

ANGLICAN SAVINGS AND DEVELOPMENT FUND REPORT TO SYNOD 2017

As I write this report on the activities of the Anglican Savings and Development Fund for 2017 I begin by extending the thanks of the Board to all who invest in and support the activities of the ASDF.

The current members of the Board are:

The Venerable Canon Sonia Roulston (Acting Chair)
The Right Reverend Dr Peter Stuart
Mrs Roseanne Gaut
Mr Micah Jenkins
Mr Robert Sharpe

The Board is greatly assisted in its work by Mrs Alison Perrott, our investment and strategy advisor. I express the thanks for the Board to Alison.

From its inception in 1979, the ASDF has acted with the purpose of:

supporting the charitable purposes of the church in the Diocese of Newcastle. It works to provide an annual grant to the Diocese which assists the Diocese to fund pastoral extension, parish aid, youth work, education, provision of chaplaincies, ordination training and new ministry.

The growth of the Fund in recent years, particularly through the Designated Fund Ordinance, has strengthened the capacity of the ASDF to fulfil this mission.

Last year I reported to the Synod that the fund had grown (in round figures) from

\$ 4 850 000 in 1994 to

\$ 90 510 000 in 2016.

This year has seen further growth in the size of the fund to
\$124 550 000 as of August 2017.

The growth in the fund has enabled the ASDF to increase its grant to the Diocesan budget from \$85 000 to \$250 000. This is a very pleasing contribution to be able to make, and has greatly benefitted the Diocesan budget as the diocese seeks to respond well to the financial commitments before us today. By extension this means that each investor, parish and agency has been able to support the mission and ministry of the Diocese financially, including responding to redress for victims and survivors of sexual abuse.

The rapid growth of the Fund, and the commensurate capacity to lend within the Diocese, has seen the Board in the last 12 months engage itself in reviewing the Board policies (including the Capital Adequacy Policy, Credit Policy and Reserves Policy), with the aim ensuring the ongoing long term strength of the Fund.

The ASDF Board in its current form held its last meeting on 15 June this year. Responsibilities for the Fund will now rest with the Newcastle Anglican Church Corporation (NACC). This is in line with the recommendations from KPMG in their review of Diocesan structures.

I would like to extend my thanks to all Board members who have served on the ASDF Board during this time, and also express our grateful thanks to Mrs Jessica Murnane, the ASDF manager, for all the work she does on our behalf.



ANGLICAN SAVINGS AND DEVELOPMENT FUND
ANGLICAN DIOCESE OF NEWCASTLE
ABN 37 901 809 074

Financial Report
For the Year Ended
31 December 2016

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ABN 37 901 809 074

Board Members' Report 31 December 2016

Information on Board Members

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

Bishop Peter Stuart

Qualifications Bachelor of Commerce, Bachelor of Divinity, Master of Management, Doctorate of Education

Experience Assistant Bishop of Anglican Diocese of Newcastle, former Principal of St Barnabas Theological College Adelaide.

John Cleary

Qualifications Resigned 27 February 2017
Bachelor of Science, Graduate Diploma of Financial Management, Diploma of Financial Advising (FinSIA), Master of Commerce

Experience Chief Executive Officer of Newcastle Anglican Schools Corporation (2013 – present), Diocesan Business Manager (2007 – Present), various senior banking roles with two major Australian banks, various Boards and directorships including Board member of Newcastle Anglican Schools Corporation.

Micah Jenkins

Qualifications Bachelor of Law/Bachelor of Science, Diploma of Legal Practice, Law Society of NSW Accredited Specialist in Business Law, Public Notary.

Experience Admitted as a solicitor in 1999, trained in a national law firm and undertook private practice and in-house roles in the UK. Was a partner of a long-standing Newcastle-based law firm before establishing Jenkins Legal Services in 2014. Specialises in business law and commercial property law. Has extensive experience in providing quality legal services and corporate governance advice for the mining services, hospitality, health practitioner, insolvency and not-for-profit sectors. His expertise in matters with local government and corporate governance was recognised with his appointment as an independent member of the City of Newcastle's audit committee. Continues to serve on the audit committee of the Anglican Diocese of Newcastle. Was the President of the Newcastle Business Club in 2010 and was a director of Companion Credit Union from 2009 to 2011.

