

ANGLICAN FUNDS GRAFTON DIOCESE
ABN 42 489 753 905

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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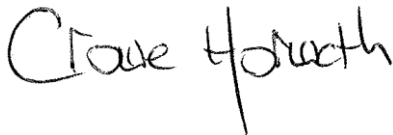
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AUDITORS' INDEPENDENCE DECLARATION TO THE MEMBERS OF ANGLICAN FUNDS GRAFTON DIOCESE

ABN 42 489 753 905

I declare that, to the best of my knowledge and belief, during the financial year to 31 December 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



CROWE HORWATH CENTRAL NORTH



BRADLEY D BOHUN

Audit Partner

Registered Company Auditor
24 Queen Street
GRAFTON NSW 2460

Dated: 24 May 2017

ANGLICAN FUNDS GRAFTON DIOCESE
ABN 42 489 753 905

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$	2015 \$
Interest income	2	1,850,125	2,002,632
Interest expense		<u>(1,065,224)</u>	<u>(1,189,013)</u>
Net interest income		<u>784,901</u>	<u>813,619</u>
Other revenue	2	6,058	13,132
Depreciation expense		(13,619)	(22,166)
Employee benefits expense		(252,101)	(269,571)
Other expenses		<u>(227,695)</u>	<u>(217,272)</u>
Profit before contribution to related parties		297,544	317,742
Contribution to related parties		<u>(175,000)</u>	<u>(150,000)</u>
Profit attributable to the Corporate Trustees		<u>122,544</u>	<u>167,742</u>
Other comprehensive income:			
Net gain on revaluation of financial assets		<u>6,930</u>	<u>27,033</u>
Total comprehensive income for the year		<u>\$ 129,474</u>	<u>\$ 194,775</u>

ANGLICAN FUNDS GRAFTON DIOCESE
ABN 42 489 753 905

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 \$	2015 \$
ASSETS			
Cash and cash equivalents	4	2,486,439	7,917,849
Trade and other receivables	5	-	1,243
Other assets	6	2,500	-
Financial assets	7	38,698,020	32,787,528
Property, plant and equipment	8	4,690	13,461
TOTAL ASSETS		41,191,649	40,720,081
LIABILITIES			
Trade and other payables	9	308,296	341,915
Financial liabilities	10	39,599,081	39,226,365
Provisions	11	10,848	7,851
TOTAL LIABILITIES		39,918,225	39,576,131
NET ASSETS		\$ 1,273,424	\$ 1,143,950
EQUITY			
Financial assets revaluation reserve		34,970	28,040
Capital adequacy reserve		1,238,454	1,115,910
TOTAL EQUITY		\$ 1,273,424	\$ 1,143,950

ANGLICAN FUNDS GRAFTON DIOCESE
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Financial Assets Revaluation Reserve \$	Capital Adequacy Reserve \$	Retained Surplus \$	Total \$
Balance at 1 January 2015	1,007	948,168	-	949,175
Profit attributable to Corporate Trustees	-		167,742	167,742
Transfer to/(from) reserves		167,742	(167,742)	-
Revaluation increment	27,033	-		27,033
Balance at 31 December 2015	28,040	1,115,910	-	1,143,950
Profit attributable to Corporate Trustees	-		122,544	122,544
Transfer to/(from) reserves		122,544	(122,544)	-
Revaluation increment	6,930	-		6,930
Balance at 31 December 2016	\$ 34,970	\$ 1,238,454	\$ -	\$ 1,273,424

