Anglican Funds Grafton Diocese

ABN 42 489 753 905

Financial Statements

For the Year Ended 31 December 2017

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Contents

For the Year Ended 31 December 2017

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Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2017

	Note	2017 $	2016 $
Interest income	4	**1,671,706**	1,850,125
Interest expense	5	**(946,251)**	(1,065,224)
Net interest income		**725,455**	784,901
Non-interest income	4	**2,423**	6,058
Employee benefits expense		**(250,662)**	(252,101)
Depreciation and amortisation expense	5	**(5,488)**	(13,619)
Computer expenses	5	**(114,732)**	(112,473)
Bank fees and charges		**(17,617)**	(18,783)
Investment management fees		**(39,684)**	(27,751)
Professional fees and charges		**(79,190)**	(23,542)
Travel and accommodation expenses		**(7,399)**	(8,957)
Other expenses		**(31,648)**	(36,189)
Total expenses		**(546,420)**	(493,415)
Profit for the year before contributions to related parties		**181,458**	297,544
Contribution to Anglican Diocese of Grafton	5	**(150,000)**	(175,000)
Income tax expense		**-**	-
Profit after income tax and contributions to related parties		**31,458**	122,544
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		**-**	-
Items that will be reclassified to profit or loss when specific conditions are met			
Net fair value movements for available-for-sale financial assets	16	**94,090**	6,930
Other comprehensive income for the year		**94,090**	6,930
Total comprehensive income for the year		**125,548**	129,474

The accompanying notes form part of these financial statements.

Statement of Financial Position

As At 31 December 2017

	Note	2017 $	2016 $
ASSETS			
Cash and cash equivalents	6	**3,021,515**	2,486,439
Trade and other receivables	7	**28,664**	1,245,517
Other financial assets	8	**12,687,370**	13,249,357
Other assets	9	**-**	2,500
Loans and advances	10	**23,060,252**	24,203,146
Property, plant and equipment	11	**33,867**	4,690
TOTAL ASSETS		**38,831,668**	41,191,649
LIABILITIES			
Trade and other payables	13	**323,226**	308,296
Deposits	14	**37,093,111**	39,599,081
Provisions	15	**16,359**	10,848
TOTAL LIABILITIES		**37,432,696**	39,918,225
NET ASSETS		**1,398,972**	1,273,424
EQUITY			
Reserves	16	**129,060**	34,970
Retained earnings		**1,269,912**	1,238,454
TOTAL EQUITY		**1,398,972**	1,273,424

The accompanying notes form part of these financial statements.

Anglican Funds Grafton Diocese

ABN 42 489 753 905

Statement of Changes in Equity

For the Year Ended 31 December 2017

2017

	Retained Earnings *	Financial Assets Revaluation Reserve	Total
	$	$	$
Balance at 1 January 2017	1,238,454	34,970	**1,273,424**
Net profit/(loss) for the year	31,458	-	**31,458**
Total other comprehensive income for the year	-	94,090	**94,090**
Balance at 31 December 2017	1,269,912	129,060	**1,398,972**

2016

	Retained Earnings *	Financial Assets Revaluation Reserve	Total
	$	$	$
Balance at 1 January 2016	1,115,910	28,040	1,143,950
Net profit/(loss) for the year	122,544	-	122,544
Total other comprehensive income for the year	-	6,930	6,930
Balance at 31 December 2016	1,238,454	34,970	1,273,424

* Formerly disclosed as the Capital Adequacy Reserve.

The accompanying notes form part of these financial statements.

Anglican Funds Grafton Diocese

ABN 42 489 753 905

Statement of Cash Flows

For the Year Ended 31 December 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit after income tax expense		**31,458**	122,544
Non cash flows in profit from operating activities			
Depreciation		**5,488**	13,619
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables		**6,588**	1,243
(Increase)/decrease in other assets		**2,500**	(2,500)
(Increase)/decrease in loans and advances		**2,353,159**	178,408
Increase/(decrease) in trade and other payables		**14,930**	(33,620)
Increase/(decrease) in depositor funds		**(2,505,970)**	372,716
Increase/(decrease in provisions		**5,511**	2,997
Net cash provided by/(used in) operating activities		**(86,336)**	655,407
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(34,665)**	(4,848)
Net movement in other financial assets		**656,077**	(6,081,969)
Net cash provided by/(used in) investing activities		**621,412**	(6,086,817)
Net increase/(decrease) in cash and cash equivalents held		**535,076**	(5,431,410)
Cash and cash equivalents at beginning of year		**2,486,439**	7,917,849
Cash and cash equivalents at end of financial year	17(a)	**3,021,515**	2,486,439

