

**ANGLICAN DIOCESE OF MELBOURNE
ANGLICAN DEVELOPMENT FUND**

**FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

**ANGLICAN DIOCESE OF MELBOURNE
ANGLICAN DEVELOPMENT FUND**

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**ANGLICAN DIOCESE OF MELBOURNE
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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 \$	2017 \$
Income			
Interest and distribution income	5	2,119,988	2,091,311
Other income	6	155,009	149,221
Net gain on investment property held at fair value		-	322,406
Gain on disposal of investments		-	299,556
Total income		2,274,997	2,862,494
Expenses			
Interest paid		(936,122)	(919,676)
Depreciation expense		(50,995)	(49,178)
Employee benefit expenses		(350,453)	(310,586)
Management fees		(107,165)	(96,605)
Other expenses		(370,489)	(496,676)
Total operating expenses		(1,815,224)	(1,872,721)
Surplus for the year before changes in fair value of financial assets		459,773	989,773
Net changes in fair value of financial assets at fair value through profit or loss		(124,326)	-
Net surplus for the year		335,447	989,773
Other comprehensive income:			
Net changes in the fair value of available-for-sale financial assets		-	(76,804)
Total comprehensive income		335,447	912,969

* The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

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**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	13,617,254	21,983,134
Receivables	8	22,392	385,644
Financial assets	9	5,936,664	-
Total current assets		19,576,310	22,368,778
Non-current assets			
Receivables	8	29,911,774	29,226,836
Investment properties	10	7,611,683	7,661,883
Plant and equipment	11	3,137	378
Total non-current assets		37,526,594	36,889,097
Total assets		57,102,904	59,257,875
LIABILITIES			
Current liabilities			
Payables	12	570,419	369,461
Interest bearing liabilities	13	47,201,508	49,942,554
Provisions	14	79,231	61,217
Total current liabilities		47,882,814	50,373,232
Total liabilities		47,882,814	50,373,232
NET ASSETS		9,220,090	8,884,643
EQUITY			
Accumulated surplus		9,220,090	8,884,643
Total equity		9,220,090	8,884,643

* The above statement of financial position should be read in conjunction with the accompanying notes

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Accumulated surplus \$	AFS assets reserve \$	Total equity \$
Balance at 1 January 2017	7,894,870	76,804	7,971,674
Surplus for the year	989,773	-	989,773
<i>Other comprehensive income:</i>			
Changes in fair value of available-for-sale financial assets	-	(76,804)	(76,804)
Total comprehensive income for the year	989,773	(76,804)	912,969
Transactions with owners in their capacity as owners:			
Distributions paid	-	-	-
Balance at 31 December 2017	8,884,643	-	8,884,643
Balance at 1 January 2018	8,884,643	-	8,884,643
Surplus for the year	335,447	-	335,447
Other comprehensive income	-	-	-
Total comprehensive income for the year	335,447	-	335,447
Transactions with owners in their capacity as owners:			
Distributions paid	-	-	-
Balance at 31 December 2018	9,220,090	-	9,220,090

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

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018	2017
		\$	\$
Cash flows from operating activities			
Receipts from course of operations		155,009	149,221
Payments in course of operations		(173,746)	(1,033,067)
Interest received		1,615,594	1,677,726
Distributions received		488,011	414,940
Interest paid		(960,220)	(894,181)
Net cash inflow from operating activities		<u>1,124,648</u>	<u>314,639</u>
Cash flows from investing activities			
Net (payments for)/proceeds from sale of financial assets		(6,000,000)	17,646,318
Loan advances		(5,977,577)	(4,472,766)
Loan repayments received		5,292,639	4,014,682
Net cash (outflow)/inflow from investing activities		<u>(6,684,938)</u>	<u>17,188,234</u>
Cash flows from financing activities			
Investments received		14,323,533	21,555,821
Withdrawals from accounts		(17,064,579)	(20,826,251)
Purchases of property, plant & equipment		(3,554)	-
Net cash (outflow)/inflow from financing activities		<u>(2,744,600)</u>	<u>729,570</u>
Net (decrease)/increase in cash and cash equivalents		<u>(8,365,880)</u>	<u>18,232,443</u>
Cash and cash equivalents at the beginning of the financial year		<u>21,983,134</u>	<u>3,750,691</u>
Cash and cash equivalents at the end of the year	7	<u>13,617,254</u>	<u>21,983,134</u>

*The above statement of cash flows should be read in conjunction with the accompanying notes

**ANGLICAN DIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 1: GENERAL INFORMATION STATEMENT AND STATEMENT OF COMPLIANCE

Anglican Development Fund (“the Fund”) is a charitable trust of which Melbourne Anglican Trust Corporation (MATC) is the trustee. The principal activity of the Fund is to provide finance at a below market rate of interest for new vicarages, churches and associated facilities. The finance necessary for such loans is derived from investments, gifts and bequests from parishioners, parish councils and other church organisations.