ANGLICAN FUNDS GRAFTON DIOCESE
ABN 42 489 753 905

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after income tax expense	122,544	167,742
Non cash flows in profit from operating activities:		
Depreciation	13,619	22,166
Changes in Assets and Liabilities:		
(Increase)/Decrease in trade and other receivables	1,243	(1,111)
(Increase) in prepayments	(2,500)	-
Decrease in loans and receivables	178,408	2,417,080
(Decrease) in trade payables	(287)	(2,290)
(Decrease) in accrued interest payable	(33,333)	(18,859)
Increase in depositor funds	372,716	3,542,582
Increase/(Decrease) in provisions	2,997	(1,319)
Net cash provided by operating activities	<u>655,407</u>	<u>6,125,991</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net movement in other financial assets	(6,081,969)	(2,839,077)
Purchase of property, plant and equipment	(4,848)	-
Net cash used in investing activities	<u>(6,086,817)</u>	<u>(2,839,077)</u>
Net (decrease)/increase in cash held	(5,431,410)	3,286,914
Cash at the beginning of the financial year	<u>7,917,849</u>	<u>4,630,935</u>
Cash at the end of the financial year	<u>\$ 2,486,439</u>	<u>\$ 7,917,849</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Note 1: Statement of Significant Accounting Policies

Statement of Compliance

The financial report is a special purpose financial report of the Anglican Funds Grafton Diocese.

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 the 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 ('Fund') is not a separately incorporated legal entity and as such operates as a segment of The Corporate Trustees of the Diocese of Grafton.

Basis of Preparation

The financial statements are special purpose financial statements that have been prepared in accordance with selected Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

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 amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue by a resolution of the Board on 11 May 2017.

Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Income Tax

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

(b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value 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.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining the recoverable amounts.

Depreciation

The depreciable amount of all fixed assets are depreciated on straight-line basis over their useful lives to the Fund commencing from the time the asset is held ready for use.

The estimated useful lives are as follows:

Class of Fixed Asset	Effective Useful Life
Plant and Equipment	3 - 10 years
Computer Equipment	3 years
Software	6 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(c) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the entity commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified as 'fair value through profit and loss' in which case transactions costs are expensed to the statement of profit or loss and other comprehensive income immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method;
- less any reduction for impairment.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of profit or loss and other comprehensive income.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the organisation's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

If during the period the organisation sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire category of held-to-maturity investments would be tainted and would be reclassified as available-for-sale.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions.

Impairment

At the end of each reporting period, the organisation assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the statement of profit or loss and other

(d) Impairment of Assets

At the end of each reporting period, the organisation assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Any excess of the asset's carrying value of its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the organisation estimates the receivable amount of the cash-generating unit to which the asset belongs.

(e) Employee Benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year 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 not satisfy vesting requirements.

(f) Provisions

Provisions are recognised when the Fund has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(g) 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, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(h) Revenue

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

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

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

(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 Trustees 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.

(j) Goods and Services Tax

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. 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 are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(k) Depositor Funds

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

(l) Comparative Figures

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

(m) Going Concern

At 31 December 2016, Anglican Funds Grafton Diocese maturity forecasts identify that the amount of depositor funds maturing within 12 months far exceeds the value of loans and receivables and other assets expected to be realised within the next 12 months. The financial report has been prepared on the basis of the Fund being a going concern. The ability of Anglican Funds Grafton Diocese to continue as a going concern is dependent upon the following key factors:

- continuing liquidity of the Fund. The Board and Management have reviewed the historical trend of depositor funds reinvested with the Fund. The Fund has seen growth in the amount of funds deposited over the past several years resulting from a direction from the Anglican Diocese of Grafton that all transactional banking of affiliates (unless otherwise approved) are to be undertaken through Anglican Funds Grafton Diocese. This has seen an improvement in the Funds liquidity ratio.

- continuing support from The Corporate Trustees of the Diocese of Grafton, whom hold net funds on investment at 31 December 2016 of \$9,365,625 (2015: \$10,091,574).

- low levels of non-performing or impaired loans. The Board and Management of Anglican Funds Grafton Diocese have undertaken an assessment of the loans issued to identify any non-performing or impaired loans. Additionally, Management has procedures in place to receive financial reports on a periodic base from borrowers depending upon the level of risk attached to the borrowings. As at 31 December 2016, the fund had not identified any non-performing or impaired loans (2015: \$nil).

