

Anglican Development Fund and its controlled entity

ABN 82 862 724 352

Financial Report - 31 December 2022

Anglican Development Fund and its controlled entity

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Anglican Development Fund and its controlled entity
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2022

	Note	Consolidated 2022 \$	2021 \$
Income			
Finance income	5	2,281,562	1,651,710
Other income	6	1,370	343
Expenses			
Interest expense		(264,173)	(328,515)
Employee benefit expenses	7	(241,792)	(176,257)
Depreciation expenses	12	(358)	(878)
Management fees		(222,059)	(172,683)
Other expenses		(444,971)	(475,241)
Surplus for the year before gain/loss on financial assets and investments		1,109,579	498,479
Changes in fair value of financial assets at fair value through profit or loss		(198,247)	158,929
Net surplus for the year		911,332	657,408
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>911,332</u>	<u>657,408</u>
Net surplus for the year is attributable to:			
Non-controlling interest		136,520	96,252
Members of Anglican Development Fund and its controlled entity		774,812	561,156
		<u>911,332</u>	<u>657,408</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		136,520	96,252
Members of Anglican Development Fund and its controlled entity		774,812	561,156
		<u>911,332</u>	<u>657,408</u>

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

Anglican Development Fund and its controlled entity
Consolidated statement of financial position
As at 31 December 2022

	Note	Consolidated	
		2022	2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	8	5,008,675	10,274,456
Other receivables	9	188,765	649,619
Total current assets		<u>5,197,440</u>	<u>10,924,075</u>
Non-current assets			
Loan receivables	10	26,120,524	24,126,725
Other financial assets	11	29,710,418	28,062,000
Property, plant and equipment	12	-	358
Total non-current assets		<u>55,830,942</u>	<u>52,189,083</u>
Total assets		<u>61,028,382</u>	<u>63,113,158</u>
Liabilities			
Current liabilities			
Payables	13	171,446	680,483
Provisions	14	82,240	42,096
Interest bearing liabilities	15	50,193,614	53,224,077
Total current liabilities		<u>50,447,300</u>	<u>53,946,656</u>
Total liabilities		<u>50,447,300</u>	<u>53,946,656</u>
Net assets		<u>10,581,082</u>	<u>9,166,502</u>
Equity			
Accumulated surplus		<u>3,686,392</u>	<u>2,911,580</u>
Equity attributable to the members of Anglican Development Fund and its controlled entity		3,686,392	2,911,580
Non-controlling interest		<u>6,894,690</u>	<u>6,254,922</u>
Total equity		<u>10,581,082</u>	<u>9,166,502</u>

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

Anglican Development Fund and its controlled entity
Consolidated statement of changes in equity
For the year ended 31 December 2022

Consolidated	Accumulated surplus \$	Non- controlling interest \$	Total equity \$
Balance at 1 January 2021	2,350,424	4,730,610	7,081,034
Net surplus for the year	561,156	96,252	657,408
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	561,156	96,252	657,408
<i>Transactions with members in their capacity as members:</i>			
Movement in non-controlling interest	-	1,428,060	1,428,060
Balance at 31 December 2021	<u>2,911,580</u>	<u>6,254,922</u>	<u>9,166,502</u>
Consolidated	Accumulated surplus \$	Non- controlling interest \$	Total equity \$
Balance at 1 January 2022	2,911,580	6,254,922	9,166,502
Net surplus for the year	774,812	136,520	911,332
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	774,812	136,520	911,332
<i>Transactions with members in their capacity as members:</i>			
Movement in non-controlling interest	-	503,248	503,248
Balance at 31 December 2022	<u>3,686,392</u>	<u>6,894,690</u>	<u>10,581,082</u>

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

Anglican Development Fund and its controlled entity
Consolidated statement of cash flows
For the year ended 31 December 2022