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2017

The financial report covers the Anglican Funds Grafton Diocese ("AFGD" or "the Fund") as an individual entity. The Anglican Funds Grafton Diocese is established as an operation of The Corporate Trustees of the Diocese of Grafton and is governed under the Diocese of Grafton's "Diocesan Governance Ordinance 2008" (as amended), specifically Chapter 18. The ordinance provides that Fund shall be under the control of The Corporate Trustees of the Diocese of Grafton who are empowered to delegate the administration and management of the Fund to a Board.

The Anglican Funds Grafton Diocese is not a separately incorporated legal entity and as such operates as a segment of The Corporate Trustees of the Diocese of Grafton.

The functional and presentation currency of Anglican Funds Grafton Diocese is Australian dollars.

The financial report was authorised for issue by the Board on 17 May 2018.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012*.

The Fund is a not-for-profit entity and has therefore applied the additional "AUS" paragraphs applicable to "not-for-profit" entities. Accordingly, a statement of compliance with International Financial Reporting Standards ("IFRS") cannot be made.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The statement of financial position has been prepared in order of liquidity.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Summary of Significant Accounting Policies

(a) Income Tax

The Fund is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(b) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Fund and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All revenue is stated net of the amount of goods and services tax (GST).

2 Summary of Significant Accounting Policies (continued)

(b) Revenue and other income (continued)

Interest revenue

Interest is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Dividend revenue

Dividends are recognised when the Fund's right to receive payment is established.

Other income

Other income is recognised on an accruals basis when the Fund is entitled to it.

(c) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(d) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

(e) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Fund becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

2 Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Financial Assets

The Fund's financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Fund's trade and other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the Fund renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Fund does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Fund's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

2 Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category. The Fund's available-for-sale financial assets comprise listed securities.

All available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Losses recognised in the prior period statement of profit or loss and other comprehensive income resulting from the impairment of debt securities are reversed through the statement of profit or loss and other comprehensive income, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at fair value through profit or loss’ or other financial liabilities depending on the purpose for which the liability was acquired.

The Fund‘s financial liabilities include trade and other payables and depositor funds, which are measured at amortised cost using the effective interest rate method.

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.

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.

Impairment on loans and receivables is reduced through the use of an allowance accounts, 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.

Available-for-sale financial assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

2 Summary of Significant Accounting Policies (continued)

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Fund, commencing when the asset is ready for use.

The estimated useful lives used for each class of depreciable asset are shown below:

Fixed asset class	Useful life
Plant and Equipment	3 - 10 years
Computer Equipment	3 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(g) Intangibles

Software

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of six years.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Impairment of non-financial assets

At the end of each reporting period the Fund determines whether there is any evidence of impairment indicators for its non-financial assets.

Where an indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

2 Summary of Significant Accounting Policies (continued)

(h) Impairment of non-financial assets (continued)

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(i) Depositor Funds

Depositor funds are those that are lodged with Anglican Funds Grafton Diocese by Parishes, Diocesan Organisations and Anglican Parishioners.

(j) 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 liability with the amounts normally paid within 30 days of recognition of the liability.

(k) Employee benefits

Provision is made for the Fund's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

(l) Adoption of new and revised accounting standards

The Fund has adopted all standards which became effective for the first time at 31 December 2017, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Fund.

(m) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Board has decided against early adoption of these Standards, but does not expect the adoption of these standards to have any impact on the reported position or performance of the Fund.