- continuing exemptions from APRA and ASIC. Full details of these matters are outlined in Notes 13 and 15.

Should any of the above matters significantly change, there may be inherent uncertainty as to whether Anglican Funds Grafton Diocese would be able to continue as a going concern and realise its assets or extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(n) Critical Accounting Estimates and Judgements

Anglican Funds Grafton Diocese evaluates estimates and judgment to incorporate into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the organisation.

Key estimates — Impairment

The Board assesses impairment at each reporting date by evaluating conditions specific to the organisation that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Note	2016 \$	2015 \$
Note 2: Revenue		
Interest income	1,850,125	2,002,632
Other income:		
Dividend income	678	1,246
Other income	5,380	11,886
	<u>\$ 6,058</u>	<u>\$ 13,132</u>
Note 3: Profit Before Income Tax Expense		
Significant expenses		
Computer expenses	112,473	109,434
AFGD Contribution to Anglican Diocese of Grafton	175,000	150,000
Finance costs	1,065,224	1,189,013
Salaries and wages	222,381	242,475
Note 4: Cash and Cash Equivalents		
Cash at bank	986,439	500,785
Short term deposits	1,500,000	7,417,064
	<u>\$ 2,486,439</u>	<u>\$ 7,917,849</u>
Short term deposits include a number of on call accounts and term deposits with maturity dates of less than 3 months.		
Note 5: Trade and Other Receivables		
CURRENT		
Other receivables	-	1,243
	<u>\$ -</u>	<u>\$ 1,243</u>
Note 6: Other Assets		
CURRENT		
Prepayments	2,500	-
	<u>\$ 2,500</u>	<u>\$ -</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$	2015 \$
Note 7: Financial assets			
Available-for-sale financial assets	7 (a)	7,572,198	6,041,903
Held-to-maturity financial assets	7 (b)	5,712,411	1,153,807
Loans and receivables	7 (c)	25,413,411	25,591,818
		<u>38,698,020</u>	<u>32,787,528</u>
Less non-current portion		<u>(15,674,335)</u>	<u>(15,104,496)</u>
		<u>\$ 23,023,685</u>	<u>\$ 17,683,032</u>
<i>Expected to mature within the next 12 months</i>			
Available-for-sale financial assets		7,572,198	6,041,903
Held-to-maturity financial assets		5,712,411	1,153,807
Loans and receivables		9,739,076	10,487,322
		<u>\$ 23,023,685</u>	<u>\$ 17,683,032</u>
<i>Expected to mature after the next 12 months</i>			
Loans and receivables		<u>15,674,335</u>	<u>15,104,496</u>
		<u>\$ 15,674,335</u>	<u>\$ 15,104,496</u>
(a) Available-for-sale financial assets comprise:			
- investments in listed companies		21,720	52,397
- interest bearing securities		7,550,478	5,989,506
		<u>\$ 7,572,198</u>	<u>\$ 6,041,903</u>
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 comprise:			
- fixed rate investments		<u>5,712,411</u>	<u>1,153,807</u>
		<u>\$ 5,712,411</u>	<u>\$ 1,153,807</u>
Held-to-maturity financial assets comprise investments in term deposits with terms greater than 3 months. There are fixed rate returns on these investments.			
(c) Loans and receivables:			
- loans to The Corporate Trustees of the Diocese of Grafton		1,210,265	1,675,870
- loans and receivables		24,203,146	23,915,948
		<u>\$ 25,413,411</u>	<u>\$ 25,591,818</u>
Loans and receivables assets comprise loans from AFGD to other parties including Anglican Diocese of Grafton, Anglican schools, parishes and individuals.			
No provision for doubtful debts is considered necessary due to the performing nature of the loan book and the funds prior history of bad debt write-offs.			