	Note	Consolidated	
		2022	2021
		\$	\$
Cash flows from operating activities			
Receipts from course of operations		1,370	343
Payments in course of operations		(841,829)	(441,807)
Interest received		1,234,328	1,122,937
Distributions received		2,038,800	869,243
Interest paid		(252,321)	(453,811)
Distributions paid		(1,263,196)	(386,473)
Net cash from operating activities		<u>917,152</u>	<u>710,432</u>
Cash flows from investing activities			
Loan advances		(28,501,446)	(11,445,629)
Loan repayments received		26,507,646	12,990,857
Payments for purchase of financial assets		(7,097,587)	(24,300,606)
Proceeds from the sale of financial assets		5,250,922	10,628,695
Proceeds from applications by unitholders		1,372,354	1,655,607
Redemptions paid		(684,359)	(99,615)
Net cash used in investing activities		<u>(3,152,470)</u>	<u>(10,570,691)</u>
Cash flows from financing activities			
Investments received		10,017,808	2,796,793
Withdrawals from accounts		(13,048,271)	(4,961,085)
Net cash used in financing activities		<u>(3,030,463)</u>	<u>(2,164,292)</u>
Net decrease in cash and cash equivalents		(5,265,781)	(12,024,551)
Cash and cash equivalents at the beginning of the financial year		<u>10,274,456</u>	<u>22,299,007</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>5,008,675</u></u>	<u><u>10,274,456</u></u>

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

**Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2022**

Note 1. General information statement and statement of compliance

Anglican Development Fund ("ADF" or "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 financing for 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 Group consists of the Anglican Development Fund, as the Parent entity, and its controlled entity, the Yield Fund ("YF"), for the purpose of preparing the consolidated financial statements. The Yield Fund was first consolidated on 31 December 2019.

The YF is enabled by the Anglican Trusts Corporations Act 1884 as the YF operates as a common fund of the Anglican Diocese of Melbourne ("the Diocese"). The principal activity of the YF is the management of funds on behalf of Anglican Dioceses, Agencies and Parishes. As at 31 December 2022, ADF held 78% of units within the YF (2021 : 78%), giving ADF control over the YF.

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.

The consolidated financial statements of the Anglican Development Fund and its controlled entity ("the Group") are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Simplified 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 Group is a not-for-profit entity for the purpose of preparing the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 2020-2 Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

These standards are applicable to annual reporting periods beginning on or after 1 July 2021. AASB 2020-2 will prohibit certain for-profit entities from preparing special purpose financial statements and AASB 160 provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. Given that the Group is already producing general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the adoption of this standard does not have a material impact on the disclosure requirements in the financial statements.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for not-for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss.

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2022

Note 2. Significant accounting policies (continued)

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

These financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 18.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Anglican Development Fund as at 31 December 2022 and the results of the subsidiary for the year then ended. Anglican Development Fund and its controlled entity together are referred to in these financial statements as the 'Group'. The controlled entity has a reporting date of 31 December.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group that are attributable to the non-controlling interest are attributed in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2022**

Note 2. Significant accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal operations and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group has a working capital (current assets less current liabilities) deficiency as at 31 December 2022 of \$45,249,860 (2021: \$43,022,581) which 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 3% (2021: 5%) of customer interest bearing liabilities have maturity dates beyond 12 months.

Melbourne Anglican Trust Corporation confirms that it will provide financial support and assistance to the Group as may be required to ensure that it maintains capital and liquidity levels to enable it at all times to meet its debt obligations as and when they fall due.

At the date of this report and having considered the above, the Archbishop and Registrar are confident that the Group will be able to continue as a going concern due to the strong net asset position of \$10,581,082 (2021: \$9,166,502), which include \$29,710,418 of financial assets that can be converted to cash in the short term.

Accordingly, the Archbishop in Council (AiC) believes the Group will be able to continue to pay their debts as and when they fall due.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Income from operations

The Group recognises income with respect to AASB 1058 Income of Not-for-Profit entities. The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt.

Income under the standard is recognised where:

- an asset is received in a transaction, such as by way of grant, bequest or donation;
 - there has either been no consideration transferred, or the consideration paid is significantly less than the asset's fair value;
- and
- where the intention is to principally enable the entity to further its objectives.

For transfers of financial assets to the entity which enable it to acquire or construct a recognisable non-financial asset, the entity must recognise a liability amounting to the excess of the fair value of the transfer received over any related amounts recognised.

