264 |
| Trade and other receivables | 6 | 260,151 | 181,696 |
| Financial Assets | 7 | 83,972,216 | 76,702,838 |
| TOTAL ASSETS | | 84,614,358 | 77,477,798 |
| | | | |
| LIABILITIES | | | |
| Trade and other payables | 8 | 75,031 | 94,103 |
| TOTAL LIABILITIES | | 75,031 | 94,103 |
| NET ASSETS | | 84,539,327 | 77,383,695 |
| | | | |
| MEMBER FUNDS | | | |
| Value of Policy Liabilities | 9 | 84,215,000 | 77,069,486 |
| Unallocated Surplus/Deficiency | | 324,327 | 314,209 |
| TOTAL BENEFIT FUND MEMBERS' FUNDS | | 84,539,327 | 77,383,695 |

*The accompanying notes form part of these financial statements.*

## NOTE 1 : SUMMARY OF ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared for use by members of the company which has been drawn up in accordance with the *Life Insurance Act 1995*. The directors have determined that the fund is not a reporting entity.

The financial report has been prepared in accordance with the requirements of the following Australian Accounting Standards:

AASB 1031: Materiality
AASB 110: Events after the Balance Sheet Date
AASB 101: Presentation of Financial Statements
AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors

No other Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### a) Basis of Accounting

Assets and Liabilities are measured at fair value as at the reporting date. Any revaluation increment or decrement that arises as a result of the valuation of assets and liabilities is included as revenue or expense in the Statement of Comprehensive Income.

### b) Interest Rate Risk

The fund is not exposed to any material risk from interest rates. Financial Assets and Liabilities disclosed in the accounts are non interest bearing except as otherwise disclosed.

### c) Financial Assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Statement of Comprehensive Income in the period in which they arise.

### d) Credit Risk Exposure

The maximum credit risk exposure of Financial Assets is represented by the carrying amounts of assets recognised in the Statement of Financial Position net of any provision for losses. The fund does not have any significant concentrations of credit risk with any single counterparty or group of counterparties with the exception of funds invested with recognized financial institutions.

### e) Receivables

Receivables represent the principal amounts due at balance date less, where applicable, any provision for doubtful debts.

### f) Accounts payable

Accounts payable represent the principal amounts outstanding at balance date plus where applicable any accrued interest.

### g) Financial Assets

Term deposits and Corporate Bonds are recorded at fair value. Realised and unrealised gains and losses are included in the income statement in the period in which they arise.

### h) Income Recognition

Interest income is brought to account on an accrual basis.

### i) Policy Liabilities Valuation

Members' liabilities in this fund have been valued as the present value of all future benefits payable to members' nominees at current account balances. Due to the choice of valuation assumptions, the best estimate of policy liabilities is equal to the sum of members' account balances as at the valuation date.

Sureplan claims a tax deduction for the investment income component of a funeral benefit when paid. The deduction creates a tax credit. The value of the tax credit is added to the benefit paid, but only if Sureplan has sufficient assessable income to allow for the deduction to be claimed.

### j) Provisional Bonus Allocation

Bonuses allocated to members who have not been a member for greater than 12 months do not vest in the member until 12 months membership is attained.

## NOTE 2: OTHER EXPENSES

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Actuary Fees | 1,000 | 4,770 |
| Bank Fees & Taxes | 4,688 | 5,702 |
| Legal Fees | 14,239 | 15,800 |
| | 19,927 | 26,272 |

## NOTE 3: INCOME TAX

TAX EFFECT OF BONDS SOLD POST 31/12/2002.
INCOME TAX EXPENSE

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

| | | |
|---|---|---|
| Operating Surplus | 1,355,892 | 1,120,458 |
| Prima facie tax on operating profit at 30% | 406,768 | 336,137 |
| Add tax effect of Permanent differences (exempt income) | 341,879 | 153,350 |
| Society Tax Loss | (545,564) | (282,999) |
| Under/Over Adjustment | - | (238,523) |
| Income tax attributable to operating surplus | 203,083 | (32,035) |