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$	2015 \$
Note 8: Property, Plant & Equipment			
Plant and Equipment (at cost)			
Plant & equipment		28,943	24,095
Less: Accumulated depreciation		(24,253)	(23,982)
		<u>4,690</u>	<u>113</u>
Computer Software		60,500	60,500
Less: Accumulated depreciation		(60,500)	(47,152)
		<u>-</u>	<u>13,348</u>
Total Plant and Equipment		<u>\$ 4,690</u>	<u>\$ 13,461</u>
(a) Movements in carrying amounts			
		Plant and Equipment \$	Total \$
Balance at the beginning of the year		13,461	13,461
Additions		4,848	4,848
Disposals		-	-
Depreciation expense		(13,619)	(13,619)
Carrying amount at the end of the year		<u>\$ 4,690</u>	<u>\$ 4,690</u>
Note 9: Trade and Other Payables			
CURRENT			
Unsecured liabilities;			
Trade and other payables		23,358	23,644
Accrued interest		284,938	318,271
		<u>\$ 308,296</u>	<u>\$ 341,915</u>

All balances are expected to be paid within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Note	2016 \$	2015 \$
Note 10: Borrowings		
Depositors funds	<u>39,599,081</u>	<u>39,226,365</u>
Total Borrowings	<u>\$ 39,599,081</u>	<u>\$ 39,226,365</u>
<i>Maturing within the next 12 months</i>		
Funds deposited by The Corporate Trustees of the Diocese of Grafton	<u>10,575,890</u>	<u>11,767,444</u>
Other depositors	<u>27,117,556</u>	<u>25,399,222</u>
	<u>\$ 37,693,446</u>	<u>\$ 37,166,666</u>
<i>Maturing after the next 12 months</i>		
Other depositors	<u>1,905,635</u>	<u>2,059,699</u>
	<u>\$ 1,905,635</u>	<u>\$ 2,059,699</u>
(a) Approved standby credit facilities limits		
Westpac Banking Corporation	<u>1,500,000</u>	<u>1,500,000</u>
Anglican Funds South Australia (AFSA)	<u>100,000</u>	<u>100,000</u>
	<u>\$ 1,600,000</u>	<u>\$ 1,600,000</u>
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.		
(b) Unused standby credit facilities limits		
Westpac Banking Corporation	<u>1,500,000</u>	<u>1,500,000</u>
Anglican Funds South Australia (AFSA)	<u>100,000</u>	<u>100,000</u>
	<u>\$ 1,600,000</u>	<u>\$ 1,600,000</u>
Note 11: Employee benefits		
Provision for employee benefits	<u>10,848</u>	<u>7,851</u>
	<u>\$ 10,848</u>	<u>\$ 7,851</u>

All amounts are expected to be paid within the next 12 months.

Provision for 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 1 to this report.

Note 12: Capital and Leasing Commitments

As at 31 December 2016, the Anglican Funds Grafton Diocese had not engaged in any capital expenditure or leasing commitments.

Note 13: Events After the End of the Reporting Period

Following the end of the reporting period, Anglican Funds Grafton Diocese has lodged an identification statement with ASIC on 27 February 2017, in order to comply with the transitional arrangements of *ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813*. Refer Note 15 regarding additional information.

There have been no other matters arising since the End of the Reporting Period which are expected to significantly impact the operations, or the results of the operations, in future financial years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Note 14: Related Party Transactions

Transactions between related parties are on commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Note 15: APRA/ASIC Regulation

APRA and ASIC have completed their regulatory reviews into Religious Charitable Development Funds and issued new exemption orders as below:

APRA

APRA issued the *Banking Exemption No.1 of 2016 for Religious Charitable Development Funds* on 31 August 2016, effective from 1 January 2017. The Anglican Funds Grafton Diocese (listed as The Corporate Trustees of the Diocese of Grafton - Grafton Diocese Investment Fund) is a part of this determination and therefore has obtained certain exemptions as outlined in the *Banking Exemption No. 1 of 2016*, provided that the conditions within the determination are met. Anglican Funds Grafton Diocese have adjusted operations to fit within the requirements of the determination with minimal impact.