Related amounts recognised may relate to:

- contributions by owners;
- AASB 15 revenue or contract liability recognised;
- lease liabilities in accordance with AASB 16;
- financial instruments in accordance with AASB 9; or
- provisions in accordance with AASB 137.

The liability is brought to account as income over the period in which the Fund satisfies its performance obligation. If the transaction does not enable the Fund to acquire or construct a recognisable non-financial asset to be controlled by the Fund, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income immediately.

Accounting policies for income recognised during the year are as follows:

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2022

Note 2. Significant accounting policies (continued)

Interest income

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rental income

Rental income from investment properties is recognised over-time on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Distributions

Distributions are recognised at a point in time as income when the right to payment is established.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Receivables

Receivables are recognised at amortised cost, less any allowance for expected credit losses.

Financial instruments

Financial assets and financial liabilities are recognised when the Group 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)
- debt instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

- The entity 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 interest expenses, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2022

Note 2. Significant accounting policies (continued)

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; and
- 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 Group's cash and cash equivalents, and most 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.

Impairment of financial assets

The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans) ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Group's financial liabilities include interest bearing liabilities and payables.

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

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-5 years
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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.

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2022

Note 2. Significant accounting policies (continued)

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).

Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Short-term employee benefits

Short-term employee benefits, including annual leave are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The Group's liabilities for annual leave and long service leave are included in other long-term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any remeasurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Income tax

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

**Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2022**

Note 3. Critical accounting judgements, estimates and assumptions

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.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include historical collection rates.

Consolidation of Cash Fund

Although the Group owns approximately 4% (2021: 15%) of the units of the Cash Fund at 31 December 2022, management has determined that the Group does not have significant influence over the Cash Fund nor is it controlled by the Group. Therefore, the Cash Fund has not been consolidated.

Note 4. Financial risk management

Risk management for the Fund is governed by the Finance and Investment 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') and its dealings with banks and parishes, it is exposed to a variety of financial risks; market risk, credit risk, liquidity risk and cash flow interest rate risk, the risks of which are detailed below:

Market risk

Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund as 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.

Credit risk

Credit risk arises from cash and cash equivalents, investments 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.

There are two loans which exceed 10% of the total of loans outstanding to the Anglican Development Fund (ADF) at 31 December 2022, however are each less than 10% of the total deposit base. One is to support the ownership of the Mt Ridley Homestead site on which Hume Anglican Grammar School's campus at Mickleham is located. Title to the land is held by Melbourne Anglican Trust Corporation (MATC) and is under the control of Archbishop in Council directly, which has powers to sell the land to repay the loan in the event of default. The second loan is to a significant inner-city parish and financed a rebuild of their church and Christian education centre. This loan is supported by the MATC guarantee in the event of default. 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 financial assets measured at fair value through profit or loss 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 counter party.

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.

**Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2022**

Note 4. Financial risk management (continued)

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 2022, ADF met the minimum liquidity ratio of 10%.

Cash flow and fair value interest rate risk

Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate. Interest rate risk is the risk that the fair 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.

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.

Note 5. Finance income

	Consolidated	
	2022	2021
	\$	\$
Interest from cash management accounts - point in time	49,742	7,303
Distribution income - Cash Fund - point in time	15,841	30,326
Interest on loans - point in time	1,211,315	1,092,325
Distribution income - managed funds - point in time	1,004,664	521,756
	<u>2,281,562</u>	<u>1,651,710</u>

Note 6. Other income

	Consolidated	
	2022	2021
	\$	\$
Rental income	1,370	343

Note 7. Employee benefit expense

	Consolidated	
	2022	2021
	\$	\$
Employee benefit expenses	216,404	157,750
Superannuation expenses	25,388	18,507
	<u>241,792</u>	<u>176,257</u>

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2022

Note 8. Cash and cash equivalents

	Consolidated	
	2022	2021
	\$	\$
<i>Current assets</i>		
Cash at bank	3,028,139	4,746,427
Investment in cash fund	1,980,536	5,528,029
	<u>5,008,675</u>	<u>10,274,456</u>

Note 9. Other receivables

	Consolidated	
	2022	2021
	\$	\$
<i>Current assets</i>		
Other receivables (a)	188,765	72,867
Other receivables - Anglican organisations (b)	-	576,752
	<u>188,765</u>	<u>649,619</u>

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

(b) The balance represents intercompany balances owing from the parties within the Anglican Diocese group.