## NOTE 4 : CHANGES IN NET MARKET VALUE

| | 2018 $ | 2017 $ |
|---|---|---|
| SECURITIES HELD AT REPORTING DATE | | |
| Gov Treasury Bonds and Other Managed Public Securities | (342,108) | 180,376 |
| Net Gains/(Loss) on disposal/maturity of securities | - | (500,668) |
| | (342,108) | (320,292) |

## NOTE 5 : CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Cash at bank (At call, interest paid monthly, weighted average effective interest rate of .50%)(2017: .60%) | 381,991 | 593,264 |

## NOTE 6: TRADE AND OTHER RECEIVABLES

| | | |
|---|---|---|
| Accrued Interest | 260,151 | 181,696 |
| Sundry Debtors | - | - |
| | 260,151 | 181,696 |

## NOTE 7: FINANCIAL ASSETS

| | | |
|---|---|---|
| Gov Treasury Bonds and Other Managed Public Securities at fair value (weighted effective average interest rate of 3.36%)(2017: 3.67%) | 62,589,397 | 60,696,613 |
| Term Deposits (weighted effective average interest rate of 2.54%)(2017: 2.66%) | 21,382,819 | 16,006,225 |
| | 83,972,216 | 76,702,838 |
| Maturity Analysis | | |
| Not longer than 3 months | 8,739,219 | 3,341,416 |
| Longer than 3 months but not longer than 6 months | 11,484,093 | 6,848,419 |
| Longer than 6 months but not longer than 12 months | 7,627,537 | 6,816,390 |
| Longer than 1 year but not longer than 2 years | 22,898,270 | 1,038,640 |
| Longer than 2 year but not longer than 3 years | 22,128,253 | 26,377,788 |
| Longer than 3 years but not longer than 8 years | 11,094,844 | 31,280,185 |
| | 83,972,216 | 75,702,838 |
| Disclosure based on the 3 level Fair Value hierarchy | | |
| Financial Assets at fair value through profit and loss | | |
| Level 1 | 83,972,216 | 66,078,026 |

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs.

## NOTE 8: TRADE AND OTHER PAYABLES

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Sundry Creditors | 75,031 | 100,883 |
| Provision for Income Tax | - | (6,780) |
| | 75,031 | 94,103 |

## NOTE 9: TRANSFERS TO OR FROM VALUE OF POLICY LIABILITIES

| | | |
|---|---|---|
| MEMBERS LIABILITIES | | |
| Balance/liability at the beginning of the period prior to surplus allocation (excluding tax credits) | 76,059,321 | 65,707,405 |
| Allocation of surplus as at previous reporting date | 894,902 | 619,660 |
| Allocation of Provisional Bonus previous year | 107,468 | 45,351 |
| Liability component of contributions | 13,380,328 | 16,491,274 |
| Withdrawals | (7,376,427) | (6,804,368) |
| Member's Tax Credits | 6,717 | 7,794 |
| Balance/liability at the end of the period prior to annual allocation | 83,072,309 | 76,067,116 |
| Proposed allocation of surplus (annual) | 1,142,691 | 1,002,370 |
| Balance/liability at the end of the period | 84,215,000 | 77,069,486 |

## NOTE 10: TRANSFERS TO OR FROM MANAGEMENT FUND

| | | |
|---|---|---|
| Fees transferred to the management fund in accordance with benefit fund rules | 807,319 | 728,003 |

## NOTE 11 : PRESCRIBED CAPITAL AMOUNT

| | | |
|---|---|---|
| Prescribed Capital Amount in accordance with Prudential Standard LPS 110 | - | - |

## NOTE 12: AUDITOR'S REMUNERATION

Auditors remuneration is incurred by the management fund. No remuneration is paid by the benefit fund.

