

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
ABN : 66 650 442 487

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	<u>Year ended</u> <u>30 June 2023</u>	<u>Year ended</u> <u>30 June 2022</u>
	\$	\$
Interest Revenue		
Interest income from borrowers	14,174,828	12,145,027
Interest income from investments	<u>23,381,962</u>	<u>9,260,907</u>
	37,556,790	21,405,934
Interest Expense	(14,533,176)	(1,809,375)
Net Interest Revenue	<u>23,023,614</u>	<u>19,596,559</u>
Realised gain on sale of assets measured at fair value through profit or loss	413,722	524,554
Net gain/(loss) arising on financial assets mandatorily measured at FVTPL	1,703,558	(6,750,030)
Net gain arising on financial assets designated as at FVTPL	374,579	1,011,765
Net (loss) arising on foreign exchange contract designated as at FVTPL	(138,887)	-
Rental income	1,568,326	1,601,042
Gain/(loss) on revaluation of investment property	(2,000,000)	700,000
Investment property expenses	<u>(514,758)</u>	<u>(502,703)</u>
Net Revenue	24,430,154	16,181,187
Expenses		
Employee benefits	(1,129,893)	(1,138,057)
Professional fees	(178,426)	(105,132)
IT expenses	(349,460)	(331,359)
Occupancy	(2,837)	(9,080)
Depreciation & amortisation	(134,246)	(124,584)
Other expenses from ordinary activities	<u>(60,525)</u>	<u>(60,092)</u>
Total Expenses	(1,855,387)	(1,768,304)
Surplus for the year	<u>22,574,767</u>	<u>14,412,883</u>
Other Comprehensive Income	-	-
Total Comprehensive Income	<u>22,574,767</u>	<u>14,412,883</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 2023

	<u>Note</u>	<u>30 June 2023</u>	<u>30 June 2022</u>
		\$	\$
ASSETS			
Cash and bank balances	3	100,340,956	70,293,691
Financial assets	4	545,022,647	540,730,408
Receivables	5	6,651,716	3,735,655
Property, plant and equipment	6	33,754	47,756
Investment property	7	34,000,000	36,000,000
Other intangible assets	8	133,770	214,546
TOTAL ASSETS		<u>686,182,843</u>	<u>651,022,056</u>
LIABILITIES			
Deposits and short-term borrowings	9	641,287,344	618,923,862
Payables and provisions	10	6,598,481	1,514,830
Foreign exchange contract payable	11	138,887	-
TOTAL LIABILITIES		<u>648,024,712</u>	<u>620,438,692</u>
NET ASSETS		<u>38,158,131</u>	<u>30,583,364</u>
EQUITY			
Accumulated surplus	12	<u>38,158,131</u>	<u>30,583,364</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 2023

	<u>Note</u>	Accumulated Surplus	Total
Balance at 30 June 2021		<u>32,170,481</u>	<u>32,170,481</u>
Surplus for the year		14,412,883	14,412,883
Donation to Diocesan projects		(16,000,000)	(16,000,000)
Balance at 30 June 2022		<u>30,583,364</u>	<u>30,583,364</u>
Surplus for the year		22,574,767	22,574,767
Donation to Diocesan projects		(15,000,000)	(15,000,000)
Balance at 30 June 2023	12	<u>38,158,131</u>	<u>38,158,131</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 2023**

		<u>Year ended</u> <u>30 June 2023</u>	<u>Year ended</u> <u>30 June 2022</u>
	<u>Note</u>	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		34,650,076	20,301,826
Interest paid		(9,754,957)	(1,990,554)
Proceeds from depositors		905,869,999	948,793,157
Repayments to depositors		(883,506,517)	(891,128,989)
Increase in loan and overdrawn accounts		(14,684,501)	(13,373,011)
Settlements of loan and overdrawn accounts		18,606,151	39,731,662
Payments to suppliers and employees		(1,530,256)	(1,593,137)
Rent expense allowance received		(9,347)	(8,137)
Rent received		1,568,326	1,601,040
Investment property expense paid		(514,758)	(502,703)
Net cash provided by operating activities	3.2	<u>50,694,216</u>	<u>101,831,154</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Funds inflow from investments held at financial institutions		737,273,596	226,091,551
Funds outflow in acquiring investments at financial institutions		(742,881,079)	(321,946,900)
Purchase of property, plant and equipment	6	(3,904)	-
Purchase of other intangible assets	8	(35,564)	(85,074)
Net cash (used in) investing activities		<u>(5,646,951)</u>	<u>(95,940,423)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Donations to Diocesan Projects	12	(15,000,000)	(16,000,000)
Net cash (used in) financing activities		<u>(15,000,000)</u>	<u>(16,000,000)</u>
Net increase in cash and bank balances		30,047,265	(10,109,269)
Cash at the beginning of the financial year		70,293,691	80,402,960
Cash at the end of the financial year		<u><u>100,340,956</u></u>	<u><u>70,293,691</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:

Bethany Centre, 470 Church Street, 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' and AASB 124 'Related Party Disclosures' (to the extent required by the ACNC Regulations 2022 and the ACNC Commissioner's discretion).