Note 10. Loan receivables

	Consolidated	
	2022	2021
	\$	\$
<i>Non-current assets</i>		
Loans receivable from Parishes	17,185,913	14,863,072
Loans receivable from other corporate entities	7,948,406	8,279,467
Car loans receivable from MATC	986,205	984,186
	<u>26,120,524</u>	<u>24,126,725</u>

There were 88 loans provided to parishes and 9 to other corporate Anglican entities (2021: 55 and 4 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 0.00% to 7.50% (2021: 1.4% to 6.5%) and loan terms have a range of terms depending on their purpose and the asset they have funded. Current loan terms vary up to twenty-five years, which is the greatest permitted by the ADF's Constitution.

Note 11. Other financial assets

	Consolidated	
	2022	2021
	\$	\$
<i>Financial assets measured at fair value through profit or loss</i>		
Investments held in managed funds	<u>29,710,418</u>	<u>28,062,000</u>

All investments are held in unlisted unit trusts, and the fair value of investments is supported by annual investment statements prepared by investment fund managers.

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2022

Note 11. Other financial assets (continued)

	Consolidated	
	2022	2021
	\$	\$
Opening balance	28,062,000	14,231,159
Additions	7,097,587	24,300,606
Disposals	(5,250,922)	(10,628,695)
(Loss)/gain for the year	(198,247)	158,930
Closing Balance	<u>29,710,418</u>	<u>28,062,000</u>

Note 12. Property, plant and equipment

	Consolidated	
	2022	2021
	\$	\$
<i>Non-current assets</i>		
Plant & equipment - at cost	3,554	3,554
Less accumulated depreciation	(3,554)	(3,196)
	<u>-</u>	<u>358</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Plant & equipment \$
Balance at 1 January 2022	358
Depreciation expense	<u>(358)</u>
Balance at 31 December 2022	<u>-</u>

Note 13. Payables

	Consolidated	
	2022	2021
	\$	\$
<i>Current liabilities</i>		
Accrued expenses	16,342	18,787
Accrued interest	83,508	71,656
Other payables	71,596	590,040
	<u>171,446</u>	<u>680,483</u>

Note 14. Provisions

	Consolidated	
	2022	2021
	\$	\$
<i>Current liabilities</i>		
Employee entitlements	<u>82,240</u>	<u>42,096</u>

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2022

Note 15. Interest bearing liabilities

		Consolidated	
		2022	2021
		\$	\$
<i>Current liabilities</i>			
Interest bearing liabilities		<u>50,193,614</u>	<u>53,224,077</u>
Of which:			
Parish bonus investors	(i)	<u>2,893,293</u>	<u>2,908,275</u>
At call for			
- Individual investors	(ii)	4,498,066	4,538,329
- Anglican organisations	(ii)	7,023,522	4,015,933
- Parish investors	(ii)	<u>15,359,028</u>	<u>21,728,000</u>
		<u>26,880,616</u>	<u>30,282,262</u>
Fixed term for			
- Individual investors	(iii)	10,793,085	12,950,397
- Anglican organisations	(iii)	1,495,194	3,690,031
- Parish investors	(iii)	<u>8,131,426</u>	<u>3,393,112</u>
		<u>20,419,705</u>	<u>20,033,540</u>
		<u>50,193,614</u>	<u>53,224,077</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 0.65% and 0.75% (2021: 0.20% to 0.75%).

(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 0.20% and 1.40% (2021: 0.20% to 0.60%). 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 ASIC.

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 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 0.25% and 2.80% (2021: 0.20% to 1.70%). Existing term investments entered into in earlier years, which still have a balance at year end, bear annual fixed interest rates up to 1.55%.

Guarantee by Melbourne Anglican Trust Corporation

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 renewed for three years in December 2020.

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2022

Note 16. Key management personnel disclosures

Compensation

The aggregate compensation made to Archbishop and Registrars and other members of key management personnel of the Group is set out below:

	Consolidated	
	2022	2021
	\$	\$
Aggregate compensation	<u>244,308</u>	<u>233,208</u>

Note 17. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the controlled subsidiary, the Yield Fund. The proportion of ownership interests held by the Group as at 31 December 2022 was 78% (2021: 81%).

