

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	<u>Year ended</u> <u>30 June 2020</u>	<u>Year ended</u> <u>30 June 2019</u>
	\$	\$
Interest Revenue		
Interest income from borrowers	9,195,186	8,525,930
Interest income from investments	11,855,176	17,132,911
	<u>21,050,362</u>	<u>25,658,841</u>
Interest Expense	(6,461,813)	(12,320,305)
	<u>14,588,549</u>	<u>13,338,536</u>
Net Interest Revenue		
Realised gain on sale of assets measured at fair value through profit or loss	565,454	972,270
Gain on reclassification of financial assets from FVOCI to FVTPL	-	178,575
Net (loss)/gain arising on financial assets mandatorily measured at FVTPL	(5,124,309)	4,314,330
Net loss arising on financial assets designated as at FVTPL	(416,555)	(1,119,982)
Rental income	801,566	-
Gain on revaluation of investment property	8,604,599	-
Net Revenue	<u>19,019,304</u>	<u>17,683,729</u>
Expenses		
Employee benefits	(970,288)	(1,173,745)
Professional fees	(125,870)	(266,838)
IT expenses	(1,024,430)	(279,831)
Occupancy	(109,700)	(124,738)
Loss allowance on loans	-	(1,944)
Depreciation & amortisation	(122,999)	(44,745)
Other expenses from ordinary activities	(80,729)	(130,172)
Investment property expenses	(340,254)	-
Total Expenses	<u>(2,774,270)</u>	<u>(2,022,013)</u>
Surplus for the year	<u><u>16,245,034</u></u>	<u><u>15,661,716</u></u>

The accompanying notes form part of these financial statements.

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	<u>Note</u>	<u>30 June 2020</u>	<u>30 June 2019</u>
		\$	\$
ASSETS			
Cash and bank balances	3	73,621,171	18,405,525
Financial assets	4	475,743,493	563,895,733
Receivables	5	3,513,232	4,720,119
Other assets	6	-	1,216,363
Property, plant and equipment	7	6,429	84,919
Investment property	8	35,100,000	-
Other intangible assets	9	249,429	14,622
TOTAL ASSETS		<u>588,233,754</u>	<u>588,337,281</u>
LIABILITIES			
Deposits and short-term borrowings	10	567,027,126	565,403,341
Payables and provisions	11	793,908	3,566,254
TOTAL LIABILITIES		<u>567,821,034</u>	<u>568,969,595</u>
NET ASSETS		<u>20,412,720</u>	<u>19,367,686</u>
EQUITY			
Accumulated surplus	12	<u>20,412,720</u>	<u>19,367,686</u>

The accompanying notes form part of these financial statements.

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	<u>Note</u>	Reserves	Accumulated Surplus	Total
Balance at 30 June 2018 (as previously reported)		<u>(178,575)</u>	<u>14,777,147</u>	<u>14,598,572</u>
Effect of change in accounting policy for AASB 9 - Impairment		-	(92,602)	(92,602)
Effect of change in accounting policy for AASB 9 - Financial asset classification		178,575	(178,575)	-
Balance at 1 July 2018 (restated)		<u>-</u>	<u>14,505,970</u>	<u>14,505,970</u>
Surplus for the year		-	15,661,716	15,661,716
Donation to Diocesan projects		-	(10,800,000)	(10,800,000)
Balance at 30 June 2019		<u>-</u>	<u>19,367,686</u>	<u>19,367,686</u>
Surplus for the year		-	16,245,034	16,245,034
Donation to Diocesan projects		-	(15,200,000)	(15,200,000)
Balance at 30 June 2020	12	<u>-</u>	<u>20,412,720</u>	<u>20,412,720</u>

The accompanying notes form part of these financial statements.

**DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	<u>Note</u>	<u>Year ended 30 June 2020</u>	<u>Year ended 30 June 2019</u>
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		22,745,136	23,993,677
Interest paid		(9,287,776)	(13,372,487)
Proceeds from depositors		741,919,589	612,322,110
Repayments to depositors		(740,295,804)	(627,380,844)
Increase in loan and overdrawn accounts		(7,034,337)	(23,177,125)
Payments to suppliers and employees		(2,257,400)	(3,159,850)
Rent received		313,679	-
Rental expense paid		(340,254)	-
Net cash used in operating activities	3.2	<u>5,762,833</u>	<u>(30,774,519)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Funds inflow from investments held at financial institutions		916,984,767	1,370,064,075
Funds outflow in acquiring investments at financial institutions		(826,773,600)	(1,323,864,074)
Purchase of property, plant and equipment	7	(2,188)	(8,569)
Purchase of investment property		(25,279,038)	-
Purchase of other intangible assets	9	(277,128)	(26,734)
Net cash provided by investing activities		<u>64,652,813</u>	<u>46,164,698</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Donations to Diocesan Projects	12	(15,200,000)	(10,800,000)
Net cash used in financing activities		<u>(15,200,000)</u>	<u>(10,800,000)</u>
Net increase in cash and bank balances		55,215,646	4,590,179
Cash at the beginning of the financial year		18,405,525	13,815,346
Cash at the end of the financial year		<u><u>73,621,171</u></u>	<u><u>18,405,525</u></u>

The accompanying notes form part of these financial statements.

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

1. Notes to the financial statements

(a) General Information

The Diocesan Development Fund, Catholic Diocese of Parramatta (the "Fund") which, by the direction of the Bishop of the Catholic Diocese of Parramatta is vested in the Trustees of the Roman Catholic Church for the Diocese of Parramatta, a Body Corporate created under the provisions of the Roman Catholic Church Trust Property Act 1936 as amended. The address of its registered office and principal place of business are as follows:

2/10 Victoria Rd, Parramatta
NSW, 2150

(b) Financial Reporting Framework

The Fund is not a reporting entity because in the opinion of management there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared in order to satisfy managements' reporting requirements under the Australian Charities and Not-for-profits Commission Act 2012. For the purpose of preparing the financial statements, the Fund is a not-for-profit entity.

(c) Statement of Compliance

The financial statements have been prepared in accordance with the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards', and AASB 1054 'Australian Additional Disclosures'.

(d) Basis of Preparation

Basis of measurement

The financial statements have been prepared on the basis of historic cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise stated.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of AASB 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 *Impairment of Assets*.

Going concern

The financial report has been prepared on the going concern basis which assumes the Fund will have sufficient liquid assets to settle its liabilities as and when they become due and payable and for a period of at least 12 months from the date of signing the financial report.

The statement of profit or loss and other comprehensive income for the year ended 30 June 2020 reflects a surplus of \$16,245,034 (30 June 2019: surplus of \$15,661,716). The statement of financial position as at 30 June 2020 reflects net assets of \$20,412,720 (30 June 2019: net assets of \$19,367,686). Included in net assets are cash and bank balances of \$73,621,171 (30 June 2019: \$18,405,525) and financial assets of \$475,743,493 (30 June 2019: \$563,895,733) which are considered liquid assets and available for settlement of liabilities.

Total liquid assets of \$549,364,664 (30 June 2019: \$568,969,595) against the total liability balance of \$567,821,034 as at 30 June 2020 (30 June 2019: \$582,301,258) indicates an excess of liabilities over liquid assets of \$18,456,370 as at 30 June 2020 (30 June 2019: surplus of liquid assets over liabilities of \$13,331,663).

Included within total liabilities are deposits predominantly from related entities within the Diocese of Parramatta totalling \$567,027,126 as at 30 June 2020. Traditionally these related entities have a history of rolling over a significant proportion of their deposits at the end of the maturity periods. In this respect, subsequent to year end, an amount of \$272,000,000 has been deposited of which \$134,500,000 has been rolled over into deposits held by the Fund, with maturity periods of between 3 months to 12 months.

As indicated in Note 3.1, the Fund has access to an unused margin lending facility of \$54,000,000.

Based on the above, the Directors and management consider it appropriate to prepare the financial report on the going concern basis.

(e) Interest Income

Please refer to section (l) for the accounting policy on interest income.

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

1. Notes to the financial statements (continued)

(f) Property, Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

(i) Capitalisation thresholds

Property, plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised. In accordance with AASB 116 "Property, Plant and Equipment", the cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits associated with the item will flow to the entity; and
- (b) the cost of the item can be measured reliably.

(ii) Depreciation

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to Diocesan Development Fund. All material separately identifiable components of assets are depreciated over their shorter useful lives.