(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 2023 reflects a surplus of \$22,574,767 (30 June 2022: surplus of \$14,412,883). The statement of financial position as at 30 June 2023 reflects net assets of \$38,158,131 (30 June 2022: net assets of \$30,583,364). Included in net assets are cash and bank balances of \$100,340,956 (30 June 2022: \$70,293,691) and financial assets of \$545,022,647 (30 June 2022: \$540,730,408) which are considered liquid assets and available for settlement of liabilities.

Total liquid assets of \$645,363,603 (30 June 2022: \$611,024,099) against the total liability balance of \$648,024,712 as at 30 June 2023 (30 June 2022: \$620,438,692) indicates an excess of liabilities over liquid assets of \$2,661,109 as at 30 June 2023 (30 June 2022: \$9,414,593).

Included within total liabilities are deposits predominantly from related entities within the Diocese of Parramatta totalling \$641,287,344 as at 30 June 2023. Traditionally these related entities have a history of rolling over a significant proportion of their deposits at the end of the maturity periods and so it is not expected that the entire balance of deposits will be called upon at the end of their maturity.

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.

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 based from an independent third party valuation report and is valued annually to establish its market value.

All of the Fund'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)

(I) 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 "interest revenue" 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 and unlikely to meet its contractual credit obligations. 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

Expected Credit Loss (ECL) is 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 the creditworthiness of each loan.

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)

(I) 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) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedge.

(n) Leases

The Fund as lessor

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

Leases for which the Fund 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.

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 Fund'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 Fund's net investment outstanding in respect of the leases.

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

(o) Rental income

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Fund'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 Fund'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.

(p) Taxation

The Fund is exempt from income taxation.

(q) 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.

(r) 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)

(s) 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.

(t) 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 (l)). 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 \$34,000,000 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.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based by customer type, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in Note 1 (l), is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

	<u>30 June 2023</u>	<u>30 June 2022</u>
	\$	\$
3. Cash and cash equivalents		
Cash and bank balances	100,340,956	70,293,691
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 2023 (30 June 2022: \$54,000,000 unused). Margin lending facility is restricted by the value of bonds lodged against it. Total face value of bond and hybrid holdings with National Australia Bank is \$122,174,400 as at the reporting period.		
3.2 Reconciliation of surplus for the year to net cash flows from operating activities		
Surplus for the year	22,574,767	14,412,883
Adjustments for:		
Depreciation and amortisation	134,245	124,584
Fair value movements on financial assets measured at FVTPL	(2,078,137)	5,738,265
Realised gain on sale of financial assets	(413,722)	(524,554)
Fair value gain on investment property	2,000,000	(700,000)
Decrease/(increase) in FEC payables	138,887	-
Movements in working capital:		
Increase in loans and overdrawn accounts	3,921,650	26,358,651
Decrease/(Increase) in receivables	(2,906,714)	(1,104,108)
Increase in other receivables	9,347	8,139
Decrease in payables and other liabilities	106,534	(30,554)
Increase/(decrease) in deposits and short-term borrowings	22,363,482	57,664,168
Decrease/(Increase) in interest payables	4,778,219	(181,179)
Increase in employee benefits	75,005	72,998
Decrease/(Increase) in rent expense allowance	(9,347)	(8,139)
Cash flows from operations	<u>50,694,216</u>	<u>101,831,154</u>
4. Financial assets		
Financial assets mandatorily measured at FVTPL		
Hybrids	189,105,717	253,194,820
Financial assets designated at FVTPL		
Bonds	<u>99,758,778</u>	<u>57,455,786</u>
Total financial assets at FVTPL	<u>288,864,495</u>	<u>310,650,606</u>
Financial assets measured at amortised cost		
Term deposits	30,000,000	-
Loans	226,252,698	230,174,348
Provision for loan impairment	(94,546)	(94,546)
Total financial assets at amortised costs	<u>256,158,152</u>	<u>230,079,802</u>
Total financial assets	<u>545,022,647</u>	<u>540,730,408</u>
5. Receivables		
Interest receivable from bonds and hybrids	6,182,009	3,681,605
Interest receivable from call accounts and term deposits	452,221	45,911
Rent receivable	2	2
Bethany Centre Expense Allowance	17,484	8,137
	<u>6,651,716</u>	<u>3,735,655</u>

