

**Anglican Diocese of Melbourne**  
**Anglican Development Fund**

**Consolidated Financial Report**  
**For the year ended 31 December 2020**

**Anglican Development Fund and its controlled entity**

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**For the year ended 31 December 2020**

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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 2020**

	Note	Consolidated 2020 \$	2019 \$
<b>Income</b>			
Finance income	5	1,903,946	2,270,020
Other income	6	67,184	155,211
<b>Expenses</b>			
Interest expense		(681,865)	(971,930)
Grants expense		-	(200,000)
Employee benefit expenses		(200,228)	(396,402)
Depreciation expenses		(889)	(4,848)
Management fees		(123,078)	(111,491)
Other expenses		(449,491)	(379,856)
<b>Surplus for the year before gain/loss on financial assets and investments</b>		515,579	360,704
Changes in fair value of financial assets at fair value through profit or loss		(116,472)	109,102
Gain on revaluation of investment properties	12	-	936,800
Loss on donation of investment properties to other entities	12	(2,200,000)	(674,647)
Net gain/(loss) on sale of investment properties	12	275,624	-
Grants to other entities		(6,050,000)	-
<b>Surplus/(Deficit) for the year</b>		(7,575,269)	731,959
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<u>(7,575,269)</u>	<u>731,959</u>
Surplus/(Deficit) for the year is attributable to:			
Non-controlling interest		26,356	-
Members of Anglican Development Fund and its controlled entity		(7,601,625)	731,959
		<u>(7,575,269)</u>	<u>731,959</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	-
Members of Anglican Development Fund and its controlled entity		(7,575,269)	731,959
		<u>(7,575,269)</u>	<u>731,959</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 2020**

	Note	Consolidated 2020 \$	2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	22,299,007	13,308,604
Other receivables	9	812,795	263,611
Total current assets		<u>23,111,802</u>	<u>13,572,215</u>
<b>Non-current assets</b>			
Loan receivables	10	25,671,951	34,306,161
Other financial assets	11	14,231,159	7,816,937
Investment properties	12	-	7,870,000
Property, plant and equipment		1,237	2,125
Total non-current assets		<u>39,904,347</u>	<u>49,995,223</u>
<b>Total assets</b>		<u>63,016,149</u>	<u>63,567,438</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	13	248,344	380,970
Provisions	14	42,097	39,527
Interest bearing liabilities	15	55,644,674	52,220,837
Total current liabilities		<u>55,935,115</u>	<u>52,641,334</u>
<b>Total liabilities</b>		<u>55,935,115</u>	<u>52,641,334</u>
<b>Net assets</b>		<u>7,081,034</u>	<u>10,926,104</u>
<b>Equity</b>			
Accumulated surplus		2,350,424	9,952,049
Equity attributable to the members of Anglican Development Fund and its controlled entity		2,350,424	9,952,049
Non-controlling interest		4,730,610	974,055
<b>Total equity</b>		<u>7,081,034</u>	<u>10,926,104</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 2020**

<b>Consolidated</b>	<b>Accumulated surplus \$</b>	<b>Non-controlling interest \$</b>	<b>Total equity \$</b>
Balance at 1 January 2019	9,220,090	-	9,220,090
Net surplus for the year	731,959	-	731,959
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	731,959	-	731,959
<i>Transactions with members in their capacity as members:</i>			
Movement in non-controlling interest	-	974,055	974,055
Balance at 31 December 2019	<u>9,952,049</u>	<u>974,055</u>	<u>10,926,104</u>
<b>Consolidated</b>	<b>Accumulated surplus \$</b>	<b>Non-controlling interest \$</b>	<b>Total equity \$</b>
Balance at 1 January 2020	9,952,049	974,055	10,926,104
Surplus/(Deficit) for the year	(7,601,625)	26,356	(7,575,269)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	(7,601,625)	26,356	(7,575,269)
<i>Transactions with members in their capacity as members:</i>			
Movement in non-controlling interest	-	3,730,199	3,730,199
Balance at 31 December 2020	<u>2,350,424</u>	<u>4,730,610</u>	<u>7,081,034</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 2020**