The Fund is an approved fund as defined by the *Corporations Act 2001*. The Fund is not subject to the normal requirement to have a disclosure document or product disclosure statement and be registered or have a trust deed under the Corporations Act 2001(Cth). Neither the Fund nor MATC is prudentially supervised by the Australian Prudential Regulation Authority (APRA). The Fund has an exemption from the Banking Act 1959(Cth) issued on 14 December 2017 by APRA effective 1 January 2018.

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, for the purpose of complying with the *Acts of Synod*, and to meet requirements under the Australian Charities and Not-for-profits Commission Act 2012. The Fund is a not-for-profit entity for the purpose of preparing the financial statements.

NOTE 2: CHANGES IN ACCOUNTING POLICIES

(a) New and amended standards adopted by the Fund

The Fund has adopted all the new standards and amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the Fund’s financial statements for the annual reporting period beginning 1 January 2018.

AASB 9 Financial Instruments

AASB9 replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an ‘expected credit loss’ model for impairment of financial assets.

When adopting AASB 9, the Fund has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 January 2018.

Impairment of financial assets

For loan and other receivables, the Fund applies a simplified approach of recognising lifetime expected credit losses as these items do not have a significant financing component. Based on the management assessment when loan and other receivables are mainly due from associated individuals and facilities under guarantee provided by MATC and historical experience of no bad debt written off in the past, no impairment allowances have been recognised as at the beginning and the end of the financial year.

The adoption of AASB 9 did not have a material impact on the Fund’s financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 2: CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Accounting standards issued but not yet effective and not been adopted early by the Fund

At the date of authorisation of the financial statements, Australian Accounting Standards / Accounting Interpretations have been issued or amended and are applicable to the Fund but are not yet effective and have not been adopted in the Fund's financial statements for the first period beginning after the effective date of pronouncement.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and Interpretation 13 Customer Loyalty Programmes. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control under AASB 15 replaces the existing notion of risks and rewards under current accounting standards. The standard is applicable for non-for-profit entities' annual reporting periods beginning on or after 1 January 2019 with early adoption permitted.

When this Standard is first adopted for the year ending 31 December 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 clarifies and simplifies the income recognition requirements that apply to NFP entities, in conjunction with AASB 15 Revenue from Contracts with Customers. These Standards supersede all the income recognition requirements relating to private sector NFP entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 Contributions.

Under AASB 1058, the timing of income recognition depends on whether a NFP transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

This standard applies when a NFP entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. In the latter case, the entity will recognise and measure the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment).

When this Standard is first adopted for the year ending 31 December 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 16 Leases

AASB 16 eliminates the classification of leases as either 'operating' or 'finance'. There is now a single lessee model which requires a lessee to recognise assets and liabilities in the statement of financial position for leases with terms of more than 12 months unless the underlying asset is of low value. The standard is applicable for annual reporting periods beginning on or after 1 January 2019 with early adoption permitted.

When this Standard is first adopted for the year ending 31 December 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**ANGLICAN DIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

(a) Working capital

The Fund's balance sheet shows that current liabilities significantly exceed current assets at year-end. This position is common for institutions providing balance sheet based financial services. This results from the classification of all interest bearing liabilities as current in accordance with accounting standards. Approximately 10% of customer interest bearing liabilities have maturity dates beyond 12 months. The Diocesan Council believes, based on historic trends in the ADF balance sheet that a significant majority of current liabilities are effectively long-term liabilities from a liquidity perspective, and accordingly, the Fund will be able to continue to pay its debts as and when they fall due. Additional information on liquidity risk management is outlined in Note 4 (c).

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major operational activities as follows:

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Dividends

Dividends and distributions are recognised as revenue when the right to payment is established.

(c) Receivables

Receivables are recognised initially at fair value and subsequently at amortised cost less any impairment allowance at the amount equal to the expected life time credit losses.