The Yield Fund is enabled by the Anglican Trusts Corporations Act 1884 as the Fund operates as a common fund of the Anglican Diocese of Melbourne ("the Diocese"). The principal activity of the Fund is the management of funds on behalf of Anglican Dioceses, Agencies and Parishes. The Yield Fund's country of incorporation and principal place of business is Australia.

Note 18. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2022	2021
	\$	\$
Net surplus	<u>905,692</u>	<u>972,006</u>
Total comprehensive income	<u>905,692</u>	<u>972,006</u>

Statement of financial position

	Parent	
	2022	2021
	\$	\$
Total current assets	<u>3,064,074</u>	<u>7,647,737</u>
Total assets	<u>54,522,788</u>	<u>57,473,995</u>
Total current liabilities	<u>50,430,958</u>	<u>53,927,869</u>
Total liabilities	<u>50,430,958</u>	<u>53,927,869</u>
Equity		
Accumulated surplus	<u>4,091,830</u>	<u>3,546,126</u>
Total equity	<u>4,091,830</u>	<u>3,546,126</u>

Note 19. Related party transactions

Parent entity

Anglican Development Fund is the parent entity

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2022

Note 19. Related party transactions (continued)

Key management personnel

Disclosures relating to key management personnel are set out in note 16.

Transactions with related entities

The principal activity of the Fund is to provide financing for 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.

Loans and deposits with related parties

Loans and deposits to related parties at the current and previous reporting date are set out within note 10 and note 15.

Note 20. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 21. Contingencies & Commitments

There are no contingencies or commitments as at 31 December 2022.

Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Fund:

	Consolidated	
	2022	2021
	\$	\$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit of the financial statements	32,500	29,500
<i>Other services - Grant Thornton Audit Pty Ltd</i>		
Preparation of the financial statements	3,900	3,500
	36,400	33,000

Note 23. General information

Anglican Development Fund and its controlled entity is Group, incorporated and domiciled in Australia. Its registered office and principal place of business is:

The Anglican Centre
 209 Flinders Lane
 Melbourne VIC 3000

A description of the nature of the Group's operations and its principal activities are included in the Archbishop and Registrars' report, which is not part of the financial statements.

**Anglican Development Fund and its controlled entity
Archbishop's and Registrar's declaration
For the year ended 31 December 2022**

In the Archbishop's and Registrar's opinion:

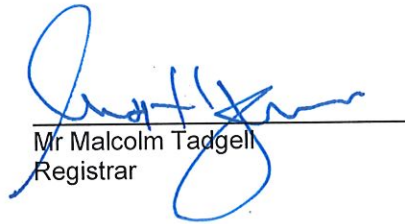
- there are reasonable grounds to believe that the registered entity is able to pay all of its debts, as and when they become due and payable; and
- the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulations 2022*.

On behalf of the Archbishop and Registrar



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



Mr Malcolm Tadjell
Registrar

26 April 2023

Grant Thornton Audit Pty Ltd

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Auditor's Independence Declaration

To the Archbishop in Council

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of Anglican Diocese of Melbourne Anglican Development Fund for the year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



C S Gangemi
Partner – Audit & Assurance

Melbourne, 26 April 2023

Grant Thornton Audit Pty Ltd

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Independent Auditor's Report

To the Archbishop in Council

Report on the audit of the financial report

Opinion

We have audited the financial report of Anglican Diocese of Melbourne Anglican Development Fund (the Fund) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the Archbishop and Registrars declaration.

In our opinion, the financial report of Anglican Diocese of Melbourne Anglican Development Fund has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- a giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended; and
- b complying with Australian Accounting Standards *AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and Division 60 of 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 Group 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.

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Responsibilities of the Archbishop in Council and those charged with governance for the financial report

The Archbishop in Council (the Council) is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standard – *AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2*, Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013* and to meet the requirements of the Acts of Synod and the needs of the Council. This responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Council is responsible for assessing the Group'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 the Council either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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



C S Gangemi
Partner – Audit & Assurance

Melbourne, 26 April 2023