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Board Members' Report 31 December 2016

| | |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Robert Sharpe | Appointed August 2015 |
| Qualifications | Bachelor of Civil Engineering (Honours), Master of Engineering Science, Fellow of the Institution of Engineers Australia |
| Experience | Extensive experience in road infrastructure construction and maintenance, traffic management and road safety, in both management and engineering roles. Senior positions in the RTA, including General Manager, Infrastructure Maintenance, Regional Manager Hunter and other. More recently providing consultant services for management structure reviews and asset management projects. Currently Parish Treasurer for Newcastle Christ Church Cathedral. |
| Roseanne Gaut | Appointed August 2015 |
| Experience | Principal and Licensee in charge of Dowling Real Estate Maitland with a real estate and business career spanning over 14 years. Currently the Parish Treasurer for Maitland. |
| Sonia Roulston | Interim Chair Appointed 4 February 2016 |
| Qualifications | Bachelor Applied Science, Bachelor Divinity, Master of Ministry, GAICD |
| Experience | Ordained 1995, parish ministry 1995-2015, Various Diocesan Boards including Diocesan Council, Chair Manning Vally Anglican College(2017-), Acting Chair ASDF Board (2016-) |
| Malcolm McDonald | Resigned 2 February 2016 |
| Qualifications | Bachelor of Economics, Fellow of the Institute of Chartered Accountants, Graduate of the Institute of Company Directors |
| Experience | For a number of years was a partner in an international accounting firm with specialisation in audit. Subsequently a director and manager of a family business which was sold in 2013. Until recently was a member of the Trustees of Church Property for the Diocese of Newcastle and on a number of Diocesan Boards and Committees. Currently on the Board of Anglican Care and a Director of Greater Building Society Limited. |

President of the Board

Bishop Greg Thompson is the President of the Board.

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Board Members' Report 31 December 2016

Short and long term objective

The Anglican Savings and Development Fund was established in 1979 with the goal to support the charitable purposes of the Anglican Church in the Diocese of Newcastle. Over the years it has provided support to the Diocese to help pay for parish aid, youth work, education, provision of chaplaincies, ordination training and new ministry.

Our aim is to:

- Provide a regular, consistent income to support the mission of the Diocese of Newcastle.
- Provide individuals, parishes and Anglican entities with a range of investment products and services which meet their investment and operational needs.
- Maintain the health and sustainability of the Fund, whilst complying with requirements of the regulatory authorities.

Operating results and review of operations for the year

Operating results

The surplus of the Fund amounted to \$ 287,479 (2015: \$ 55,758).

Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Fund during the year.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in future financial years.

Environmental issues

The Fund's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Future developments

Likely developments in the operations of the Fund and the expected results of those operations in future financial years have not been included in this report.

Meetings of directors

During the financial year, 4 meetings of Board Members were held. Attendances by each Board Member

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Board Members' Report

31 December 2016

during the year were as follows:

| | Board Meetings | |
|---------------------|---------------------------|-----------------|
| | Number eligible to attend | Number attended |
| Bishop Peter Stuart | 4 | 4 |
| John Cleary | 3 | 3 |
| Micah Jenkins | 4 | 4 |
| Robert Sharpe | 4 | 4 |
| Roseanne Gaut | 4 | 4 |
| Sonia Roulston | 4 | 4 |
| Malcolm McDonald | - | - |

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Board Members' Report 31 December 2016

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2016 has been received and can be found on page 6 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Board Member: 
The Venerable Canon Sonia Roulston

Board Member: 
Bishop Peter Stuart

Dated 15 June 2017

Anglican Savings & Development Fund - Anglican Diocese of Newcastle

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Auditors Independence Declaration

In accordance with subdivision 60-C of the *Australian Charities and Not-for-Profit Commission Act 2012*, I am pleased to provide the following declaration of independence to the Board Members of the Anglican Savings & Development Fund Anglican Diocese of Newcastle.