(d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes the investment in short-term, highly liquid Diocesan funds, which are readily convertible to known amounts of cash and are subject to an immaterial risk of changes in value.

(e) Property, plant and equipment

Plant and equipment are recognised at cost less accumulated depreciation. Land is not depreciated.

Depreciation is recognised on a straight-line basis over the useful lives to the Fund, as follows:

- Plant and equipment	3-5 years
- Building	25 years

Depreciation rates are reviewed at least annually and, if necessary, adjusted so that they reflect the most recent adjustments in the useful lives of the respective assets. Depreciation charges are made from the time when a depreciable asset is put into use or held ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is the Fund policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(f) Investment property

Investment property represents various parcels of land and buildings principally held for investment purposes. Where investment property is acquired at no cost, the cost measurement at recognition is fair value at the date of acquisition. Subsequent to initial recognition investment properties are valued at fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar lease arrangements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable)

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Amortised cost
- Fair value through profit or loss (FVPL)
- Equity instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Fund's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Financial assets – Loan and other receivables

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'.

The Fund makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Fund uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Fund's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Fund's financial liabilities include trade and other payables and interest bearing liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Fund designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

Accounting policy applicable to comparative period (31 December 2017)

Classification

The Fund is required to classify its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinate payments that are not quoted in an active market. They arise when the Fund provides money, goods or services directly to a debtor with no intention of selling the receivable. Loans and receivables are included in receivables in the balance sheet.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has the positive intention and ability to hold to maturity.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories.

Recognition and derecognition

Purchases and sales of investments are recognised on trade-date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Fair value

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

Impairment

The Fund assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. If such objective evidence exists the carrying value of the asset is written down to its recoverable amount. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(h) Payables

These amounts represent liabilities for goods and services provided to the Fund prior to the end of the financial year and which remain unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

Liabilities for long service leave are recognised, and are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national guaranteed securities with terms to match, as closely as possible, the estimated future cash outflows.

(j) Income tax

The Fund is an income tax exempt charitable organisation under Subdivision 50-B of the *Income Tax Assessment Act 1997*

(k) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(l) Distributions

Discretionary payments to the Anglican Diocese of Melbourne are classified as "development grants" to reflect the nature of these payments.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Comparative figures

Comparative figures, where appropriate, are reclassified so as to enhance comparability with figures presented in the current reporting period.

(n) Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units, based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Long service leave

The liability for long service leave is recognised and measured at the present value of the estimated cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

NOTE 4: FINANCIAL RISK MANAGEMENT

Risk management for the Fund is carried out by the Anglican Development Fund Committee as approved by the Diocesan Council. The Committee has written principles for overall risk management, as well as written policies covering specific areas, such as interest rate and credit risk. The Committee utilises the assistance of independent asset consultants.

The Fund does not have any direct investment. The policy of the Fund is to invest in Diocesan investment products. Through its investments in the Yield Fund and Cash Fund ('Anglican Funds') it is exposed to a variety of financial risks; market risk, credit risk, liquidity risk and cash flow interest rate risk, the risks are detailed below:

(a) Market risk

Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund either as available-for-sale or fair value through profit or loss financial assets.

The Anglican Funds invests in underlying funds with portfolios consisting of conventional and hybrid interest bearing corporate securities. Consequently the Fund is indirectly exposed to credit risk associated with a debt issuer, and price risk as a consequence of interest rate and market risks arising either directly or as a result of movement in the value of the underlying common stock in the case of hybrid debt.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Anglican Funds invests in international equities and, consequently the Fund is indirectly exposed to foreign exchange risk arising from currency exposures.

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk arises from cash and cash equivalents, available-for-sale financial assets and deposits with banks and financial institutions, as well as credit exposures to parishes, including outstanding receivables and committed transactions. The Fund only deals with credit worthy financial institutions. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Fund's Committee under the authority of the Diocesan Council. The utilisation of credit limits are regularly monitored by the management.

The Fund has no significant concentrations of credit risk. As previously noted, the Fund has policies in place to ensure that services that are made to parishes are of an appropriate credit quality. The available-for-sale financial assets represent internal investments in the Anglican Funds. The maximum exposure to credit risk at the reporting date is the carrying amount of financial assets. The Fund has policies in place that limit the amount of credit exposure to each counterparty.

The Fund also maintains a capital adequacy ratio of 10% of risk weighted assets. The purpose is to recognise and maintain sufficient capital in relation to the size of each asset allocation to manage credit risk both directly and underlying in the Anglican Funds, as well as market risk and other risks inherent in these funds.