	Note	Consolidated 2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Receipts from course of operations		67,184	155,211
Payments in course of operations		(7,632,833)	(1,527,255)
Interest received		1,401,839	1,803,840
Distributions received		712,001	466,180
Interest paid		(760,964)	(968,576)
Distributions paid		(81,058)	-
		<u>                    </u>	<u>                    </u>
Net cash used in operating activities		(6,293,831)	(70,600)
<b>Cash flows from investing activities</b>			
Net payments for financial assets		(6,530,694)	(7,539,268)
Loan advances		(1,427,795)	(9,024,454)
Loan repayments received		10,062,005	4,630,067
Net cash inflow from the consolidation of the Yield Fund		-	6,676,276
Proceeds from disposal of investment property	12	5,945,623	-
Proceeds from applications by unitholders		10,188,893	-
Redemptions paid		(6,377,635)	-
		<u>                    </u>	<u>                    </u>
Net cash from/(used in) investing activities		11,860,397	(5,257,379)
<b>Cash flows from financing activities</b>			
Investments received		18,318,310	15,865,781
Withdrawals from accounts		(14,894,473)	(10,846,452)
		<u>                    </u>	<u>                    </u>
Net cash from financing activities		3,423,837	5,019,329
Net increase/(decrease) in cash and cash equivalents		8,990,403	(308,650)
Cash and cash equivalents at the beginning of the financial year		13,308,604	13,617,254
		<u>                    </u>	<u>                    </u>
Cash and cash equivalents at the end of the financial year	8	<u><u>22,299,007</u></u>	<u><u>13,308,604</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 2020**

**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 2020, ADF held 82% of units within the YF, 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 - 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 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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations 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, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*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**

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 18.

**Anglican Development Fund and its controlled entity**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2020**

**Note 2. Significant accounting policies (continued)**

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Anglican Development Fund as at 31 December 2020 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.

**Working capital**

The Group'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 5% (2019: 8%) 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 Group will be able to continue to pay its debts as and when they fall due.

**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.

*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 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 as income when the right to payment is established.



**Anglican Development Fund and its controlled entity**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2020**

**Note 2. Significant accounting policies (continued)**

**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.

**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:

**Anglican Development Fund and its controlled entity**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2020**

**Note 2. Significant accounting policies (continued)**

- 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.

**Investment properties**

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.

**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.

**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**

*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.

**Anglican Development Fund and its controlled entity**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2020**

**Note 2. Significant accounting policies (continued)**

*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.

**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*

**Accounting standards issued but not yet effective and not been adopted early by the Company**

*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 is not expected to have a material impact on the disclosure requirements in the financial statements.

**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.

*Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

*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.

*Fair value of investment properties*

Fair value of investment property are the prices at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. Investment property are revalued at the end of each reporting period to reflect their fair value according to the accounting policy on valuing assets and applying generally accepted valuation criteria, methodology and assumptions.

**Anglican Development Fund and its controlled entity**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2020**

**Note 3. Critical accounting judgements, estimates and assumptions (continued)**

*Consolidation of Cash Fund*

Although the Group owns approximately 52% of the units of the Cash Fund at 31 December 2020, management has determined that the Cash Fund is not controlled by the Group. Therefore, the Cash Fund has not been consolidated.

**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') 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.

*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.

**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.

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 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.

**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 2020, ADF met the minimum liquidity ratio of 10%.

**Anglican Development Fund and its controlled entity**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2020**

**Note 4. Financial risk management (continued)**

**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**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Interest from cash management accounts	3,856	21,113
Distribution income - Cash Fund	116,238	236,905
Distribution income - Yield Fund	-	229,275
Interest on loans	1,397,983	1,782,727
Distribution income - managed funds	385,869	-
	<u>1,903,946</u>	<u>2,270,020</u>

**Note 6. Other income**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Rental income	67,184	153,263
Other	-	1,948
	<u>67,184</u>	<u>155,211</u>

**Note 7. Donation Expenses**

During the year, the Group made a donation to the Anglican Diocese of Melbourne ("the Diocese") of \$6,050,000 as a repayment of a transfer made during the global financial crisis that occurred in 2008. The original transfer was made to ensure the Group had adequate liquidity during the period and there was no expectation that this would be paid back, hence no liability was recognised. Given the Group now has excess liquidity, a decision was approved to donate this back to the Diocese.

