DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Year ended 30 June 2019	Year ended 30 June 2018
	$	$
Interest Revenue		
Interest income from borrowers	8,525,930	7,658,686
Interest income from investments	17,132,911	15,594,548
	25,658,841	23,253,234
Interest Expense	(12,320,305)	(12,049,961)
Net Interest Revenue	13,338,536	11,203,273
Realised gain on sale of assets measured at fair value through profit or loss	972,270	1,781,368
Gain on reclassification of financial assets from FVOCI to FVTPL	178,575	-
Net gain arising on financial assets mandatorily measured at FVTPL	4,314,330	(380,861)
Net loss arising on financial assets designated as at FVTPL	(1,119,982)	-
Net Revenue	17,683,729	12,603,780
Less Expenses		
Employee benefits	(1,173,745)	(1,383,658)
Professional fees	(266,838)	(117,038)
IT expenses	(279,831)	(179,045)
Occupancy	(189,483)	(141,186)
Loss allowance on loans	(1,944)	-
Impairment charge	-	(140,422)
Other expenses from ordinary activities	(110,172)	(244,576)
Total Expenses	(2,022,013)	(2,205,925)
Surplus for the year	15,661,716	10,397,855
Other comprehensive income for the year	-	(774,354)
Total Comprehensive Income	15,661,716	9,623,501

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 2019

	Note	30 June 2019	30 June 2018
		$	$
ASSETS			
Cash and bank balances	3	18,405,525	13,815,346
Financial assets	4	563,895,733	582,667,962
Receivables	5	4,720,119	3,054,955
Other assets	6	1,216,363	-
Property, plant and equipment	7	84,919	108,983
Other intangible assets	8	14,622	-
TOTAL ASSETS		588,337,281	599,647,246
LIABILITIES			
Deposits and short-term borrowings	9	565,403,341	580,462,075
Payables and provisions	10	3,566,254	4,586,599
TOTAL LIABILITIES		568,969,595	585,048,674
NET ASSETS		19,367,686	14,598,572
EQUITY			
Accumulated surplus	11	19,367,686	14,598,572

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 2019

	Note	Reserves	Accumulated Surplus	Total
Balance at 30 June 2017		595,779	14,679,292	15,275,071
Surplus for the year		-	10,397,855	10,397,855
Other comprehensive income		(774,354)	-	(774,354)
Donation to Diocesan projects		-	(10,300,000)	(10,300,000)
Balance at 30 June 2018 (as previously reported)		(178,575)	14,777,147	14,598,572
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)		-	14,505,970	14,505,970
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	11	-	19,367,686	19,367,686

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 2019

	Note	Year ended 30 June 2019	Year ended 30 June 2018
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		23,993,677	24,760,665
Interest paid		(13,372,487)	(10,320,396)
Proceeds from depositors		612,322,110	543,677,136
Repayments to depositors		(627,380,844)	(538,154,589)
Increase in loan and overdrawn accounts		(23,177,125)	(23,070,759)
Payments to suppliers and employees		(3,159,850)	(2,026,207)
Net cash used in operating activities	3.2	(30,774,519)	(5,134,150)
CASH FLOWS FROM INVESTING ACTIVITIES			
Funds inflow from investments held at financial institutions		416,281,401	704,367,237
Funds outflow in acquiring investments at financial institutions		(370,081,400)	(688,872,688)
Purchase of property, plant and equipment	7	(8,569)	(4,828)
Purchase of other intangible assets	8	(26,734)	-
Net cash provided by investing activities		46,164,698	15,489,721
CASH FLOWS FROM FINANCING ACTIVITIES			
Donations to Diocesan Projects	11	(10,800,000)	(10,300,000)
Net cash used in financing activities		(10,800,000)	(10,300,000)
Net increase in cash and bank balances		4,590,179	55,571
Cash at the beginning of the financial year		13,815,346	13,759,775
Cash at the end of the financial year		**18,405,525**	**13,815,346**

The accompanying notes form part of these 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
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 117, 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*.

The principal accounting policies are set out below.

(e) Interest Income
Please refer to section (k) for the accounting policy on interest income.

(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:

	Years
Computer equipment	3-4
Furniture and 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) Leased assets
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another

1. Notes to the financial statements (continued)

(f) Property, Plant and Equipment (continued)

(v) 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.