The estimated useful lives of the major classes of assets of Diocesan Development Fund are as follows:

	<u>Years</u>
Computer equipment:	3 - 4
Furniture & equipment:	4 - 10
Motor vehicles:	4

(iii) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(iv) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Fund reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

1. Notes to the financial statements (continued)

(g) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Company's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(h) Intangible Assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Useful life of software is determined to be 5 years.

(i) Employee Benefits

Contributions are made to an employee superannuation fund and are charged as expenses when incurred. A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised for benefits in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Fund in respect of services provided by employees up to reporting date.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks and other short term highly liquid investments with original maturities of three months or less.

(k) Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

(l) Financial Instruments

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

1. Notes to the financial statements (continued)

(l) Financial Instruments (continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the entity recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "investment income" line item.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the entity designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of Financial Assets

The Fund recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, and trade receivables. The amount of expected credit losses ("ECL") is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

(i) ECL model

The ECL model uses a three-stage approach to ECL recognition. Financial assets migrate through these stages based on changes in credit risk since origination:

· Stage 1 – 12 months ECL

On origination, financial assets recognise an impairment provision equivalent to 12 month's ECL. 12 month's ECL is the credit losses expected to arise from defaults occurring over the next 12 months.

· Stage 2 – Lifetime ECL

Financial assets that have experienced a significant increase in credit risk since origination are transferred to Stage 2 and recognise an impairment provision equivalent to lifetime ECL. Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant the exposure is reclassified to Stage 1 and the impairment provision reverts to 12 month's ECL.

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

1. Notes to the financial statements (continued)

(I) Financial Instruments (continued)

Impairment of Financial Assets (continued)

· Stage 3 – Lifetime ECL

Credit impaired financial assets recognise an impairment provision equivalent to lifetime expected credit losses.

(ii) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Fund applies the following two-step approach when assessing whether credit risk has increased significantly since initial recognition:

(a) Determine if the financial asset has low credit risk at the reporting date. If the financial asset has a low credit risk at the reporting date then there has been no significant increase to credit risk and the analysis ends.

(b) If the financial asset does not have a low credit risk at the reporting date, the Fund compares the risk of a default occurring on the financial asset at reporting date with that at the date of initial recognition.

Assessment of the credit risk takes into account factors listed below:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Fund presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the entity has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Fund assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. The financial instrument has a low risk of default
2. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term
3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(iii) Definition of default

Default occurs when there are indicators that a debtor is unlikely to meet contractual credit obligations to the Fund in full, or the exposure is 90 days past due. Financial assets, including those that are well secured, are considered credit impaired when they default. Loans are written-off when there is no realistic probability of recovery.

(iv) Expected credit loss measurement

ECL expected credit loss estimated by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forward looking information.

ECL is calculated as a product of the following credit risk factors:

- **Probability of Default ("PD")**: PD is the probability that a counterparty will default. The Fund determines PD estimate figure based on an equivalent A-rated financial asset.
- **Exposure at Default ("EAD")**: EAD is the estimated outstanding amount of credit exposure at the time of the default. The Fund calculates EAD as the higher of the drawn balance and total credit limit.
- **Loss Given Default ("LGD")**: LGD is the loss that is expected to arise in the event of a default. The Fund determines LGD estimate figure based on an equivalent A-rated financial asset.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Fund in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original effective interest rate.

If the Fund has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the entity measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Fund recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

1. Notes to the financial statements (continued)

(l) Financial Instruments (continued)

(v) Forward looking information

The Fund intends to consider a minimum of three future macroeconomic scenarios. These will include a base case scenario along with upside and downside scenarios. The macroeconomic variables used in these scenarios, based on current economic forecasts, include (but are not limited to) unemployment rates, gross domestic product growth rates and residential and commercial property price indices.

Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

(i) Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and AASB 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

(ii) Financial Liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

1. Notes to the financial statements (continued)

(m) Leases

The Fund has adopted AASB 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under AASB 117. The details of accounting policies under both AASB 117 and AASB 16 are presented separately below.

The Company as lessee

Policies applicable to the periods to 30 June 2019

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Policies applicable commencing 1 July 2019.