# SUREPLAN BODY TRANSPORTATION FUNERAL FUND

sureplan BODY TRANSPORTATION FUNERAL FUND

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| INVESTMENT INCOME | | | |
| Interest | | 5,071 | 4,082 |
| TOTAL INVESTMENT INCOME | | 5,071 | 4,082 |
| Revenue Component of member contributions | | 33,750 | 51,000 |
| TOTAL INCOME | | 38,821 | 55,082 |
| OPERATING EXPENSES | | | |
| Fees to management fund | 9 | 6,584 | - |
| Claim Expenses | | 440 | 715 |
| Other expenses | 2 | 1,264 | 4,779 |
| Member liability revaluation | | 30,452 | 49,389 |
| TOTAL OPERATING EXPENSES | | 38,740 | 54,883 |
| OPERATING PROFIT/LOSS BEFORE INCOME TAX | | 81 | 199 |
| Income Tax Expense | 3 | 81 | 199 |
| OPERATING PROFIT/LOSS AFTER INCOME TAX | | - | - |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE INCOME | | - | - |
| Unallocated Surplus or Deficiency at the beginning of the reporting period | | - | - |
| Transfers to/from management fund | | - | - |
| TOTAL AVAILABLE FOR ALLOCATION | | - | - |
| Allocated to members | | - | - |
| UNALLOCATED SURPLUS OR DEFICIENCY AT THE END OF THE REPORTING PERIOD | | - | - |

*The accompanying notes form part of these financial statements.*

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| ASSETS | | | |
| Cash and Cash Equivalents | 4 | 43,150 | 20,519 |
| Trade and other receivables | 5 | 2,675 | 2,694 |
| Financial Assets | 6 | 205,086 | 200,000 |
| TOTAL ASSETS | | 250,911 | 223,213 |
| | | | |
| LIABILITIES | | | |
| Trade and other payables | 7 | 1,566 | 4,320 |
| TOTAL LIABILITIES | | 1,566 | 4,320 |
| NET ASSETS | | 249,345 | 218,893 |
| | | | |
| MEMBER FUNDS | | | |
| Value of Policy Liabilities | 8 | 249,345 | 218,893 |
| Unallocated Surplus/Deficiency | | - | - |
| TOTAL BENEFIT FUND MEMBERS' FUNDS | | 249,345 | 218,893 |

*The accompanying notes form part of these financial statements.*

## NOTE 1: SUMMARY OF ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared for use by members of the company which has been drawn up in accordance with the *Life Insurance Act 1995*. The directors have determined that the fund is not a reporting entity.

The financial report has been prepared in accordance with the requirements of the following Australian Accounting Standards:

AASB 1031: Materiality
AASB 110: Events after the Balance Sheet Date
AASB 101: Presentation of Financial Statements
AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors

No other Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### a) Basis of Accounting

Assets and Liabilities are measured at net market values as at the reporting date. Any revaluation increment or decrement that arises as a result of the valuation of assets and liabilities is included as revenue or expense in the Statement of Comprehensive Income.

### b) Interest Rate Risk

The fund is not exposed to any material risk from interest rates. Financial Assets and Liabilities disclosed in the accounts are non interest bearing except as otherwise disclosed.

### c) Financial Assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Statement of Comprehensive Income in the period in which they arise.

### d) Credit Risk Exposure

The maximum credit risk exposure of Financial Assets is represented by the carrying amounts of assets recognised in the Statement of Financial Position net of any provision for losses. The fund does not have any significant concentrations of credit risk with any single counterparty or group of counterparties with the exception of funds invested with recognised financial institutions.

### e) Receivables

Receivables represent the principal amounts due at balance date less, where applicable, any provision for doubtful debts.

### f) Accounts payable

Accounts payable represent the principal amounts outstanding at balance date plus where applicable any accrued interest.

### g) Financial Asset

Term deposits are recorded at fair value. Realised and unrealised gains and losses are included in the income statement in the period in which they arise.