3 Critical Accounting Estimates and Judgements

The members of the Board make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - impairment

The Fund assesses impairment at the end of each reporting period by evaluating conditions specific to the Fund that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Notes to the Financial Statements

For the Year Ended 31 December 2017

4 Revenue and Other Income

	Note	2017 $	2016 $
Revenue:			
- interest income		**1,671,706**	1,850,125
Total revenue		**1,671,706**	1,850,125
Other income:			
- dividend income		**509**	678
- other income		**1,914**	5,380
Total other income		**2,423**	6,058

5 Result for the Year

The result for the year includes the following specific expenses:

	2017 $	2016 $
Contributions to defined contribution superannuation funds	**19,805**	19,031
Depreciation and amortisation expenses:		
Depreciation - plant and equipment	**1,556**	271
Depreciation - motor vehicles	**3,932**	-
Amortisation - computer software	**-**	13,348
Total depreciation and amortisation expenses	**5,488**	13,619
Interest expense:		
Interest paid to investors	**946,251**	1,065,224
Rental expense on operating leases:		
- minimum lease payments	**5,200**	5,200

6 Cash and Cash Equivalents

	Note	2017 $	2016 $
Cash at bank		**1,271,515**	986,439
Short-term deposits	6(a)	**1,750,000**	1,500,000
Total cash and cash equivalents	17(a)	**3,021,515**	2,486,439

(a) Short term deposits

Short term deposits include a number of on call accounts and term deposits with maturity dates of less than 3 months.

Notes to the Financial Statements

For the Year Ended 31 December 2017

7 Trade and Other Receivables

	Note	2017 $	2016 $
Expected to mature within the next 12 months			
Loans to The Corporate Trustees of the Diocese of Grafton		**-**	1,210,265
Accrued interest		**28,664**	35,252
Total trade and other receivables		**28,664**	1,245,517

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable in the financial statements.

8 Other Financial Assets

	Note	2017 $	2016 $
Expected to mature within the next 12 months			
Available-for-sale financial assets:			
- investments in listed companies	8(a)	**-**	21,720
- interest bearing securities	8(a)	**4,353,132**	7,550,478
Total available-for-sale financial assets		**4,353,132**	7,572,198
Expected to mature after the next 12 months			
Held-to-maturity investments			
- fixed rate investments	8(b)	**8,334,238**	5,677,159
Total held-to-maturity investments		**8,334,238**	5,677,159
Total other financial assets		**12,687,370**	13,249,357

(a) Available-for-sale financial assets

Available-for-sale financial assets comprise:

- investments in various capital options of listed entities. There are no fixed returns or fixed maturity dates attached to these assets; and
- investments in bonds and floating rate notes of various listed entities. There are fixed maturity dates and floating returns to these assets.

(b) Held-to-maturity financial assets

Held-to-maturity financial assets comprise investments in unlisted subordinated debt instruments.There are fixed rate returns on these investments and fixed maturity dates.

Notes to the Financial Statements

For the Year Ended 31 December 2017

9 Other Assets

	2017	2016
	$	$
Expected to mature within the next 12 months		
Prepayments	**-**	2,500
Total other assets	**-**	2,500

10 Loans and Advances

	2017	2016
Secured		
Loans	**13,325,025**	17,717,614
Other credit facilities	**9,735,227**	6,485,532
Less: Provision for impairment	**-**	-
Total loans and advances	**23,060,252**	24,203,146

(a) Loans and receivables

Loans and receivables comprise loans from AFGD to other parties, including Anglican schools, parishes and individuals.

At balance date, no loans are in arrears or past due. As a result, no provision for doubtful debts is considered necessary.

11 Property, plant and equipment

	2017	2016
Plant and equipment		
At cost	**33,072**	28,943
Accumulated depreciation	**(25,809)**	(24,253)
Total plant and equipment	**7,263**	4,690
Motor vehicles		
At cost	**30,536**	-
Accumulated depreciation	**(3,932)**	-
Total motor vehicles	**26,604**	-
Total property, plant and equipment	**33,867**	4,690

Notes to the Financial Statements

For the Year Ended 31 December 2017

11 Property, plant and equipment (continued)

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current and previous financial years:

	Plant and Equipment	Motor Vehicles	Total
	$	$	$
Year ended 31 December 2017			
Balance at the beginning of year	**4,690**	**-**	**4,690**
Additions	**4,129**	**30,536**	**34,665**
Depreciation expense	**(1,556)**	**(3,932)**	**(5,488)**
Balance at the end of the year	**7,263**	**26,604**	**33,867**
Year ended 31 December 2016			
Balance at the beginning of year	112	-	112
Additions	4,849	-	4,849
Depreciation expense	(271)	-	(271)
Balance at the end of the year	4,690	-	4,690