ASIC

ASIC issued the ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813 (the 2016 class order) on 22 September 2016, effective from that date. The 2016 class order allows a transitional period until 31 December 2017, provided that organisations covered continue to comply with exemptions under an earlier ASIC Class Order 02/184 and take the necessary steps to comply with the requirements of the 2016 class order during the transitional period. Anglican Funds Grafton Diocese intends to comply with the requirements of the 2016 class order and submitted an Identification Statement to ASIC on 27 February 2017. Anglican Funds Grafton Diocese is undertaking additional work to comply with the requirements of the 2016 class order.

ASIC have advised that there is some doubt as to whether Anglican Funds Grafton Diocese is entitled to rely on the transitional provisions of the 2016 class order. ASIC have indicated an intention to adopt a facilitative approach as Anglican Funds Grafton Diocese transition to the new regulatory regime. However, in the event that Anglican Funds Grafton Diocese is unable to comply with the 2016 class order, up to \$10.5 million of depositor funds will be required to be repaid during the transitional period ending 31 December 2017.

Note 16: Board Members

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
Mr David John Ford
Mr Kenneth John Adlington
Mr Philip Charles Crandon
Mr Edward Alfred Clarke
Mr Christopher Philip Nelson
Mr Terence Lancelot Hunt
Mr Gary Laurence Boyd

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Note	2016 \$	2015 \$
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Note 17: Financial Instruments

(a) Financial Risk Management

The operations of Anglican Funds Grafton Diocese expose it to a number of financial risks: credit risk, liquidity risk market risk and interest rate risk. The Board does not consider foreign currency risk to be significant given the financial instruments of the Fund. The entity's financial instruments consist mainly of deposits with banks, short term investments, interest bearing securities, loans receivable and accounts payable and depositor funds.

Interest Rate Risk

The Fund's interest rate risk arises from two significant components of its operations, being loans receivable and depositor funds. The fund also has interest rate risk in relation to its deposits with bank and interest bearing securities. Refer to note 17(b).

Credit Risk

Credit risk refers to the risk that a borrower will default on its obligations resulting in financial loss to the Fund. The Fund has strict policies in place relating to the collection and analysis of financial information prior to the lending of moneys. The Fund also obtains appropriate securities over loans made and monitors and reviews the operations and financial results of borrowers on a regular basis depending upon the individual borrowers risk assessment.

Liquidity Risk

Liquidity risk management requires the Fund to maintain sufficient liquid assets (mainly cash and cash equivalents) to enable redemptions of depositor funds, drawdown on approved borrowings and pay other operation costs as and when they become due and payable.

The Fund has loans receivable at 31 December 2016 of \$25,413,411 (2015: \$25,591,818). These loans receivable are a combination of short term floating rate facilities, interest only facilities and principal and interest facilities. The average years to maturity of loans receivable (excluding short term floating rate facilities) at 31 December 2016 is 6.50 years (2015: 6.77 years).

Depositor funds held at 31 December 2016 totalled \$39,599,081 (2015: \$39,226,365). These depositor funds represent a mix of short term at call floating rate facilities and fixed rate term investments. At 31 December 2016, 95.2% (2015: 94.7%) of funds held on deposit had a maturity date of less than 12 months.

The Fund manages its capital requirements by preparing forward looking cash flow reports in relation to its operational, investing and financing activities which are monitored on a monthly basis. Longer term trend analysis is also undertaken to identify future influences upon capital requirements.