**Anglican Development Fund and its controlled entity**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2020**

**Note 8. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
<i>Current assets</i>		
Cash at bank	2,127,918	1,282,946
Investment in Cash Fund	20,171,089	12,025,658
	<u>22,299,007</u>	<u>13,308,604</u>

**Note 9. Other receivables**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
<i>Current assets</i>		
Other receivables (a)	152,867	263,611
Other receivables - Anglican organisations (b)	659,928	-
	<u>812,795</u>	<u>263,611</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 to the parties within the Anglican Diocese group.

**Note 10. Loan receivables**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
<i>Non-current assets</i>		
Loans receivable from Parishes	15,781,056	17,469,634
Loans receivable from other corporate entities	8,872,163	15,673,985
Car loans receivable from MATC	1,018,732	1,162,542
	<u>25,671,951</u>	<u>34,306,161</u>

Loans are provided to approximately 58 parishes in the region and 3 other corporate Anglican entities (2019: 60 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 2.4% to 6.5% (2019: 3.2% 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 from three to twenty five years, which is the greatest permitted by the ADF's Constitution.

**Note 11. Other financial assets**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
<i>Financial assets measured at fair value through profit or loss</i>		
Investments held in managed funds	<u>14,231,159</u>	<u>7,816,937</u>

**Anglican Development Fund and its controlled entity**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2020**

**Note 12. Investment properties**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Non-current assets</i>		
Investment properties	-	7,870,000
	<u>-</u>	<u>7,870,000</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	7,870,000	7,611,683
Disposals from sale of property	(5,945,623)	-
Donations of property	(2,200,000)	(674,647)
Revaluation increments	-	936,800
Gain on disposal of property	275,623	-
Depreciation expense	-	(3,836)
	<u>-</u>	<u>(3,836)</u>
Closing balance	-	7,870,000
	<u>-</u>	<u>7,870,000</u>

- During the year, both the properties at 8 Stanley Grove, Canterbury and 9 Killeen Avenue, Brighton East were sold externally for the combined proceeds of \$5,945,623 as presented in the statement of cash flows. This resulted in a net gain on sale of \$275,624 as presented within the statement of profit or loss and other comprehensive income, and;
- The property at 402 Kooyong Road, Caulfield was gifted back to the Diocese. This resulted in a loss of \$2,200,000 to the Group as presented within the statement of profit or loss and other comprehensive income.

**Note 13. Payables**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i>		
Accrued expenses	15,700	8,660
Accrued interest	196,952	276,051
Other payables	35,692	96,259
	<u>248,344</u>	<u>380,970</u>

**Note 14. Provisions**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i>		
Employee entitlements	42,097	39,527
	<u>42,097</u>	<u>39,527</u>

**Note 15. Interest bearing liabilities**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i>		
Interest bearing liabilities	55,644,674	52,220,837
	<u>55,644,674</u>	<u>52,220,837</u>

**Anglican Development Fund and its controlled entity**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2020**

**Note 15. Interest bearing liabilities (continued)**

**Of which:**

Parish bonus investors	(i)	3,033,534	3,343,623
At call for			
- Individual investors	(ii)	6,320,967	4,814,735
- Anglican organisations	(ii)	4,911,587	3,977,016
- Parish investors	(ii)	14,875,462	13,490,642
		<u>26,108,016</u>	<u>22,282,393</u>
Fixed term for			
- Individual investors	(iii)	13,927,598	13,614,424
- Anglican organisations	(iii)	2,031,239	3,322,352
- Parish investors	(iii)	10,544,287	9,658,045
		<u>26,503,124</u>	<u>26,594,821</u>
		<u>55,644,674</u>	<u>52,220,837</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 0.80% and 0.90% (2019: 1.00% to 1.40%).