As the audit partner of the audit of the financial statements of Anglican Savings & Development Fund Anglican Diocese of Newcastle for the financial year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Australian Charities and Not-for-Profit Commission Act 2012* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



Cutcher & Neale Assurance Pty Ltd
(An authorised audit company)



Mark O'Connor
Director

11 May 2017

Newcastle

Anglican Savings & Development Fund - Anglican Diocese of Newcastle

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Independent Audit Report to the Synod of the Anglican Diocese of Newcastle

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of the Anglican Savings & Development Fund - Anglican Diocese of Newcastle (the Fund), which comprises the statement of financial position as at 31 December 2016, the statement of surplus or deficit and other comprehensive income, and the statement of changes in funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Board Members Declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the Australian Charities and Not-for-Profit Commission Act 2012, including:

- (i) giving a true and fair view of the Fund's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 to the financial statements and the *Australian Charities & Not-for-Profit Commission Regulations 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 auditor independence requirements of the *Australian Charities & Not-for-Profit Commission Act 2012* and 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 confirm that the independence declaration required by the *Australian Charities & Not-for-Profit Commission Act 2012*, which has been given to the Board Members of the Fund, would be in the same terms if given to the Board Members as at the time of this auditor's report.

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

Without modifying our opinion, 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 requirements of the ordinances of the Anglican Diocese of Newcastle. As a result, the financial report may not be suitable for another purpose.

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Independent Audit Report to the Synod of the Anglican Diocese of Newcastle

Other Information

The Board Members are responsible for the other information. The other information obtained at the date of this auditor's report was limited to the Board Members report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board Members Responsibility for the Financial Report

The Board Members are responsible for the preparation that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the *Australian Charities & Not-for-Profit Commission Act 2012* to the extent described by the accounting policies in Note 1 of the financial statements, and for such internal control as the Board Members determine the necessary to enable the preparation of the financial report that gives a true and fair view that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board Members are responsible for assessing the the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board Members either intend to liquidate the Fund or to cease operations, or have 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 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 the financial report.

Cutcher & Neale
Chartered Accountants

M. J. O'Connor
Partner

NEWCASTLE

16 June 2017

Anglican Savings & Development Fund - Anglican Diocese of Newcastle

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Statement of Surplus or Deficit and Other Comprehensive Income For the Year Ended 31 December 2016

| | | 2016 | 2015 |
|----------------------------------------------|------|----------------|---------------|
| | Note | \$ | \$ |
| Investment revenue | 2 | 2,545,391 | 789,991 |
| Interest expense | | (1,500,190) | (305,919) |
| Investment movements (net) | | (13,195) | (5,626) |
| Net investment revenue | | 1,032,006 | 478,446 |
| Parish commission paid | | (26,666) | (42,005) |
| Management fee | | (169,850) | (85,032) |
| Grants paid | | (250,000) | (85,000) |
| Employee benefits | | (97,844) | (90,326) |
| Other expenses | | (200,167) | (120,325) |
| Surplus / (deficit) before income tax | | 287,479 | 55,758 |
| Income tax expense | 1(d) | - | - |
| Surplus / (deficit) after income tax | | 287,479 | 55,758 |
| Other comprehensive income | | - | - |
| Total comprehensive income | | 287,479 | 55,758 |

The accompanying notes form part of these financial statements.

Anglican Savings & Development Fund - Anglican Diocese of Newcastle

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Statement of Financial Position

As at 31 December 2016

| | Note | 2016 \$ | 2015 \$ |
|---------------------------------|------|--------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | 4 | 31,684,631 | 8,797,801 |
| Other financial assets | 5 | 62,382,295 | 17,463,416 |
| Loans and other receivables | 6 | 15,949,264 | 2,823,714 |
| Property, plant and equipment | 7 | - | - |
| Intangible assets | 8 | - | - |
| TOTAL ASSETS | | 110,016,190 | 29,084,931 |
| LIABILITIES | | | |
| Depositors' funds | 9 | 109,244,702 | 28,760,274 |
| Trade and other payables | 10 | 280,902 | 121,550 |
| TOTAL LIABILITIES | | 109,525,604 | 28,881,824 |
| NET ASSETS | | 490,586 | 203,107 |
| EQUITY | | | |
| Accumulated surplus / (deficit) | | 490,586 | 203,107 |
| TOTAL EQUITY | | 490,586 | 203,107 |

The accompanying notes form part of these financial statements.