	2016 \$	2015 \$
Available capital at end of financial year:		
Cash and cash equivalents	2,486,439	7,917,849
Unused finance facilities	1,600,000	1,600,000
	\$ 4,086,439	\$ 9,517,849

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(b) Interest Rate Risk

The entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Within 1 year		1 to 5 years		Over 5 years		Non-Interest Bearing		Total	
	2016 %	2015 %	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Financial assets:														
Cash and cash equivalents	1.5%	2.3%	2,486,439	1,917,849	-	6,000,000	-	-	-	-	-	-	2,486,439	7,917,849
Trade and other receivables	0.0%	0.0%	-	-	-	-	-	-	-	-	-	1,243	-	1,243
Available-for-sale financial assets	4.2%	2.5%	7,550,478	5,989,506	-	-	-	-	-	-	21,720	52,397	7,572,198	6,041,903
Held-to-maturity financial assets	2.6%	2.7%	-	-	5,712,411	1,153,807	-	-	-	-	-	-	5,712,411	1,153,807
Loans and receivables	5.4%	5.7%	6,485,533	7,869,948	3,253,543	2,617,374	11,399,516	10,469,496	4,274,819	4,635,000	-	-	25,413,411	25,591,818
Total			\$16,522,450	\$15,777,303	\$ 8,965,954	\$ 9,771,181	\$11,399,516	\$10,469,496	\$ 4,274,819	\$ 4,635,000	\$ 21,720	\$ 53,640	\$41,184,459	\$40,706,620
Financial liabilities:														
Trade and other payables	0.0%	0.0%	-	-	-	-	-	-	-	-	308,296	341,915	308,296	341,915
Depositor funds	2.5%	2.8%	6,630,883	5,614,323	31,062,563	31,550,353	1,905,635	2,059,699	-	-	-	2,000	39,599,081	39,226,375
Total			\$ 6,630,883	\$ 5,614,323	\$31,062,563	\$31,550,353	\$ 1,905,635	\$ 2,059,699	\$ -	\$ -	\$ 308,296	\$ 343,915	\$39,907,377	\$39,568,290

(c) Net Fair Values

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

No financial assets or financial liabilities are readily traded on organised markets in standardised form. For other assets and other liabilities the net fair value approximates their carrying value.

Note 18: Fund Details

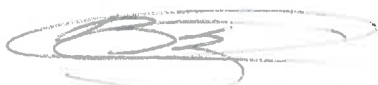
The registered office and principal place of business is:

Anglican Funds Grafton Diocese
50 Victoria Street
GRAFTON NSW 2460

**ANGLICAN FUNDS GRAFTON DIOCESE
ABN 42 489 753 905**

**STATEMENT BY THE FUND MANAGER
FOR THE YEAR ENDED 31 DECEMBER 2016**

In my opinion, the accounts present fairly the operations of the Anglican Funds Grafton Diocese for the year ended 31 December 2016 and of the state of affairs as at that date, and are properly drawn up in accordance with the accounting policies as described in Note 1 to the financial statements.



Blaine Fitzgerald
Fund Manager

Dated: 11 May 2017

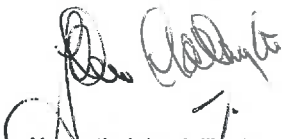
ANGLICAN FUNDS GRAFTON DIOCESE
ABN 42 489 753 905

STATEMENT BY THE MEMBERS OF THE ANGLICAN FUNDS GRAFTON DIOCESE
FOR THE YEAR ENDED 31 DECEMBER 2016

In the opinion of the members of the Anglican Funds Grafton Diocese, the accompanying financial statements:

- (a) presents fairly the operations of the Anglican Funds Grafton Diocese for the year ended 31 December 2016, and of the state of affairs as at that date and are properly drawn up in accordance with the accounting policies as described in Note 1 to the financial statements; and
- (b) at the date of this statement there are reasonable grounds to believe that the Anglican Funds Grafton Diocese will be able to pay its debts as and when they become due and payable; and
- (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.