(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 0.30% and 1.50% (2019: 0.75% to 1.50%).

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 0.45% and 2.50% (2019: 1.60% to 2.60%). 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%.

*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 2020.

**Note 16. Financial instruments**

	2020	2019
	\$	\$
<b>Financial assets at amortised cost</b>		
Cash and cash equivalents	22,299,007	13,308,604
Other receivables	812,795	263,611
Loan receivables	25,671,951	34,306,161
	<u>48,783,753</u>	<u>47,878,376</u>
<b>Financial assets measured at fair value through profit or loss</b>		
Investments held in managed funds	14,231,159	7,816,937
	<u>63,014,912</u>	<u>55,695,313</u>



**Anglican Development Fund and its controlled entity**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2020**

**Note 16. Financial instruments (continued)**

	2020 \$	2019 \$
<b>Financial liabilities at amortised cost</b>		
Payables	248,344	380,970
Interest bearing liabilities	<u>55,644,674</u>	<u>52,220,837</u>
Total financial liabilities	<u><u>55,893,018</u></u>	<u><u>52,601,807</u></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 2020 was 82% (2019: 93%).

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*

	<b>Parent</b>	
	<b>2020</b> \$	<b>2019</b> \$
Surplus/(Deficit)	<u>(6,995,149)</u>	<u>731,959</u>
Total comprehensive income	<u>(6,995,149)</u>	<u>731,959</u>

*Statement of financial position*

	<b>Parent</b>	
	<b>2020</b> \$	<b>2019</b> \$
Total current assets	<u>11,118,093</u>	<u>6,821,403</u>
Total assets	<u>58,876,315</u>	<u>62,584,723</u>
Total current liabilities	<u>55,919,415</u>	<u>52,632,674</u>
Total liabilities	<u>55,919,415</u>	<u>52,632,674</u>
Equity		
Accumulated surplus	<u>2,956,900</u>	<u>9,952,049</u>
Total equity	<u><u>2,956,900</u></u>	<u><u>9,952,049</u></u>

**Anglican Development Fund and its controlled entity**  
**Notes to the consolidated financial statements**  
**For the year ended 31 December 2020**

**Note 19. Related party transactions**

*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.

Other transactions that occurred with related parties include:

Interest income	<u>439,424</u>
Interest expenses	<u>(181)</u>

*Transactions with key management personnel*

During the year, no remuneration was paid to key management personnel of the Fund.

**Note 20. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2020 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 2020.

**Note 22. Registered Office Details**

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

**Anglican Development Fund and its controlled entity  
Archbishop and Registrars' declaration  
For the year ended 31 December 2020**

In the opinion of the Archbishop and Registrar of Anglican Development Fund and its controlled entity (the Group):

a. The financial statements and notes of Group are in accordance with the *Australian Charities and Non-for-profits Commission Act 2012*, including:

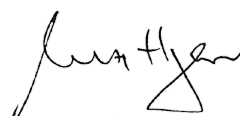
- Giving a true and fair view of its financial position as at 31 December 2020 and of its performance for the financial year ended on that date; and
- Complying with Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Regulation 2013; and

b. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Archbishop and Registrar



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



\_\_\_\_\_  
Mr Malcolm Taddell  
Registrar

28 May 2021

# Independent Auditor's Report

## To the Diocesan 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 controlled entity (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other 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 the Anglican Diocese of Melbourne Anglican Development Fund and its controlled entity 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 2020 and of its performance for the year then ended; and
- b. complying with Australian Accounting Standards – Reduced Disclosure Requirements 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.

### Responsibilities of the Diocesan Council for the financial report

The Diocesan Council (the Council) is responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC Act, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. The Council authorise these responsibilities to the Anglican Development Fund Committee.

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 management either intends to liquidate the Group or to cease operations, or has 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/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



C S Gangemi  
Partner – Audit & Assurance

Melbourne, 28 May 2021