(c) Liquidity risk

The liquidity of the Fund is dependent on investors' funds being maintained.

The Fund manages its liquidity risk by application of a minimum liquidity ratio of 10% of customer investments being held in cash or cash equivalents. Additionally, if required, liquidity is available through redemption of non-cash investments held in Anglican Funds which can be completed within a 12 month period. A significant portion of non-cash investments held in Anglican Funds can be redeemed with 30 days' notice.

As at 31 December 2018, ADF met the minimum liquidity ratio of 10%.

(d) Cash flow and fair value interest rate risk

Cash flow is the risk that the future cash flows derived from holding financial instruments will fluctuate. Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The interest-rate risk in the Fund arises from long-term loans to parishes at fixed interest rates and interest bearing investments that can be called on demand or for fixed periods. Other investments, some of which are influenced by underlying market prices, have components of interest rate risk exposure. As the Fund is an investor in the Anglican Funds, the risks inherent in these funds are underlying risks to which the Fund is exposed.

The maturity gap between assets and liabilities is recognised.

A loan loss reserve is not maintained due to the unique relationship between lender and borrower, the nature of the underlying asset and that no losses have arisen since operations commenced in 1967.

Due to its investment in the Cash Fund, the Fund effectively holds interest-bearing assets. The Cash Fund's income and operating cash flows are dependent on changes in market interest rates as embodied in investments in the underlying funds. Due to its objectives it is the policy of the Cash Fund not to hedge these exposures.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 \$	2017 \$
NOTE 5: INTEREST AND DISTRIBUTION INCOME			
Interest from cash management accounts		48,967	65,089
Interest on loans		1,566,627	1,612,637
Distribution income - Yield Fund		152,475	197,689
Distribution income - Cash Fund		351,919	215,896
		2,119,988	2,091,311
NOTE 6: OTHER INCOME			
Rental income		153,377	147,567
Other income from continuing operations		1,632	1,654
		155,009	149,221
NOTE 7: CASH AND CASH EQUIVALENTS			
Cash at bank		594,485	119,128
Investment in Cash Fund		10,253,413	10,626,862
Investment in Westpac Maxi Account		2,769,356	11,237,144
		13,617,254	21,983,134
NOTE 8: RECEIVABLES			
Current			
Other receivables	(i)	22,392	385,644
Non-current			
Loans to:			
Parish		12,366,864	13,557,310
Corporate		16,502,069	14,545,974
Car Loan		1,042,841	1,123,552
Total receivables	(ii)	29,911,774	29,226,836

(i) Other receivables primarily relate to accrued distribution income and investments with the Fund's clearing house.

(ii) Loans are provided to approximately 91 parishes in the region and 8 other corporate Anglican entities (2017: 82 and 3, respectively), with major loans disclosed above. Loans to parishes are provided for capital projects including new buildings, renovations, fittings, fixtures and equipment. The loans are provided with average interest rates ranging from 4.1% to 6.6% (2017: 4.3% to 6.2%) and loan terms have a range of terms depending on their purpose and the asset they have funded. Current loan terms vary from three to twenty five years, which is the greatest permitted by the ADF's Constitution. There are currently 233 loans outstanding.

**ANGLICAN DIOCESE OF MELBOURNE
ANGLICAN DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 9: CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

	Notes	Amortised Cost \$	Assets at fair value through profit and loss (FVPL) \$	Total \$
<u>For the financial year ended 31 December 2018:</u>				
Financial assets				
<i>Current</i>				
Cash and cash equivalents	7	13,617,254	-	13,617,254
Receivables	8	22,392	-	22,392
Financial assets at fair value through profit and loss (FVPL) - Units in Yield Fund	(*)	-	5,936,664	5,936,664
		<u>13,639,646</u>	<u>5,936,664</u>	<u>19,576,310</u>
<i>Non-Current</i>				
Loan receivables	8	29,911,774	-	29,911,774
Total financial assets		<u><u>43,551,420</u></u>	<u><u>5,936,664</u></u>	<u><u>49,488,084</u></u>
Financial liabilities				
Payables	12	602,075	-	570,419
Interest bearing liabilities	13	47,201,508	-	47,201,508
Total financial liabilities		<u><u>47,803,583</u></u>	<u><u>-</u></u>	<u><u>47,771,927</u></u>
		Amortised Cost \$	Available for sale (FV) \$	Total \$
<u>For the financial year ended 31 December 2017:</u>				
Financial assets				
<i>Current</i>				
Cash and cash equivalents	7	21,983,134	-	21,983,134
Receivables	8	385,644	-	385,644
		<u>22,368,778</u>	<u>-</u>	<u>22,368,778</u>
<i>Non-Current</i>				
Loan receivables	8	29,226,836	-	29,226,836
Total financial assets		<u><u>51,595,614</u></u>	<u><u>-</u></u>	<u><u>51,595,614</u></u>
Financial liabilities				
Payables	12	369,461	-	369,461
Interest bearing liabilities	13	49,942,554	-	49,942,554
Total financial liabilities		<u><u>50,312,015</u></u>	<u><u>-</u></u>	<u><u>50,312,015</u></u>