(g) 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 4 years.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

Financial assets
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

1. Notes to the financial statements (continued)

(k) Financial Instruments (continued)

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").

(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 sifnificant 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.

1. Notes to the financial statements (continued)

(k) Financial Instruments (continued)

Impairment of Financial Assets (continued)

(i) ECL model (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.

(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.

1. Notes to the financial statements (continued)

(k) Financial Instruments (continued)

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

(l) Taxation
The Fund is exempt from income taxation.

(m) Goods and Services Tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:
(i) 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
(ii) 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.

(n) Comparative Figures
Certain amounts in the comparative information have been reclassified to conform with current year financial statement

1. Notes to the financial statements (continued)

(o) Application of new and revised Accounting Standards

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

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.

- AASB 9 Financial Instruments and related amending Standards

In the current year, the Fund has applied AASB 9 Financial Instruments which is effective for the annual period that begins on or after 1 July 2018. The standard introduced new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and general hedge accounting.

The Fund has applied AASB 9 in accordance with the transition provisions set out in AASB 9. As such, comparatives have not been restated.

Details of these new requirements as well as their impact on the Funds' financial statements are described below.

Classification and measurement of financial assets and financial liabilities: All recognised financial assets and liabilities that are within the scope of AASB 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically,

· debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
· debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income;
· all other debt investments and equity investments are measured subsequently at fair value through profit or loss.

The management of the Fund reviewed and assessed the Fund's existing financial assets and liabilities as at 1 July 2018 based on the facts and circumstances that existed at that date. In this regard, the Fund determined that the adoption of AASB 9 has impacted the classification of financial assets and liabilities as follows:

Class of financial instrument presented in the statement of financial position and notes	Classification category under AASB 139	New classification category under AASB 9
Financial assets - Bonds	Available for sale	Fair Value Through Profit or Loss
Financial assets - Hybrids	Fair Value Through Profit or Loss	Fair Value Through Profit or Loss
Receivables	Loans and receivables	Financial assets at amortised cost
Loans and Overdrawn accounts	Loans and receivables	Financial assets at amortised cost
Deposits and short-term borrowings	Loans and receivables	Financial assets at amortised cost

Financial assets – Bonds were classified as available-for-sale financial assets under AASB 139 '*Financial Instruments: Recognition and Measurement*'. The bonds have been reclassified as financial assets at FVTPL because they are held within a business model whose objective is to realise cash flows through the sale of the assets. The Fund makes decisions based on the assets' fair values and manages the assets to realise those fair values. In this case, the Fund's objective will typically result in active buying and selling. Even though the Fund will collect contractual cash flows while it holds the financial assets, the objective of such a business model is not achieved by both collecting contractual cash flows and selling financial assets. This is because the collection of contractual cash flows is not integral to achieving the business model's objective; instead, it is incidental to it.

Financial assets – Hybrids were classified as financial assets at FVTPL under AASB 139 continue to be classified as financial assets at FVTPL as hybrids do not consist cash flows solely payments of principal and interest on the principal amount outstanding.

Loans and Overdrawn accounts classified as loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Deposits and short-term borrowings classified as loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

As a result of the change in classification of the investment in bonds, subsequent changes in the fair value of $178,575 that were recognised in other comprehensive income during 2018 were reversed and classified to accumulated surplus as at 1 July 2018.

None of the other reclassifications of financial assets have had any impact on the Funds' financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

1. Notes to the financial statements (continued)

(o) Application of new and revised Accounting Standards (continued)

- AASB 9 Financial Instruments and related amending Standards (continued)

Impairment of financial assets: In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The ECL model requires the Fund to account for expected credit losses and changes in those ECLs at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The management have compared the credit risk of the loans on the date of their initial application of AASB 9 as at 1 July 2018. In this regard, the additional credit loss allowance of $92,602 as at 1 July 2018 has been recognised against retained earnings resulting in a net decrease in retained earnings of $92,602.

General hedge accounting: New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. There was no impact on hedging as the Fund does not apply hedge accounting.

Standards and interpretations issued not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the year ending
AASB 16 'Leases'	1-Jul-19	30-Jun-20

- Impact of adoption of AASB 16 Leases

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related interpretations when it becomes effective. AASB 16 will be effective for annual years beginning on or after 1 July 2019.

AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date.

Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Furthermore, the classification of cash flows will also be affected as operating lease payments under AASB 117 are presented as operating cash flows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. Extensive disclosures are required by AASB 16.

A preliminary assessment indicates that the Fund's leasing arrangements will meet the definition of a lease under AASB16, and hence the Fund will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of AASB 16.

The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact on the amounts recognised in the Fund's consolidated financial statements. On application of AASB 16 a lease expense will no longer be reflected in profit or loss and will instead reflect a depreciation charge based on a useful life and an interest expense expected to be based on an incremental borrowing rate.

The directors did not decide to early adopt AASB 16. The management do not anticipate that the application of AASB 16 (if early adopted) will have a significant impact on the financial position and/or financial performance of the Fund.

2. Critical accounting judgements and key sources of estimation uncertainty

Business model assessment is the critical judgement 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 (k)). 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.

	30 June 2019	30 June 2018
	$	$

3. Cash and cash equivalents

Cash and bank balances	18,405,525	13,815,346

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 2019 (30 June 2018: nil). Margin lending facility is restricted by the value of bonds lodged against it. Total of bond and hybrid holdings with National Australia Bank is $87,985,100 as at the reporting period.

3.2 Reconciliation of surplus for the year to net cash flows from operating activities

	30 June 2019	30 June 2018
Surplus for the year	15,661,716	10,397,855
Adjustments for:		
Depreciation and amortisation	44,745	42,315
Fair value movements on financial assets measured at FVTPL	(3,372,923)	380,861
Impairment loss recognised on property, plant and equipment	-	140,422
Realised gain on sale of financial assets	(972,270)	(1,781,368)
Loss allowance on loans	1,944	-
Movements in working capital:		
Decrease in trade debtors	-	8,380
Increase in loans and overdrawn accounts	(23,177,125)	(23,070,759)
(Increase)/decrease in receivables	(1,665,164)	1,507,431
Increase in other assets	(1,216,363)	-
(Decrease)/increase in payables and other liabilities	(17,056)	29,263
(Decrease)/increase in deposits and short-term borrowings	(15,058,734)	5,522,547
(Decrease)/increase in interest payables	(1,052,182)	1,729,565
Increase/(decrease) in employee entitlements	48,893	(40,662)
Cash flows from operations	(30,774,519)	(5,134,150)

4. Financial assets

	30 June 2019	30 June 2018
Financial assets mandatorily measured at FVTPL		
Hybrids	170,399,390	110,841,037
Financial assets designated at FVTPL		
Bonds	50,323,673	173,738,778
Total financial assets at FVTPL	220,723,063	284,579,815
Financial assets measured at amortised cost		
Term deposits	152,690,000	130,690,000
Loans	190,132,319	167,342,707
Overdrawn accounts	444,897	55,440
Provision for loan impairment	(94,546)	-
Total financial assets at amortised costs	343,172,670	298,088,147
Total financial assets	**563,895,733**	**582,667,962**

5. Receivables

	30 June 2019	30 June 2018
Interest receivable from bonds and hybrids	3,049,954	1,293,461
Interest receivable from term deposits	1,670,165	1,761,494
	4,720,119	3,054,955

6. Other assets

	30 June 2019	30 June 2018
Advances (i)	1,216,363	-
	1,216,363	-

(i) Other assets are arisen from the advances made in relation to the purchase of a property. Please see note 15 for further information.