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

6. Property, plant and equipment

	Computers	Furniture and Equipment	Motor vehicle	Total
Cost	\$	\$	\$	\$
As at 30 June 2021	91,201	201,021	-	292,222
Additions	-	-	-	-
Disposals	-	-	-	-
As at 30 June 2022	91,201	201,021	-	292,222
Additions	3,904	-	-	3,904
Disposals	-	-	-	-
As at 30 June 2023	95,105	201,021	-	296,126
Depreciation and impairment				
As at 30 June 2021	(62,628)	(162,451)	-	(255,079)
Depreciation during the year	(13,562)	(5,825)	-	(19,387)
Disposals during the year	-	-	-	-
As at 30 June 2022	(76,190)	(168,276)	-	(244,466)
Depreciation during the year	(12,086)	(5,820)	-	(17,906)
Disposals during the year	-	-	-	-
As at 30 June 2023	(88,276)	(174,096)	-	(262,372)
Carrying amount				
As at 30 June 2022	15,011	32,745	-	47,756
As at 30 June 2023	6,829	26,925	-	33,754

7. Investment Property

	30 June 2023	30 June 2022
	\$	\$
Fair value at 30 June 2022	36,000,000	35,300,000
Change in fair value	(2,000,000)	700,000
Fair value at 30 June 2023	<u>34,000,000</u>	<u>36,000,000</u>

In July 2019, the Fund purchased an investment property for \$25,279,038 which is held to earn rentals.

Changes in fair values are recognised as gains/(losses) in profit or loss and included in the Statement of Profit or Loss. All gains/(losses) 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 property is its current use. At 30 June 2023, a value of \$34,000,000 has been adopted which represents a balance between the capitalisation and discounted cash flow approaches. Level 2 inputs have been used other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

8. Other intangible assets

	Software	Total
Cost	\$	\$
As at 30 June 2022	458,243	458,243
Additions	35,564	35,564
As at 30 June 2023	493,807	493,807
Amortisation and impairment		
As at 30 June 2022	(243,697)	(243,697)
Amortisation during the year	(116,340)	(116,340)
As at 30 June 2023	(360,037)	(360,037)
Carrying amount		
As at 30 June 2022	214,546	214,546
As at 30 June 2023	133,770	133,770

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

	<u>30 June 2023</u>	<u>30 June 2022</u>
	\$	\$
9. Deposits and short-term borrowings		
Savings accounts	40,011,634	94,825,770
Term deposits	601,275,710	524,098,092
	<u>641,287,344</u>	<u>618,923,862</u>
The balance invested by the Procurement Fund at balance date is -	<u>18,099,102</u>	<u>19,324,638</u>
Maturity analysis:		
On call	40,011,634	94,825,770
Not longer than 3 months	347,748,249	265,878,447
Longer than 3 months and not longer than 12 months	253,527,461	258,219,645
	<u>641,287,344</u>	<u>618,923,862</u>
10. Payables and provisions		
Accrued interest payable	5,589,874	811,655
Trade and other creditors	187,173	74,792
Bethany Centre Sinking Fund	252,447	137,900
Employee benefits - Annual leave provision	368,589	308,586
Employee benefits - Long service leave provision	154,398	139,397
Accrual - Audit fees	46,000	42,500
	<u>6,598,481</u>	<u>1,514,830</u>
11. Foreign exchange contract payables		
Foreign Exchange Contract Payable	<u>138,887</u>	<u>-</u>

Foreign exchange contracts are held by the Fund in the normal course of business to mitigate foreign currency risk associated with investments that are not denominated in Australian dollars.

The maturity, settlement amounts and the average contractual exchange rates of the entity's outstanding forward foreign exchange contracts at the reporting date were as follows:

	<u>30 June 2023</u>	<u>30 June 2022</u>
	\$	\$
Buy Australian dollars		
Sell US Dollars		
Maturity:		
0 - 1 years (USD\$ 100,000)	145,540	-
1 - 5 years (USD\$ 2,350,000)	3,449,296	-
5 years and over	-	-
	<u>3,594,836</u>	<u>-</u>

The weighted average exchange rate is \$0.6815 as at 30 June 2023 (30 June 2022: \$0)

The entity had foreign exchange contract liabilities denominated in USD of \$2,450,000 as at 30 June 2023 (2022: \$0).

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

	<u>30 June 2023</u>	<u>30 June 2022</u>
	\$	\$
12. Accumulated surplus		
Balance at beginning of the year	30,583,364	32,170,481
Net surplus	22,574,767	14,412,883
Total available for distribution	53,158,131	46,583,364
Donations to Diocesan projects	(15,000,000)	(16,000,000)
Balance at the end of year	<u>38,158,131</u>	<u>30,583,364</u>

13. Related Party Transactions

Key Management Personnel

The Responsible Persons of the Fund and the Members of the Investment Advisory Committee are considered to be Key Management Personnel of the Fund.