**ANGLICAN DIOCESE OF MELBOURNE
ANGLICAN DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE9: CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(*) During the year, the ADF Committee decided to re-invest funds into the Yield Fund during the year after withdrawing them during the previous year in order to maximise ADF's cash position to meet some of the potential risks in the event that ASIC had not approved MATC's Application for an Australian Financial Services Licence ("AFSL"). Investments held in the Yield Fund ("the Fund") have been classified as current due to the planned closure of the Fund within 12 months from year end following which ADF's investment would most likely be transferred to Anglican Funds' Cash Fund.

NOTE 10: INVESTMENT PROPERTIES

	Land \$	Buildings \$	Total \$
Gross carrying amount			
Balance 1 January 2018	6,490,000	1,255,000	7,745,000
Balance 31 December 2018	6,490,000	1,255,000	7,745,000
Accumulated depreciation			
Balance 1 January 2018	-	(83,117)	(83,117)
Depreciation charge	-	(50,200)	(50,200)
Balance 31 December 2018	-	(133,317)	(133,317)
Carrying amount			
Balance 1 January 2018	6,490,000	1,171,883	7,661,883
Balance 31 December 2018	6,490,000	1,121,683	7,611,683

In 2017, the property located at 10 Salina Walk Caroline Springs was revalued, with all other investment properties being revalued in 2015.

NOTE 11: PLANT & EQUIPMENT

	Plant & Equipment \$
Gross carrying amount	
Balance 1 January 2018	685,467
Additions	5,554
Balance 31 December 2018	689,021
Accumulated depreciation	
Balance 1 January 2018	(685,089)
Depreciation charge	(795)
Balance 31 December 2018	(685,884)
Carrying amount	
Balance 1 January 2018	378
Balance 31 December 2018	3,137

**ANGLICAN DIOCESE OF MELBOURNE
ANGLICAN DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 \$	2017 \$
NOTE 12: PAYABLES			
Accrued interest		272,697	296,795
Other payables		329,378	72,666
		<u>602,075</u>	<u>369,461</u>
NOTE 13: INTEREST BEARING LIABILITIES			
Parish bonus investors	(i)	2,801,533	2,936,874
At call for	(ii)		
- Individual investors		4,818,084	5,645,860
- Anglican organisations		4,614,455	4,386,388
- Parish investors		13,406,904	15,287,455
Fixed term for	(iii)		
- Individual investors		11,077,740	11,986,809
- Anglican organisations		1,611,884	1,946,258
- Parish investors		8,870,908	7,752,910
		<u>47,201,508</u>	<u>49,942,554</u>

(i) Parish bonus liability funds

Parish bonus liability funds are unsecured and repayable on demand. There is no fixed term. The funds bear annual floating interest rates of between 1.75% and 2.15% (2017: 1.75% to 3.00%).

(ii) At call liability funds

At call liability funds are unsecured and repayable on demand. There is no fixed term. The funds bear annual floating interest rates of between 1.50% and 1.90% (2017: 1.50% to 2.45%).

For accounts held by non-affiliate individuals, investors are required to give a minimum of 31 days' notice of the withdrawal of funds in order to comply with the regulation required by APRA and ASIC.

(iii) Fixed term liability funds

Fixed term liability funds are unsecured and repayable on maturity. The terms are fixed periods ranging from 3 months to 24 months. The funds bear annual fixed interest rates of between 2.20% and 2.60% (2017: 2.20% to 2.50%). Existing term investments entered into in earlier years, which still have a balance at year end, bear annual fixed interest rates up to 3.5%.