### h) Income Recognition

Interest income is brought to account on an accrual basis.

### i) Policy Liabilities Valuation

#### Sureplan Body Transportation Funeral Fund

Liability valuations were calculated as the mean estimate assuming 1 in 20 deaths are eligible for funeral transport (occurring outside a 70km radius) and that the average cost of transport is $1,831.

The methodology above has been carried out with the following valuation assumptions:

- Mortality probabilities of 15% lower than the Australian Life Tables 2010-12, in line with Family Fund mortality experience
- Net discount rate of 0.03% which is based on:
  Expected gross investment rate earnings 2.03% less transfers from surplus at up to 2% of assets
  Expected fund expenses rate: Fund expenses of $3.81 p.a. per member.
  Taxation rate (taxed on profit) 0.00%

Policy Liabilities $123,768, fund expenses of 2% of assets $49,756 plus future fee expenses $75,821.
The increases from 2016/2017 arise from increased membership and a lower future investment earning rate.

## NOTE 2: OTHER EXPENSES

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| | $ | $ |
| Actuary Fees | 1,000 | 4,320 |
| Other Expenses | - | 85 |
| Stamp Duty | 264 | 374 |
| | 1,264 | 4,779 |

## NOTE 3: INCOME TAX

TAX EFFECT OF POLICIES SOLD POST 31/12/2002
INCOME TAX EXPENSE

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

| | | |
|---|---|---|
| Operating Surplus | - | - |
| Prima facie tax on operating profit at 30% | - | - |
| Add tax effect of permanent differences (exempt income) | 152 | 191 |
| Society Tax Loss | (71) | 8 |
| Income tax attributable to operating surplus | 81 | 199 |

## NOTE 4: CASH AND CASH EQUIVALENTS

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Cash at bank (At call, interest paid monthly, weighted average effective interest rate of 0%)(2017: 0%) | 43,150 | 20,519 |

## NOTE 5: TRADE AND OTHER RECEIVABLES

| | | |
|---|---|---|
| Sundry Debtors | 500 | 500 |
| Accrued Interest | 2,175 | 2,194 |
| | 2,675 | 2,694 |

## NOTE 6: FINANCIAL ASSETS

| | | |
|---|---|---|
| Term Deposits (weighted effective average interest rate of 2.45%)(2017: 2.55%) | 205,086 | 200,000 |
| Maturity Analysis | | |
| Less than 12 months | 205,086 | 200,000 |
| | 205,086 | 200,000 |
| Disclosure based on the 3 level Fair Value hierarchy Financial Assets at fair value through profit and loss | | |
| Level 1 | 205,086 | 200,000 |

## NOTE 7: TRADE AND OTHER PAYABLES

| | | |
|---|---|---|
| Trade Creditors | 1,566 | 4,320 |

## NOTE 8: TRANSFERS TO OR FROM VALUE OF POLICY LIABILITIES

| | 2018 $ | 2017 $ |
|---|---|---|
| MEMBERS LIABILITIES | | |
| Balance/liability at the beginning of the period | 218,893 | 169,504 |
| Revaluation of Liabilities by actuarial review | 30,452 | 49,389 |
| Allocation of surplus during the year | - | - |
| Balance/liability at the end of the period | 249,345 | 218,893 |

## NOTE 9: TRANSFERS TO OR FROM MANAGEMENT FUND

| | | |
|---|---|---|
| Fees transferred to the management fund in accordance with benefit fund rules | 6,584 | - |

## NOTE 10: TAX ASSETS

| | | |
|---|---|---|
| Deferred Tax Asset | - | - |

## NOTE 11 :PRESCRIBED CAPITAL AMOUNT

| | | |
|---|---|---|
| Prescribed Capital Amount in accordance with Prudential Standard LPS 110 | - | - |

## NOTE 12: AUDITOR'S REMUNERATION

Auditors remuneration is incurred by the management fund. No remuneration is paid by the benefit fund.

## NOTES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