Anglican Savings & Development Fund - Anglican Diocese of Newcastle

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Statement of Changes in Funds For the Year Ended 31 December 2016

2016

| | Accumulated Surplus |
|---------------------------------------|--------------------------------|
| | \$ |
| Opening balance 1 January 2016 | 203,107 |
| Total comprehensive income | <u>287,479</u> |
| Balance at 31 December 2016 | <u><u>490,586</u></u> |

2015

| | |
|---------------------------------------|-----------------------|
| Opening Balance 1 January 2015 | 147,349 |
| Total comprehensive income | <u>55,758</u> |
| Balance at 31 December 2015 | <u><u>203,107</u></u> |

The accompanying notes form part of these financial statements.

Anglican Savings & Development Fund - Anglican Diocese of Newcastle

ABN 37 901 809 074

Notes to the Financial Statements For the Year Ended 31 December 2016

1 Summary of Significant Accounting Policies

(a) Basis of accounting

The Anglican Savings and Development Fund is a Religious Charitable Development Fund (RCDF) established to benefit the Anglican Diocese of Newcastle. The Fund is governed by the Anglican Savings and Development Fund Ordinance 1979 (as amended).

The Australian Prudential and Regulation Authority (APRA) has granted the Fund an exemption from the requirements of sections 7 and 8 of the Banking Act 1959. The Fund was advised by APRA on 31 August 2016 of the exemption being extended to 31 December 2017.

The Board have prepared the financial statements on the basis that the entity is a non reporting entity because there are no users dependent on general purpose financial statements. These financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the Synod of the Anglican Diocese of Newcastle.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below, which the Board have determined are appropriate to meet the needs of the Synod of the Anglican Diocese of Newcastle. Such accounting policies are consistent with the previous period unless otherwise stated.

The financial statements prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes.

(b) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Board applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be presented.

(c) Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

Key estimates - impairment

The Fund assesses impairment at each reporting date by evaluating conditions specific to the Fund that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the assets is determined. Fair value less costs to sell or current replacement cost calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Anglican Savings & Development Fund - Anglican Diocese of Newcastle

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Notes to the Financial Statements For the Year Ended 31 December 2016

1 Summary of Significant Accounting Policies continued

(d) Income tax

No provision for income tax has been raised as the Fund is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

(e) Interest revenue and expenses

Interest income and expense are recognised in the statement of surplus or deficit and other comprehensive income for all instruments measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, repayment options) but does not consider future credit losses.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

(f) Revenue and other income

The Fund recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Fund and specific criteria have been met.

Investment revenue

Dividend revenue is recognised when the right to receive a dividend has been established.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value.

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Notes to the Financial Statements For the Year Ended 31 December 2016

1 Summary of Significant Accounting Policies continued

(i) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Fund during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(j) Loans and receivables

Loans

Loans comprise of cash advanced to Parishes and entities affiliated with the Anglican Diocese of Newcastle.

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides money directly to a debtor with no intention of trading the receivables.

Loans are recognised when cash is advanced. Loans are initially recognised at fair value net of transaction costs. Loans are subsequently carried at amortised cost using the effective interest method. Interest calculated using the effective interest rate method is recognised in the statement of profit or loss and other comprehensive income; refer to note 1(e) above.

Other receivables

Other receivables represent non-interest bearing debts and accrued revenue that is due to the Fund at the end of the reporting period. The collectability of other receivables is assessed at the end of the year and specific provision is made for amounts for which the Fund has assessed recovery is uncertain.

The collectability of debts is assessed at year end and specific provision is made for any doubtful accounts.

(k) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. Cost includes expenditure that is directly attributable to the asset.

Depreciation

The depreciable amount of all fixed assets is depreciated on a reducing balance basis over the asset's useful life to the Fund commencing from the time the asset is held ready for use.

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Notes to the Financial Statements For the Year Ended 31 December 2016

1 Summary of Significant Accounting Policies continued

(k) Property, plant and equipment continued

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|----------------------|-------------------|
| Plant and Equipment | 25% |

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(l) Financial instruments

Change in Accounting Policy

Financial instruments are classified into two broad measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition.

The classification depends on the contractual cash flow characteristics of the instrument.