Signed in accordance with a resolution at a duly constituted meeting, by:



Kenneth John Adlington
AFGD Board Acting Chairperson



Edward Clarke
AFGD Board Member

Dated: 11 May 2017

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGLICAN FUNDS
GRAFTON DIOCESE
ABN 42 489 753 905**

Opinion

We have audited the financial report of Anglican Funds Grafton Diocese, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the statement by the members of the Anglican Funds Grafton Diocese.

In our opinion, the accompanying financial report:

- (a) presents fairly the entity's financial position as at 31 December 2016 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards as described in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of Anglican Funds Grafton Diocese in accordance with the auditor independence requirements of the Australian Auditing Standards 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(m) in the financial report, which indicates that the ability to continue as a going concern is dependent upon several key assumptions relating to the continued operations and exemptions of the Anglican Funds Grafton Diocese. As stated in Note 1(m), these events or conditions, along with other matters as set forth in Notes 13 and 15, indicate that a material uncertainty exists that may cast significant doubt on the Fund's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Members of Anglican Fund Grafton Diocese's responsibilities for the Financial Report

The members of Anglican Funds Grafton Diocese are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the members and the entity's financial reporting responsibilities to Synod and for such internal control as the members determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGLICAN FUNDS
GRAFTON DIOCESE
ABN 42 489 753 905**

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the entity'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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the members of the Anglican Funds Grafton Diocese 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.


CROWE HORWATH CENTRAL NORTH



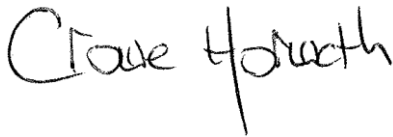
BRADLEY D BOHUN
Audit Partner
Registered Company Auditor
24 Queen Street
GRAFTON NSW 2460

Dated: 24 May 2017

DISCLAIMER TO THE MEMBERS OF ANGLICAN FUNDS GRAFTON DIOCESE

ABN 42 489 753 905

The additional financial data presented on page 22 is in accordance with the books and records of the entity which have been subjected to the auditing procedures applied in our statutory audit of the entity for the financial year ended 31 December 2016. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and we give no warranty of accuracy or reliability in respect of the data provided. Neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person (other than Anglican Funds Grafton Diocese) in respect of such data, including any errors or omissions therein however caused.



CROWE HORWATH CENTRAL NORTH



BRADLEY D BOHUN

Audit Partner

Registered Company Auditor

24 Queen Street

GRAFTON NSW 2460

Dated: 24 May 2017

ANGLICAN FUNDS GRAFTON DIOCESE
ABN 42 489 753 905

INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	\$	\$
Income		
Dividends received	678	1,246
Interest received	1,850,125	2,002,632
Sundry income	5,380	11,886
	<u>5,380</u>	<u>11,886</u>
Total Income	\$ 1,856,183	\$ 2,015,764
Expenditure		
Advertising	3,660	6,169
Bank charges	18,783	21,264
Computer expenses	112,473	109,434
Depreciation, amortisation and impairment	13,619	22,166
Donations	1,285	1,066
Finance costs	1,065,224	1,189,013
Insurance	8,271	8,531
Management fees	27,751	9,184
Office furniture & equipment	1,500	-
Other employment expenses	7,692	7,294
Postage	2,144	2,113
Printing and stationery	10,046	11,447
Professional fees - auditor's remuneration	18,000	21,003
Professional fees - consultancy fees	5,542	6,445
Provision for annual leave	2,997	(1,315)
Rent	5,200	5,200
Salaries and wages	222,381	242,475
Sundry expenses	2,009	1,155
Superannuation contributions	19,031	21,117
Telephone	1,968	2,366
Training and computer implementation	106	5,535
Travel and accommodation	8,957	6,360
	<u>8,957</u>	<u>6,360</u>
Total Expenditure	1,558,639	1,698,022
Profit before contribution to related parties	297,544	317,742
Contribution to Anglican Diocese of Grafton	<u>(175,000)</u>	<u>(150,000)</u>
Profit	\$ 122,544	\$ 167,742