7. Property, plant and equipment

	Computers	Furniture and Equipment	Motor vehicle	CBD Project	Total
Cost	$	$	$	$	$
As at 30 June 2017	**56,308**	**154,945**	**28,961**	**140,362**	**380,576**
Additions	2,328	2,440	-	-	4,768
Disposals	(10,309)	-	-	-	(10,309)
As at 30 June 2018	**48,327**	**157,385**	**28,961**	**140,362**	**375,035**
Additions	6,896	1,673	-	-	8,569
As at 30 June 2019	**55,223**	**159,058**	**28,961**	**140,362**	**383,604**
Depreciation and impairment					
As at 30 June 2017	**(26,570)**	**(55,551)**	**(11,563)**	**-**	**(93,684)**
Depreciation during the year	(20,946)	(14,129)	(7,240)	-	(42,315)
Disposals	10,309	-	-	-	10,309
Impairment loss	-	-	-	(140,362)	(140,362)
As at 30 June 2018	**(37,207)**	**(69,680)**	**(18,803)**	**(140,362)**	**(266,052)**
Depreciation during the year	(10,326)	(15,066)	(7,241)	-	(32,633)
As at 30 June 2019	**(47,533)**	**(84,746)**	**(26,044)**	**(140,362)**	**(298,685)**
Carrying amount					
As at 30 June 2018	**11,120**	**87,705**	**10,158**	**-**	**108,983**
As at 30 June 2019	**7,690**	**74,312**	**2,917**	**-**	**84,919**

8. Other intangible assets

	Software	Total
Cost	$	$
As at 30 June 2018	**-**	**-**
Additions	26,734	26,734
As at 30 June 2019	**26,734**	**26,734**
Amortisation and impairment		
As at 30 June 2018	**-**	**-**
Amortisation during the year	(12,112)	(12,112)
As at 30 June 2019	**(12,112)**	**(12,112)**
Carrying amount		
As at 30 June 2018	-	-
As at 30 June 2019	**14,622**	**14,622**

	30 June 2019	30 June 2018
	$	$
9. Deposits and short-term borrowings		
Savings accounts	73,010,155	56,911,278
Term deposits	492,393,186	523,550,797
	565,403,341	580,462,075
The balance invested by the Procuration Fund at balance date is -	19,642,683	22,115,080
Maturity analysis:		
On call	73,010,155	56,911,278
Not longer than 3 months	249,756,413	116,281,542
Longer than 3 months and not longer than 12 months	242,636,773	407,269,255
	565,403,341	580,462,075

	30 June 2019	30 June 2018
	$	$

10. Payables and provisions

	30 June 2019 $	30 June 2018 $
Accrued interest payable	3,153,471	4,205,653
Trade and other creditors	141,760	147,316
Employee entitlements - Annual leave provision	134,058	91,619
Employee entitlements - Long service leave provision	88,465	82,011
Accrual - Audit fees	48,500	60,000
	3,566,254	4,586,599

11. Accumulated surplus

	30 June 2019 $	30 June 2018 $
Balance at beginning of the year (as previously reported)	14,777,147	14,679,292
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 (restated)	14,505,970	14,679,292
Net surplus	15,661,716	10,397,855
Total available for distribution	30,167,686	25,077,147
Donations to Diocesan projects	(10,800,000)	(10,300,000)
Balance at the end of year	19,367,686	14,777,147

12. Remuneration of auditors

	30 June 2019 $	30 June 2018 $
Audit of the financial statements	48,500	44,000
Other	-	15,000
	48,500	59,000

13. Contingent liabilities

As at the balance sheet date, the following contingent liabilities existed:

	30 June 2019 $	30 June 2018 $
Guarantees issued by the Diocesan Development Fund	250,510	50,010
Commonwealth Bank of Australia Facilities - Business card facility	3,405,100	3,477,100
	3,655,610	3,527,110

14. Guarantee of the Fund

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

15. Events after the reporting period

The Fund will pay $11,700,000 donation to Diocese of Parramatta from the 2019 surplus of $15,661,716. $500,000 was paid as an interim distribution on 26 March 2019. A second interim distribution of $1,200,000 of the total donation will be paid on 29 July 2019.

On 26 July 2019 the Fund purchased a property for a purchase price of $25,040,000.

16. Approval of Financial Statements

The financial statements were approved by the Investment Advisory Committee and authorised for issue on 19 September 2019.

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 2019 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 ....

Donna-Maree Vinci

General Manager R Brennan ....

Royce Brennan

Dated: 19/9/2019

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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 statement of the financial position as at 30 June 2019, 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 16.

In our opinion the financial report of the Diocese of Parramatta Diocesan Development Fund is in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012 (Cth) ('the ACNC Act'), including:

i. Giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its financial performance and cash flows for the year then ended; and
ii. Complying with Australian Accounting Standards to the extent described in Note 1, 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 Fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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.

Deloitte.

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.

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

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Partner
Chartered Accountants
Parramatta, 19 September 2019