12 Intangible Assets

	2017	2016
	$	$
Computer software		
Cost	**60,500**	60,500
Accumulated amortisation and impairment	**(60,500)**	(60,500)
Total intangibles	**-**	-

(a) Movements in carrying amounts of intangible assets

	Computer software	Total
	$	$
Year ended 31 December 2017		
Balance at the beginning of the year	**-**	**-**
Amortisation	**-**	**-**
Closing value at 31 December 2017	**-**	**-**
Year ended 31 December 2016		
Balance at the beginning of the year	13,348	13,348
Amortisation	(13,348)	(13,348)
Closing value at 31 December 2016	-	-

13 Trade and Other Payables

	2017	2016
	$	$
Expected to be settled within 12 months		
Trade payables	**74,148**	23,357
Accrued interest	**249,078**	284,939
Total trade and other payables	**323,226**	308,296

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying amounts are considered to be a reasonable approximation of fair value.

14 Deposits

	2017	2016
Maturing within the next 12 months		
Funds deposited by The Corporate Trustees of the Diocese of Grafton	**11,752,444**	10,575,890
Other depositors	**25,334,443**	27,117,556
	37,086,887	37,693,446
Maturing after the next 12 months		
Other depositors	**6,224**	1,905,635
	6,224	1,905,635
Total deposits	**37,093,111**	39,599,081

15 Employee Benefits

	2017	2016
Long service leave	**7,048**	5,942
Annual leave	**9,311**	4,906
Total employee benefits	**16,359**	10,848
Analysis of liability:		
Expected to be settled within 12 months	**9,311**	4,906
Expected to be settled after 12 months	**7,048**	5,942
	16,359	10,848

(a) Employee benefits

A provision has been recognised for employee entitlements relating to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 2(k) to this report.

Notes to the Financial Statements

For the Year Ended 31 December 2017

16 Reserves

	Note	2017 $	2016 $
Financial assets revaluation reserve			
Opening balance		**34,970**	28,040
Revaluation increment/(decrement)		**94,090**	6,930
Closing balance		**129,060**	34,970
Total reserves		**129,060**	34,970

(a) Financial assets revaluation reserve

The financial assets revaluation reserve records the movement in the fair value of financial assets.

17 Cash Flow Information

(a) Reconciliation of cash

Cash and cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

	Note	2017 $	2016 $
Cash and cash equivalents	6	**3,021,515**	2,486,439
Balance as per statement of cash flows		**3,021,515**	2,486,439

(b) Approved standby credit facilities limits

The following facilities were available at the end of the reporting period:

	2017 $	2016 $
Total facilities		
Westpac Banking Corporation	**1,500,000**	1,500,000
Anglican Funds South Australia (AFSA)	**100,000**	100,000
	1,600,000	1,600,000
Used at reporting date		
Westpac Banking Corporation	**-**	-
Anglican Funds South Australia (AFSA)	**-**	-
	-	-
Unused at reporting date		
Westpac Banking Corporation	**1,500,000**	1,500,000
Anglican Funds South Australia (AFSA)	**100,000**	100,000
	1,600,000	1,600,000

The Westpac Banking Corporation facility is secured by registered first mortgages over freehold land and buildings owned by the Corporate Trustees of the Diocese of Grafton and an $800,000 term deposit.

18 Financial Risk Management

The Fund's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans and advances, depositor funds, available-for-sale financial assets and held-to-maturity investments.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2017 $	2016 $
Financial Assets			
Cash and cash equivalents	6	**3,021,515**	2,486,439
Loans and receivables:			
- Trade and other receivables	7	**28,664**	1,245,517
- Loans and advances	10	**23,060,252**	24,203,146
Available-for-sale financial assets	8	**4,353,132**	7,572,198
Held-to-maturity investments	8	**8,334,238**	5,677,159
Total financial assets		**38,797,801**	41,184,459
Financial Liabilities			
Financial liabilities at amortised cost:			
- Trade and other payables	13	**323,226**	308,296
- Deposits	14	**37,093,111**	39,599,081
Total financial liabilities		**37,416,337**	39,907,377

The Board has responsibility for the establishment and oversight of the risk management framework, identifying and analysing the risks faced by the Fund. Management's policies are approved and reviewed by the Board on a regular basis and relate to the management of:

- Liquidity risk
- Capital adequacy
- Credit risk
- Interest rate risk
- Investing activities

It is, and has been throughout the period under review, the Fund's policy that no trading of financial instruments shall be undertaken. The main risks arising from holding these financial instruments are cash flow risk, interest rate risk, liquidity risk and credit risk. The approach to managing the main risks are summarised below:

18 Financial Risk Management (continued)

(a) Interest Rate Risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Fund's exposure to interest rate risk is measured and monitored on a monthly basis by the Board.