The Responsible Persons of the Fund during the year and as at 30 June are as follows:

Most Reverend Vincent Long Van Nguyen
Very Reverend Peter Williams
Very Reverend Christopher de Souza
Mr Geoff Officer
Mr Royce Brennan

The Members of the Investment Advisory Committee during the year and as at 30 June are as follows:

Ms Donna-Maree Vinci
Reverend Monsignor Ron McFarlane
Mr John Secker
Ms Corriene Karam
Mr Geoff Officer (Ex Officio member)

As only one member of the Funds Key Management Personnel was remunerated by the Fund, it is not required to disclose Key Management Personnel remuneration.

Diocesan Entities

The Diocesan Development Fund, Catholic Diocese of Parramatta which, by way of 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 Bishop exercises the control and management of the Fund with the assistance of the Funds Key Management Personnel.

The Diocese of Parramatta - Procurement Fund and various other Catholic organisations within the Diocese of Parramatta, have deposits with, and have obtained loans from, the Fund.

The terms and conditions associated with these deposits and loans are in accordance with the Funds Pricing Policy and are considered to be normal commercial terms.

Aggregate amounts due to and from as well as interest paid and received from Diocesan Entities, including the Diocese of Parramatta Procurement Fund, are detailed below:

	Balance Outstanding as at	
	<u>30 June 2023</u>	<u>30 June 2022</u>
	\$	\$
Loans to Diocesan Entities	129,346,127	134,411,023
Deposits from Diocesan Entities	595,186,792	571,993,092
	Transaction values for the year ended	
	<u>30 June 2023</u>	<u>30 June 2022</u>
	\$	\$
Interest paid to Diocesan Entities	9,491,474	1,925,130
Interest received from Diocesan Entities	7,995,603	6,461,936

DIOCESE OF PARRAMATTA
DIOCESAN DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

13. Related Party Transactions (Continued)

The Bishop and the Diocese of Parramatta - Procurement Fund

Transactions with the Diocese of Parramatta - Procurement Fund are considered to be on normal commercial terms

	Transaction values for the year ended	
	<u>30 June 2023</u>	<u>30 June 2022</u>
	\$	\$
Rent received from the Diocese of Parramatta Procurement Fund	1,433,876	1,381,247
Donations paid to the Diocese of Parramatta Procurement Fund	15,000,000	16,000,000

14. Remuneration of auditors

Audit of the financial statements	46,000	42,500
	<u>46,000</u>	<u>42,500</u>

15. Contingent liabilities

	<u>30 June 2023</u>	<u>30 June 2022</u>
	\$	\$

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

Guarantees issued by the Diocesan Development Fund	300,000	300,000
Commonwealth Bank of Australia Facilities - Business card facility	<u>3,600,000</u>	<u>3,600,000</u>
	<u>3,900,000</u>	<u>3,900,000</u>

16. Guarantee of the Fund

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

17. Events after the reporting period

a) Distribution

The Fund will pay a \$19,000,000 donation to the Diocese of Parramatta from the accumulated surplus. An interim distribution of \$5,000,000 was paid in July 2023.

18. Approval of Financial Statements

The financial statements were approved by the Investment Advisory Committee and authorised for issue on 15th September 2023.



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 2023 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 2022* on behalf of the Investment Advisory Committee by:

Chairperson

A handwritten signature in black ink, appearing to be 'DM Vinci', followed by a horizontal line.

Donna-Maree Vinci

General Manager

A handwritten signature in black ink, appearing to be 'Royce Brennan', followed by a horizontal line.

Royce Brennan

Dated: 15 September 2023

Pitcher Partners Sydney Partnership

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

Report on the Audit of the Financial Report**Opinion**

We have audited the financial report, being a special purpose financial report of Diocese of Parramatta Diocesan Development Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the statement by the Investment Advisory Committee ("the Committee").

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

- (a) Giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (b) 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 2022*.

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 *Australian Charities and Not-for-profits Commission Act 2012* "ACNC Act" and the ethical requirements of the Accounting Professional and 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

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Fund's financial reporting responsibilities under the ACNC Act. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Committee for the Financial Report

The Committee of the Fund is responsible for the preparation and fair presentation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the ACNC Act. The Committee's responsibility also includes such internal control as the Committee determines is necessary to enable the preparation and fair presentation of a 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Committee is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

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:

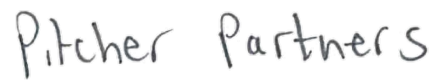
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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; and
- 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.



S S Wallace
Partner

15 September 2023



Pitcher Partners
Sydney