(iv) Guarantee by Melbourne Anglican Trust Corporation

In this Guarantee, the Council of the Diocese pledges all the assets of the Diocese of Melbourne to guarantee the obligations of the Melbourne Anglican Trust Corporation in relation to the Anglican Development Fund to investors in the Fund. This Guarantee was first made in October 2008 and was most recently renewed for three years in December 2017.

**ANGLICAN DIOCESE OF MELBOURNE
ANGLICAN DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018	2017
		\$	\$
NOTE 14: PROVISIONS			
Current			
Employee entitlement		79,231	61,217

NOTE 15: FAIR VALUE MEASUREMENT

The following table shows the financial assets measured at fair value on a recurring basis at 31 December 2018 and 31 December 2017

Financial instruments

Assets

Units in Yield Fund		5,936,664	-
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Non-financial instruments

Assets

Land		6,490,000	6,490,000
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NOTE 16: RELATED PARTY TRANSACTIONS

The Fund's related parties include its key management personnel and related entities as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with related entities

The principal activity of the Fund is to provide finance at a below market rate of interest for new vicarages, churches and associated facilities. The finance necessary for such loans is derived from investments, gifts and bequests from parishioners, parish councils and other church organisations. Given that transacting with these entities is the principal activity of the fund, they are considered to be third party.

Other transactions with related parties include investments in financial assets totalling \$16,190,077 in Anglican Funds as well as other related party deposits and loans held of \$1,709,459 and \$1,354,017 respectively as well as corresponding immaterial interest transactions.

Transactions with key management personnel

During the year, no remuneration was paid to key management personnel who are Responsible Entities of the Fund.

NOTE 17: CONTINGENCIES & COMMITMENTS

Melbourne Anglican Trust Corporation (MATC) as trustee for ADF was granted an AFSL on 20 December 2017.

In order to meet the terms and conditions of the Licence, MATC's audited accounts must be lodged with ASIC by 30 April 2019. On 29 April 2019, ASIC advised that the lodgement period has been extended to 31 July 2019. In October 2019 MATC lodged with ASIC Applications for Relief to submit ADF audited accounts as a condition of the Licence, since the provision of these accounts had been accepted in the Original Licence Application. On 10 May 2019, ASIC advised that they decided to refuse the Applications for Relief.

MATC is considering the options available to it which may include, amongst other matters, appealing ASIC's decision or request a further extension to the lodgement date beyond 31 July 2019 should it be required.

There are no other contingencies or commitments as at 31 December 2018.

**ANGLICAN DIOCESE OF MELBOURNE
ANGLICAN DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

NOTE 18: EVENTS AFTER REPORTING DATE

Subsequent to the reporting date, the ADF Committee resolved to transfer the property held at Salina Way, Caroline Springs to the Operating Fund for nil consideration. The fair value of this property as at 31 December 2018 was \$695,000.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

NOTE 19: REGISTERED OFFICE DETAILS

The registered office of the Fund is:
209 Flinders Lane
Melbourne VIC 3000

**ANGLICAN DIOCESE OF MELBOURNE
ANGLICAN DEVELOPMENT FUND**

STATEMENT BY THE ARCHBISHOP AND REGISTRAR

In the opinion of the Archbishop and Registrar of Anglican Development Fund (the Fund):

- a. The financial statements and notes of the Anglican Development Fund are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - i. Giving a true and fair view of its financial position as at 31 December 2018 and of its performance for the financial year ended on that date; and
 - ii. Complying with Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and
- b. There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.


The Most Reverend Dr Philip Freier
Archbishop of the Diocese of Melbourne

Melbourne
Date: 11 June 2019


The Right Reverend Dr Bradly Billings
Registrar

Melbourne
Date: 11 June 2019

Independent Auditor's Report

To the Diocesan Council

Report on the audit of the financial report

Opinion

We have audited the accompanying financial report of Anglican Diocese of Melbourne Anglican Development Fund (the "Fund"), which comprises the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the statement by the Archbishop and Registrar.

In our opinion, the accompanying financial report of Anglican Diocese of Melbourne Anglican Development Fund has been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- a giving a true and fair view of the Fund's financial position as at 31 December 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

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

Responsibility of the Council for the Financial Report

The Diocesan Council ('the Council') is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012*. This responsibility includes such internal controls as the Council determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The council authorise these responsibilities to the Anglican Development Fund Committee.

In preparing the financial report, the Council is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd
Chartered Accountants



Michael Climpson
Partner – Audit & Assurance

Melbourne, 11 June 2019