Financial Instrument Repricing Analytics

The Fund's exposure to interest rate risk and the effective weighted average on financial assets and financial liabilities is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Repricing Within 1 Year		Fixed Interest Rate Repricing 1 to 5 Years		Fixed Interest Rate Repricing After 5 Years		Non-Interest Sensitive		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	%	**%**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Financial Assets:														
Cash and cash equivalents	**1.90**	1.50	**1,271,515**	986,439	**1,750,000**	1,500,000	**-**	-	**-**	-	**-**	-	**3,021,515**	2,486,439
Trade and other receivables	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**28,664**	1,245,517	**28,664**	1,245,517
Loans and advances	**5.40**	5.40	**6,720,741**	6,485,532	**4,219,806**	3,253,543	**12,119,705**	11,399,516	**-**	3,064,555	**-**	-	**23,060,252**	24,203,146
Available for sale investments	**4.20**	4.20	**-**	-	**4,353,132**	7,550,478	**-**	-	**-**	-	**-**	21,720	**4,353,132**	7,572,198
Held to maturity investments	**2.60**	2.60	**-**	-	**8,334,238**	5,677,159	**-**	-	**-**	-	**-**	-	**8,334,238**	5,677,159
Total Financial Assets			**7,992,256**	7,471,971	**18,657,176**	17,981,180	**12,119,705**	11,399,516	**-**	3,064,555	**28,664**	1,267,237	**38,797,801**	41,184,459
Financial Liabilities:														
Trade and other payables	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**323,226**	308,296	**323,226**	308,296
Deposits	**2.40**	2.50	**4,867,609**	8,547,487	**32,219,278**	31,051,594	**6,224**	-	**-**	-	**-**	-	**37,093,111**	39,599,081
Total Financial Liabilities			**4,867,609**	8,547,487	**32,219,278**	31,051,594	**6,224**	-	**-**	-	**323,226**	308,296	**37,416,337**	39,907,377

18 Financial Risk Management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Fund may experience difficulties raising funds to meet commitments associated with loan funding or customer withdrawal requests. The Board manages the Fund's liquidity risk by:

- Maintaining cash reserves and credit facilities to meet customer withdrawal requests
- Monitoring cash flow requirements
- Monitoring the liquidity ratio

The Board has a minimum liquid assets target of 10% of total liabilities. At balance date, the the Fund's liquidity ratio exceeded this and was 13.4% (2016: 22.0%).

Maturity profile of financial liabilities

This table reflects the undiscounted contractual settlement terms for the Fund's financial liabilities. As such, the amounts disclosed may not agree to the statement of financial position.

The Fund‘s liabilities have contractual maturities which are summarised below:

	On demand		Less than 3 months		3 to 12 months
	2017	**2016**	**2017**	**2016**	**2017**
	$	**$**	**$**	**$**	**$**
Trade and other payables	**-**	-	**323,226**	308,296	**-**
Deposits	**4,867,609**	8,547,487	**13,093,094**	15,824,024	**19,126,184**
Total outflow	**4,867,609**	8,547,487	**13,416,320**	16,132,320	**19,126,184**

	3 to 12 months	1 to 5 years		Total	
	2016	**2017**	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**	**$**
Trade and other payables	-	**-**	-	**323,226**	308,296
Deposits	15,227,570	**6,224**	-	**37,093,111**	39,599,081
Total outflow	15,227,570	**6,224**	-	**37,416,337**	39,907,377

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Fund. Credit risk arises principally from the Fund's loan, bank and investment assets.

Loans and Advances

The maximum credit exposure for loans is the carrying value disclosed on the statement of financial position plus any undrawn credit facilities. The Fund manages its risk of losses arising from lending to customers by adopting responsible lending practices including verifying a borrower's capacity to repay and ensuring that appropriate security is taken over each loan. The Fund maintains a lending policy to ensure a consistent and thorough approach is taken to each loan assessment and approval process.