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

1. Notes to the financial statements (continued)

(m) Leases (continued)

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position. As of 1 July 2019, the impact of adoption of AASB 16 has been assessed as not significant, as such no rights of use assets and lease liabilities have been recognised in the statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components

The Company as lessor

The Company enters into lease agreements as a lessor with respect to its investment property.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Company applies AASB 15 *Revenue from Contracts from Customers* to allocate the consideration under the contract to each component.

(n) Rental income

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(o) Taxation

The Fund is exempt from income taxation.

(p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST. The net amount of GST receivable from, or payable to, the taxation authority is included as part of receivables or payables.

(q) Comparative Figures

Certain amounts in the comparative information have been reclassified to conform with current year financial statement presentations.

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

1. Notes to the financial statements (continued)

(q) Application of new and revised Accounting Standards

In the current year, the Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not significantly affect the financial statements of the Fund.

- Impact of adoption of AASB 16 Leases

In the current year, the Fund has applied AASB 16 Leases, which is effective for annual periods that begin on or after 1 July 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of AASB 16 on the Fund's consolidated financial statements is described below.

Impact of the new definition of lease

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in AASB 117 and Interpretation 4.

The Fund applies the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or changed on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract).

AASB 16 changes how the Fund accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

As of 1 July 2019, in absence of any relevant contractual arrangements, the impact of adoption of AASB 16 is not considered significant, as such no rights of use assets and lease liabilities have been recognised in the statement of financial position.

New and revised Australian Accounting Standards in issue but not yet effective

At the date of authorisation of the financial statements, the Fund has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective. The standards in issue but not effective have no material impact on the Fund.

2. Critical accounting judgements and key sources of estimation uncertainty

Business model assessment and investment property valuation are the critical judgement and estimation areas that have the most significant effect on the amounts recognised in the financial statements.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model (please see note 1 (I)). The Fund determines the business model at a level that reflects how the Fund of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured. The Fund monitors financial assets measured at amortised cost or fair value through profit or loss that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Fund's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Investment property

In estimating the fair value of the property, the highest and best use of the properties is their current use. A value of \$35,100,000 has been adopted which represents a balance between the capitalisation and discounted cash flow approaches. In determining fair values, the Fund considers relevant information including the capitalisation of rental streams using market assessed capitalisation rates, expected net cash flows discounted to their present value using market determined risk-adjusted discount rates, and other available market data. Level 2 inputs have been used other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset.

**DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS**

	<u>30 June 2020</u>	<u>30 June 2019</u>
	\$	\$
3. Cash and cash equivalents		
Cash and bank balances	73,621,171	18,405,525
3.1 Financing facilities		
The Fund has access to a margin lending facility of \$54,000,000 with National Australia Bank which is unused as of 30 June 2020 (30 June 2019: \$54m unused). Margin lending facility is restricted by the value of bonds lodged against it. Total of bond and hybrid holdings with National Australia Bank is \$102,812,000 as at the reporting period.		
3.2 Reconciliation of surplus for the year to net cash flows from operating activities		
Surplus for the year	16,245,034	15,661,716
Adjustments for:		
Depreciation and amortisation	122,999	44,745
Fair value movements on financial assets measured at FVTPL	5,540,864	(3,372,923)
Realised gain on sale of financial assets	(565,454)	(972,270)
Fair value gain on investment property	(8,604,599)	-
Loss allowance on loans	-	1,944
Movements in working capital:		
Increase in loans and overdrawn accounts	(7,034,337)	(23,177,125)
Decrease/ (Increase) in receivables	1,694,774	(1,665,164)
Increase in other assets	(487,887)	(1,216,363)
Decrease in payables and other liabilities	(22,784)	(17,056)
Increase/(decrease) in deposits and short-term borrowings	1,623,785	(15,058,734)
Decrease in interest payables	(2,825,963)	(1,052,182)
Increase in employee benefits	76,401	48,893
Cash flows from operations	<u>5,762,833</u>	<u>(30,774,519)</u>
4. Financial assets		
Financial assets mandatorily measured at FVTPL		
Hybrids	195,332,150	170,399,390
Financial assets designated at FVTPL		
Bonds	36,894,336	50,323,673
Total financial assets at FVTPL	<u>232,226,486</u>	<u>220,723,063</u>
Financial assets measured at amortised cost		
Term deposits	46,000,000	152,690,000
Loans	197,326,557	190,132,319
Overdrawn accounts	284,996	444,897
Provision for loan impairment	(94,546)	(94,546)
Total financial assets at amortised costs	<u>243,517,007</u>	<u>343,172,670</u>
Total financial assets	<u>475,743,493</u>	<u>563,895,733</u>
5. Receivables		
Interest receivable from bonds and hybrids	2,856,052	3,049,954
Interest receivable from term deposits	169,293	1,670,165
Rent receivable	487,887	-
	<u>3,513,232</u>	<u>4,720,119</u>
6. Other assets		
Advances	-	1,216,363
	<u>-</u>	<u>1,216,363</u>