Classification and measurement

All financial instruments (assets and liabilities) are initially recognised at fair value plus, in the case of financial assets and liabilities not classified as at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial instruments are then classified into one of the following categories, which in turn determines the subsequent accounting measurement of the instrument. The categories and measurement treatments are:

(i) Debt Investments – at amortised cost

A debt investment is classified as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective to collect the contractual cash flows, and,
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

At balance date all debt instruments in the form of Floating Rate Notes were measured at amortised cost.

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Notes to the Financial Statements For the Year Ended 31 December 2016

1 Summary of Significant Accounting Policies continued

(ii) Financial liabilities – at amortised cost

All the entity's financial liabilities are classified at amortised cost.

Impairment of financial assets

At the end of the reporting period the Fund assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

(ii) Loans and receivables

Impairment on loans and receivables is reduced through the use of an allowance account, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(m) Intangibles

Software

Software is recorded at cost. Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of three years. It is assessed annually for impairment.

(n) Depositors' Funds

The Fund accepts deposits from Anglican Parishioners, Parishes and entities affiliated with the Anglican Diocese of Newcastle.

Deposits are initially recognised at fair value (being fair value of consideration received) and are subsequently measured at amortised cost using the effective interest method, refer to note 1(e) above.

Anglican Savings & Development Fund - Anglican Diocese of Newcastle

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Notes to the Financial Statements For the Year Ended 31 December 2016

2 Revenue from continuing operations

| | 2016 | 2015 |
|--------------------------------------------------------|------------------|----------------|
| | \$ | \$ |
| Interest revenue - Loans | 182,130 | 99,947 |
| Interest revenue - cash and fixed interest investments | 1,296,714 | 313,282 |
| Income from investment portfolio | 1,061,187 | 374,996 |
| Other revenue | | |
| - Sundry income | 5,360 | 1,766 |
| Total Revenue | 2,545,391 | 789,991 |

3 Auditors' Remuneration

| | | |
|------------------------------|--------|--------|
| Audit Fees - Cutcher & Neale | 16,990 | 16,990 |
|------------------------------|--------|--------|

4 Cash and Cash Equivalents

| | | |
|---------------------------------|-------------------|------------------|
| Cash at bank | 6,343,231 | 5,695,401 |
| Other cash and cash equivalents | 25,341,400 | 3,102,400 |
| | 31,684,631 | 8,797,801 |

5 Financial Assets

| | | |
|--------------------------------------------------------------|-------------------|-------------------|
| Investment portfolio - floating rate notes at amortised cost | 41,041,295 | 7,877,116 |
| Interest bearing deposits | 21,341,000 | 9,586,300 |
| Total financial assets | 62,382,295 | 17,463,416 |

Anglican Savings & Development Fund - Anglican Diocese of Newcastle

ABN 37 901 809 074

Notes to the Financial Statements For the Year Ended 31 December 2016

6 Loans and Other Receivables

| | 2016 | 2015 |
|------------------------------------------------------|-------------------|------------------|
| Note | \$ | \$ |
| Accrued Interest | 362,815 | 68,880 |
| GST Receivable | 4,727 | 233 |
| Loans - Other Anglican Diocesan entities - unsecured | (a) 15,581,722 | 2,754,601 |
| | <u>15,949,264</u> | <u>2,823,714</u> |

(a) Security

The Fund does not hold any collateral over mortgage loans. Under the terms of loan agreements, the property title deeds are required to be retained at the Diocesan Office under control of the *Trustees of Church Property for the Diocese of Newcastle*.

(b) Maturity

The loans are classified based on a maturity profile as follows:

| | | |
|--------------------|-------------------|------------------|
| At call | - | - |
| 0-1 years | 200,846 | 86,272 |
| 1-5 years | 15,380,876 | 2,668,329 |
| Over 5 years | - | - |
| Total loans | <u>15,581,722</u> | <u>2,754,601</u> |

7 Plant and Equipment

| | | |
|---------------------------|----------|----------|
| Plant and equipment | | |
| At cost | 31,049 | 31,049 |
| Accumulated depreciation | (31,049) | (31,049) |
| Total plant and equipment | <u>-</u> | <u>-</u> |

8 Intangible Assets

| | | |
|-----------------------------------------|----------|----------|
| Computer software | | |
| Cost | 81,925 | 81,925 |
| Accumulated amortisation and impairment | (81,925) | (81,925) |
| Total Intangibles | <u>-</u> | <u>-</u> |