Notes to the Financial Statements

For the Year Ended 31 December 2017

18 Financial Risk Management (continued)

(c) Credit risk (continued)

Investments

The Fund has a strategy to invest in highly rated and ethical instruments so that capital is preserved and liquidity is maintained at all times. The Fund's investment practices are governed by its Investment Policy with regular reporting provided to the Board on the investment portfolio profile and performance.

As at reporting date, there is no indication that any of the Fund's financial assets were impaired.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

The Fund does not have any derivative financial instruments at 31 December 2017 and 31 December 2016.

19 Fair Value Measurement

The Fund measures the following assets and liabilities at fair value on a recurring basis:

- Financial assets
  - Other Financial Assets (Available-for-sale)

The Fund has no assets or liabilities that are measured at fair value on a non-recurring basis.

Fair value hierarchy

The fair value of financial instruments carried at fair value have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Fund:

		Level 1	Level 2	Level 3	Total
31 December 2017	**Note**	**$**	**$**	**$**	**$**
Recurring fair value measurements					
Available for sale financial assets					
Australian listed securities	8	**4,353,132**	**-**	-	**4,353,132**

19 Fair Value Measurement (continued)

Fair value hierarchy (continued)

31 December 2016	Note	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements					
Available for sale financial assets					
Australian listed securities	8	**7,572,198**	-	-	7,572,198

The fair value of listed securities are based on closing quoted bid prices at the end of the reporting period.

Transfers between levels of the hierarchy

There were no transfers between levels of the fair value hierarchy.

20 Capital Management

The Board manages the level of capital maintaned by the Fund with the view of having sufficient capital to absorb economic shocks and protect depositors' funds. The Fund manages its capital levels via its Capital Adequacy Policy which provides for a target level of capital of at least 10% of risk weighted assets. As at balance date, the Fund's capital adequacy ratio was 6.3% (2016: 6.1%).

21 Key Management Personnel Remuneration

The names of members of the Board of the Anglican Funds Grafton Diocese at any time during, or since the end of, the year were:

The Right Reverend Dr Sarah Macneil (resigned 3 March 2018)
Mr David John Ford
Mr Kenneth John Adlington
Mr Philip Charles Crandon
Mr Edward Alfred Clarke
Mr Christopher Philip Nelson (until 22 March 2018)
Mr Terence Lancelot Hunt (resigned 19 April 2018)
Mr Gary Laurence Boyd
Ms Lisa Michelle Mulvaney (20 July 2017 to 8 May 2018)
Mr James William Flavin (16 November 2017 to 9 May 2018)

The total remuneration paid to key management personnel of the Anglican Funds Grafton Diocese is $163,469 (2016: $163,576).

Directors of the Fund do not receive any remuneration for their services.

22 Related Parties

(a) The Fund's main related parties are as follows:

The parent entity, which exercises full control over the Fund, is The Corporate Trustees of the Diocese of Grafton which is established in Australia.

Key management personnel - refer to Note 21.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Transactions with related parties

The Fund's policy for lending to directors, trustees and other related parties is that all loans and other credit facilities are approved and deposits accepted on the same terms and conditions that apply to all other customers for each type of loan or deposit. No concessional interest rates or other special terms are applied to loans or deposit products for related parties.

There are no loans or other credit facilities advanced to related parties that are impaired at balance date or have been impaired or written-off during the financial year.

The following transactions occurred with related parties:

	2017 $	2016 $
Loans & Advances		
Aggregate value of loans to key management personnel and other related parties at balance date	**3,299**	16,014
Total value of other credit facilities to key management personnel and other related parties at balance date	**2,493**	205
Total value of loans and credit facilities advanced to key management personnel and other related parties during the year	**5,793**	16,220
Interest earned on loans and credit facilities to key management personnel and other related parties during the year	**546**	858
Deposits		
Total value of deposits held by key management personnel and other related parties at balance date	**1,845,010**	1,912,514
Total interest paid on deposits held by key management personnel and other related parties during the financial year	**52,431**	57,060
Other Transactions		
Other transactions with related parties occurring on normal trading terms and conditions are as follows:		
Contribution to Anglican Diocese of Grafton	**150,000**	175,000
Receivable from Corporate Trustees of the Diocese of Grafton	**-**	1,210,265

Notes to the Financial Statements

For the Year Ended 31 December 2017

23 Commitments

(a) Capital Expenditure

As at 31 December 2017, the Anglican Funds Grafton Diocese had not engaged in any material capital expenditure commitments (31 December 2016: Nil).