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

7. Property, plant and equipment

Cost	Furniture and			Total
	Computers	Equipment	Motor vehicle	
	\$	\$	\$	\$
As at 30 June 2018	48,327	157,385	28,961	234,673
Additions	6,896	1,673	-	8,569
As at 30 June 2019	55,223	159,058	28,961	243,242
Additions	2,188	-	-	2,188
As at 30 June 2020	57,411	159,058	28,961	245,430
Depreciation and impairment				
As at 30 June 2018	(37,207)	(69,680)	(18,803)	(125,690)
Depreciation during the year	(10,326)	(15,066)	(7,241)	(32,633)
As at 30 June 2019	(47,533)	(84,746)	(26,044)	(158,323)
Depreciation during the year	(3,449)	(74,312)	(2,917)	(80,678)
As at 30 June 2020	(50,982)	(159,058)	(28,961)	(239,001)
Carrying amount				
As at 30 June 2019	7,690	74,312	2,917	84,919
As at 30 June 2020	6,429	-	-	6,429

8. Investment Property

	30 June 2020
	\$
Balance at 1st July	-
Acquisition	25,279,038
Improvements	1,216,363
Change in fair value	8,604,599
Balance at 30th June	35,100,000

In July 2019, the Fund purchases an investment property for \$25.3 mil which is held to earn rentals.

Changes in fair values are recognised as gains in profit or loss and included in the Statement of Profit or Loss. All gains are unrealised. The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the investment property annually.

In estimating the fair value of the property, the highest and best use of the properties is their current use. A value of \$35,100,000 has been adopted which represents a balance between the capitalisation and discounted cash flow approaches. Market value "as is" subject to existing tenancies. Level 2 inputs have been used other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

9. Other intangible assets

Cost	Software	Total
	\$	\$
As at 30 June 2019	26,734	26,734
Additions	277,128	277,128
As at 30 June 2020	303,862	303,862
Amortisation and impairment		
As at 30 June 2019	(12,112)	(12,112)
Amortisation during the year	(42,321)	(42,321)
As at 30 June 2020	(54,433)	(54,433)
Carrying amount		
As at 30 June 2019	14,622	14,622
As at 30 June 2020	249,429	249,429

10. Deposits and short-term borrowings

	30 June 2020	30 June 2019
	\$	\$
Savings accounts	109,703,394	73,010,155
Term deposits	457,323,732	492,393,186
	567,027,126	565,403,341

**DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS**

	<u>30 June 2020</u>	<u>30 June 2019</u>
	\$	\$
The balance invested by the Procuration Fund at balance date is -	<u>21,717,478</u>	<u>19,642,683</u>
Maturity analysis:		
On call	109,703,394	73,010,155
Not longer than 3 months	427,784,598	249,756,413
Longer than 3 months and not longer than 12 months	<u>29,539,134</u>	<u>242,636,773</u>
	<u>567,027,126</u>	<u>565,403,341</u>
11. Payables and provisions		
Accrued interest payable	327,508	3,153,471
Trade and other creditors	120,276	141,760
Employee benefits - Annual leave provision	199,826	134,058
Employee benefits - Long service leave provision	99,098	88,465
Accrual - Audit fees	<u>47,200</u>	<u>48,500</u>
	<u>793,908</u>	<u>3,566,254</u>
12. Accumulated surplus		
Balance at beginning of the year (as previously reported)	19,367,686	14,777,147
Effect of change in accounting policy for AASB 9 - Impairment	-	(92,602)
Effect of change in accounting policy for AASB 9 - Financial asset classification	-	(178,575)
Balance at beginning of the year	<u>19,367,686</u>	<u>14,505,970</u>
Net surplus	<u>16,245,034</u>	<u>15,661,716</u>
Total available for distribution	<u>35,612,720</u>	<u>30,167,686</u>
Donations to Diocesan projects	<u>(15,200,000)</u>	<u>(10,800,000)</u>
Balance at the end of year	<u>20,412,720</u>	<u>19,367,686</u>
13. Remuneration of auditors		
Audit of the financial statements	<u>47,200</u>	<u>48,500</u>
	<u>47,200</u>	<u>48,500</u>

**DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS**

	<u>30 June 2020</u>	<u>30 June 2019</u>
	\$	\$
14. Contingent liabilities		
As at the balance sheet date, the following contingent liabilities existed:		
Guarantees issued by the Diocesan Development Fund	100,500	250,510
Commonwealth Bank of Australia Facilities - Business card facility	3,500,000	3,405,100
	3,600,500	3,655,610

15. Guarantee of the Fund

The Fund is guaranteed by CDPF Limited, which is in turn guaranteed by the Diocese of Parramatta.

16. Events after the reporting period

a) Distribution

The Fund will pay a \$12.5m donation to the Diocese of Parramatta from the 2020 surplus of \$16.2m. \$4m was paid as an interim distribution on 25 May 2020. Parishes will receive a distribution between \$200-300k in total.

b) Impact of COVID-19

The directors and management have assessed that COVID-19 has not had a material impact on the operations of the Fund for the year ended 30 June 2020. Subsequent to the end of the financial year there continues to be considerable economic impacts in Australia and globally arising from the outbreak of COVID-19 virus and Government actions to reduce the spread of the virus. As the severity and duration of the economic impact of COVID-19 is unknown at the date of signing the financial report, the Fund is unable to determine what financial effects the outbreak of the virus may have on the Fund in the coming financial period.

No future financial effects arising from the economic impacts of the virus have been included in the financial results for the year ended 30 June 2020.

18. Approval of Financial Statements

The financial statements were approved by the Investment Advisory Committee and authorised for issue on 27 August 2020.



DIOCESE of PARRAMATTA

DIOCESE OF PARRAMATTA DIOCESAN DEVELOPMENT FUND

STATEMENT BY THE INVESTMENT ADVISORY COMMITTEE

The Investment Advisory Committee has determined that the Fund is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Investment Advisory Committee of the Fund also state that:

- (i) The financial statements and notes present fairly the Fund's financial position as at 30 June 2020 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements and satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*;
- (ii) At the date of this statement, there are reasonable grounds to believe that the Diocese of Parramatta, Diocesan Development Fund will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Investment Advisory Committee and is signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulations 2013* on behalf of the Investment Advisory Committee by:

Chairperson

p.p. Donna-Maree Vinci

General Manager

Royce Brennan

Dated:

27/08/2020

Independent Auditor's Report to the Investment Advisory Committee of the Diocese of Parramatta Diocesan Development Fund

Opinion

We have audited the financial report, being a special purpose financial report, of the Diocese of Parramatta Diocesan Development Fund ("the Fund") which comprises the statement of the financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Statement by the Investment Advisory Committee of the Fund (the "Committee") as set out on pages 2 to 19.

In our opinion, the accompanying financial report gives a true and fair view of the Fund's financial position as at 30 June 2020 and of its financial performance and its cash flows for the year then ended in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012 (Cth) ('the ACNC Act'), the Not-for-profits Commission Regulation 2013 and the accounting policies described in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Fund in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (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.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist the Fund to meet the financial reporting requirements of Australian Charities and Not-for-Profit Commission Act 2012. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Committee and should not be distributed or used by parties other than the Committee. Our opinion is not modified in respect of this matter.

Responsibilities of the Committee for the Financial Report

Committee of the Fund is responsible for the preparation and fair presentation of the financial report and has determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of ACNC Act and the needs of the Committee. The Committee's responsibility also includes such internal control as the Committee determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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

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Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee.
- Conclude on the appropriateness of the Committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management and the Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants
Parramatta, 28 August 2020