Anglican Savings & Development Fund - Anglican Diocese of Newcastle

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Notes to the Financial Statements For the Year Ended 31 December 2016

9 Depositors' funds

| | 2016 | 2015 |
|----------------------------------------------------|--------------------|-------------------|
| | \$ | \$ |
| CURRENT | | |
| Unsecured liabilities: | | |
| At call | 20,763,415 | 9,021,674 |
| Temporary trusts | 6,474,098 | 6,232,124 |
| Fixed term deposits 6 - 12 month original maturity | 75,191,479 | 11,139,805 |
| Fixed term deposits 1 - 5 year original maturity | 6,815,710 | 2,366,671 |
| | <u>109,244,702</u> | <u>28,760,274</u> |

10 Trade and Other Payables

| | | |
|--------------------------------------|----------------|----------------|
| CURRENT | | |
| Unsecured liabilities | | |
| Sundry payables and accrued expenses | 30,902 | 36,405 |
| Diocesan grant payable | 250,000 | 85,145 |
| | <u>280,902</u> | <u>121,550</u> |

11 Financial Risk Management

The main risks the Fund is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and equity price risk.

The Fund's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, mortgage loans, accounts receivable and payable.

The totals for each category of financial instruments as detailed in the accounting policies to these financial statements, are as follows:

Financial Assets

| | | |
|-------------------------------|--------------------|-------------------|
| Cash and cash equivalents | 31,684,631 | 8,797,801 |
| Loans and other receivables | 15,949,264 | 155,385 |
| Investment portfolio | 41,041,295 | 7,877,116 |
| Interest bearing deposits | 21,341,000 | 9,586,300 |
| Total financial assets | <u>110,016,190</u> | <u>26,416,602</u> |

Financial Liabilities

| | | |
|------------------------------------|--------------------|-------------------|
| Trade and other payables | 280,902 | 121,550 |
| Depositor funds | 109,244,702 | 28,760,274 |
| Total financial liabilities | <u>109,525,604</u> | <u>28,881,824</u> |

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Notes to the Financial Statements For the Year Ended 31 December 2016

11 Financial Risk Management continued

Financial risk management policies

The Board has overall responsibility for the establishment of the Fund's financial risk management framework. This includes the development of policies covering specific areas such as interest rate risk, credit risk and market risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The day-to-day risk management is carried out by the Fund's finance function under policies and objectives which have been approved by the Board. The Business Manager has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate risk and assessment of market forecasts for interest rate movements.

The Board receives bi-monthly reports which provide details of the effectiveness of the processes and policies in place.

The Fund does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Mitigation strategies for specific risks faced are described below:

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Anglican Savings & Development Fund - Anglican Diocese of Newcastle and arises principally from the Anglican Savings & Development Fund - Anglican Diocese of Newcastle's receivables.

Liquidity risk

Liquidity risk arises from the possibility that the Anglican Savings & Development Fund - Anglican Diocese of Newcastle might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Fund manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financial activities which are monitored on a monthly basis;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

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Notes to the Financial Statements For the Year Ended 31 December 2016

11 Financial Risk Management continued

Liquidity risk continued

Typically, the Anglican Savings & Development Fund - Anglican Diocese of Newcastle ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Fund is also exposed to earnings volatility on floating rate instruments.

ii. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held.

Such risk is managed through diversification of investments across industries and geographic locations.

Net fair values

Carrying amounts of financial assets and liabilities recorded in the financial statements represent their net fair values or amortised cost, as determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

Anglican Savings & Development Fund - Anglican Diocese of Newcastle

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Statement by the Secretary of the Anglican Savings & Development Fund Anglican Diocese of Newcastle

The accounting records have been properly maintained, and in my opinion, the financial statements as presented give a true and fair view of the operations of the Anglican Savings & Development Fund - Anglican Diocese of Newcastle for the year ended 31 December 2016, and of the state of its affairs at that date, in compliance with applicable Australian Accounting Standards and other mandatory professional requirements as set out in Note 1(a) of the financial statements.



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Linda Wilson - Secretary/Treasurer

Dated 15 June 2017