(b) Operating Leases

As at 31 December 2017, the Anglican Funds Grafton Diocese did not have any material non-cancellable operating lease commitments.

(c) Outstanding Loan Commitments

Loans and credit facilities approved but not funded or drawn at balance date:

	2017 $	2016 $
Loans approved but not funded	**6,000,000**	-
Undrawn overdraft and credit facilities	**9,214,772**	3,114,467
Total loan commitments	**15,214,772**	3,114,467

24 Auditor's Remuneration

Remuneration of the auditor Thomas Noble & Russell (2016: Crowe Horwath Central North), for:)		
- auditing or reviewing the financial statements	**18,900**	16,000
- taxation services	**-**	-
- other services - assistance with financial reporting	**2,000**	2,000
Total auditor's remuneration	**20,900**	18,000

25 Contingencies

In the opinion of the Board, the Fund did not have any contingencies at 31 December 2017 (31 December 2016: Nil).

26 Events Occurring After the Reporting Date

Since the end of the reporting period, the following events have occurred:

Compliance with Australian Securities and Investment Commission (ASIC) Charitable Fundraising Instrument 2016/813

During the 2017 financial year, the Fund's Board was undertaking a process to manage its retail deposit-taking activities in accordance with the abovementioned Instrument. Subsequent to balance date, the Fund's Board has discontinued its original plan to maintain all retail accounts by contracting with a licensed third party. The Board is not executing a plan to retain "associated" retail accounts as allowed under the Instrument and is determining the eligibility of each account held individually or jointly and exiting those accounts that are not covered by the Identification Statement approved by the Australian Security and Investments Commission (ASIC) on 17 May 2017. The Board anticipates finalisation of this process by 30 September 2018 and has written to all account holders to determine those deposits that will require refund.

26 Events Occurring After the Reporting Date (continued)

The Fund's Board has applied to ASIC for clarification on the subject of joint accounts where only one of the account holders is eligible to hold a Fund account. At the end of March 2018, the Fund was in the process of determining the value of deposits that may require refund. The value of deposits requiring refund is unable to be determined until all investors have advised the Fund of their status as associated or non-associated investors. The Fund has appropriate liquidity to refund deposits to non-associated investors as defined under the Instrument.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in future financial years.

27 Statutory Information

The registered office of and principal place of business of the Fund is:

Anglican Funds Grafton Diocese
Level 1, 50 Victoria Street
Grafton NSW 2460

Anglican Funds Grafton Diocese

ABN 42 489 753 905

Statement by the Board of the Anglican Funds Grafton Diocese

The Board of the Anglican Funds Grafton Diocese declare that:

1. the financial statements and notes for the year ended 31 December 2017 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and:

    a. comply with Australia Accounting Standards;

    b. give a true and fair view of the financial position and performance of the Fund;

    c. the activities of the Anglican Funds Grafton Diocese have been undertaken in line with the delegated authority of the Board of Management as per Chapter 18 of the Diocese Governance Ordinance 2008.

2. In the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Chairperson ....

David Ford

AFGD Board Member ....

Edward Clarke

Dated this 17th day of May 2018

Independent Auditor's Report
To the Members of the Anglican Funds Grafton Diocese

Opinion

We have audited the financial report of the Anglican Funds Grafton Diocese ("the Entity") which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the statement by the members of the Entity.

In our opinion, the accompanying financial report of the Entity is 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 Entity's financial position as at 31 December 2017 and of its financial performance and cash flows for the year then ended; and

b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the auditor independence 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 Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, which has been given to those charged with governance, would be in the same terms if given 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 – Other Matter

The financial report of the Entity for the year ended 31 December 2016 was audited by another auditor who expressed an unmodified opinion on the financial report on 24 May 2017.

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Entity'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 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

We also provide the those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS

....
K R FRANEY (Partner)

Dated at Lismore this 17th day of May 2018