ARCHDIOCESE OF MELBOURNE CATHOLIC DEVELOPMENT FUND

SPECIAL PURPOSE FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND
BOARD MEMBERS' REPORT

The Board Members submit herewith their report on the Archdiocese of Melbourne Catholic Development Fund ("the Fund") for the year ended 30 June 2019.

Board Members

The Board Members of the fund in office at any time during or since the end of the financial year are:

- Most Rev. D.J. Hart, DD (Chairperson)
  Joined the Board in May 2001 (Resigned 31 July 2018)
  Archbishop Emeritus of Melbourne

- Most Rev. P. A. Comensoli DD (Chairperson)
  Joined the Board 1 August 2018
  Archbishop of Melbourne

- Mr. F.X. Moore, LL.B B. Comm (Deputy Chairperson)
  Joined the Board in November 2004
  Executive Director, Administration Catholic Archdiocese of Melbourne

- Mr. C. Griss, TFASFA
  Joined the Board in December 2003
  Former Group CFO, ANZ Banking Group
  Former CEO, Esanda Finance Corp. Ltd.

- Mr. S. Elder, Dip. Ed., B. Ed. (Resigned 20 December 18)
  Joined the Board in September, 2006
  Executive Director, Catholic Education Melbourne

- Mr. A. Ryan, B. Bus. (Acc), FCPA, GAICD
  Joined the Board in August 2008
  Former CEO, MyLife MyFinance

- Mr. E. Passaris, B. Ec., CA, FCPA, RCA
  Joined the Board in December 2009
  Partner - Audit, Grant Thornton

- Rev. Msgr. A.J. Ireland, PP., E.V., B. Theol., STL, MA,STD, GAICD
  Joined the Board in December 2011
  Parish Priest of Doncaster Parish

- Dr. J.E. Ballard, BA, MHA, DBA, GAICD
  Joined the Board in June 2013
  Associate Vice Chancellor, Australian Catholic University

ARCHDIOCESE OF MELBOURNE
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BOARD MEMBERS' REPORT

- Mr. P. Velten, B. Ec., CPA
  Joined the Board in December 2013
  Director, Finance and Operations
  Catholic Archdiocese of Melbourne

- Ms. C. Proske, B. Com., PG. Dip. (App. Sc), CPA, M. Environmental Sc.
  Joined the Board in March 2017
  General Manager, Good Shepherd MicroFinance

- Rev. A. Doran, BA(Hons), BTheol, GradDipEd(Sec), MTS, AAICD
  Joined the Board in April 2017
  Parish Priest of Our Lady of Perpetual Help, Ringwood

- Mr Jim Miles, BA, B.Com., Grad. Dip. (Ec.), M. Com.
  Joined the Board in December 2018
  Acting Executive Director, Catholic Education Melbourne

Principal Activity

The principal activity of the Fund in the course of the financial year was to borrow monies from the Catholic Community to fund Catholic Capital Projects principally but not exclusively in the Archdiocese of the Melbourne, the Diocese of Sale and the Diocese of Bunbury to assist in achieving their Catholic Mission.

Operating Results

The net profit for the year ended 30th June 2019 was $29.59m which was before a provision for distribution of $12.75m to the Catholic Archdiocese of Melbourne, $1.35m to the Diocese of Sale and $1.18m to the Diocese of Bunbury. This compares to the 30th June 2018 financial year when the net profit was $29.12m before a distribution of $12.35m to the Catholic Archdiocese of Melbourne, $1.36m to the Diocese of Sale and $1.21m to the Diocese of Bunbury.

Significant Changes in State of Affairs

There were no significant changes in state of affairs for the Fund.

Subsequent events

There are no material subsequent events to report since the end of the financial year.

Review of Operations

The Fund has operated satisfactorily in the financial year ended 30th June 2019 and has met borrowing needs of Catholic Organisations in pursuit of its mission.

The Fund is also progressively implementing a significant IT Transformation project, including expanded IT capabilities. This has resulted in an increased employee headcount and costs.

Board Members' Remuneration

Other then as reported below, Board Member of the Fund had received or become entitled to a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Board Members shown in these Accounts, or the fixed salary of a full time employee of the Fund) by reason of a contract made by the Fund or a related corporation with the Board Member or with a firm of which they are a member, or with a company in which they have a substantial financial interest. T & S Consultuing Pty Ltd, were engaged by the Fund to provide consulting services in relation to the IT Transformation project meeting with the Funds in Adelaide and Perth. T & S Consulting, of which Mr. Anthony Ryan is a director were paid a fee of $1.5k.

Indemnification of Officers and Auditors

Insurance premiums have been paid to insure each of the Board Members and officers of the Fund, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of the Fund. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the Fund.

Environmental Regulations

The Fund's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Rounding of amounts to the nearest thousand dollars

The Fund is of a kind referred to in ASIC Legislative Instrument 2016/191, and therefore the amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable), or in certain cases, to the nearest dollar.

ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND
BOARD MEMBERS' REPORT

Signed in accordance with a resolution of Board Members.

Francis X Moore
....
Mr. F. X. Moore

....
Mr. C. Griss

Dated at Melbourne this 30th day of October, 2019.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board Members for the Financial Report

Management of the Entity is responsible for the preparation and fair presentation of the financial report and has determined that the basis of preparation and accounting policies described in Note 1 to the financial report is appropriate to meet the requirements of Australian Accounting Standards and is appropriate to meet the needs of the Board Members. Management's responsibility also includes such internal control as management determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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

The Board Members are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with The Board Members and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Stretton

Mark Stretton
Partner
Chartered Accountants

Melbourne, 30 October 2019

ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND
DECLARATION BY BOARD MEMBERS

As detailed in Note 1 to the financial statements, the Fund is not a reporting entity because in the opinion of the Board Members there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs.

Accordingly, this 'special purpose financial report' has been prepared to satisfy the Board Members' reporting requirements under the applicable accounting standards as outlined in Note 1.

The Board Members declare that:

(a) the attached financial statements and notes thereto are in compliance with applicable accounting standards as outlined in Note 1 and give a true and fair view of the financial position as at 30 June 2019, and performance of the year ended on that date; and

(b) 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 and is signed for and on behalf of the Board Members by:

Francis X Moore
....
Mr. F. X. Moore

....
Mr. C. Griss

Dated at Melbourne this 30th day of October, 2019.

ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
Interest revenue	3	62,347	57,571
Interest expense	4(a)	(25,819)	(22,364)
Net interest revenue		36,528	35,207
Other revenue	3	4,424	3,955
Employee benefits expense		(6,138)	(5,077)
Depreciation and amortisation expense	4(a)	(211)	(559)
Other expenses inc. donation paid	4(c)	(5,023)	(4,402)
Net Profit for the Year		29,580	29,124
Other comprehensive income for the year			
Items that will not be reclassified subsequently to Profit or Loss		-	-
Total comprehensive income		29,580	29,124

The accompanying notes should be read in conjunction with these financial statements.

ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Cash and cash equivalents	5	198,428	138,428
Floating rate notes	5	252,376	267,183
Other financial assets	5	50,000	4,000
Receivables	6	3,369	2,959
Loans and advances	7	1,182,465	1,028,542
Property plant and equipment	8	1,237	1,373
Intangibles	9	13	17
TOTAL ASSETS		1,687,888	1,442,502
LIABILITIES			
Customer Investments	10	1,431,843	1,253,075
Payables and other liabilities	11	59,763	7,606
Derivatives	12	-	16
Employee entitlement provisions	13	833	753
Provision for distribution to Archdiocese/Diocese	14	873	778
TOTAL LIABILITIES		1,493,312	1,262,228
NET ASSETS		194,576	180,274
EQUITY			
Reserves	15	5,586	4,816
Retained funds	16	188,990	175,458
TOTAL EQUITY		194,576	180,274

The accompanying notes should be read in conjunction with these financial statements.

ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Retained Earnings $'000	General Reserve for Credit Losses $'000	Total $'000
Balance at 30 June 2017	167,986	4,593	172,579
Equity invested in the CDF Community Fund by the Archbishop of Melbourne	(6,500)	-	(6,500)
Distribution to Archdiocese of Melbourne	(12,353)	-	(12,353)
Distribution to Diocese of Sale	(1,364)	-	(1,364)
Distribution to Diocese of Bunbury	(1,212)	-	(1,212)
Net profit for the year	29,124	-	29,124
Transfer to General Reserve for credit losses	(223)	223	-
Balance at 30 June 2018	**175,458**	**4,816**	**180,274**
Distribution to Archdiocese of Melbourne	(12,747)	-	(12,747)
Distribution to Diocese of Sale	(1,352)	-	(1,352)
Distribution to Diocese of Bunbury	(1,179)	-	(1,179)
Net profit for the year	29,580	-	29,580
Transfer to General Reserve for credit losses	(770)	770	-
Balance at 30 June 2019	**188,990**	**5,586**	**194,576**

The accompanying notes should be read in conjunction with these financial statements.

ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Customer loans granted		(324,450)	(285,653)
Customer loans repaid		170,527	216,431
Interest and bill discounts received		61,679	58,189
Interest and other costs of finance paid		(25,580)	(22,350)
Fees and commissions received		4,666	2,812
Fees and commissions paid		(1,663)	(1,540)
FRN Repurchase Facility		50,760	-
Payments to suppliers and employees		(8,252)	(7,504)
Net cash provided by/(used in) operating activities	21(c)	(72,313)	(39,615)
Cash flows from investing activities			
(Investment)/Redemption of term deposits > 3 months		(46,000)	(4,000)
(Investment)/Redemption floating rate notes		14,807	28,862
Net increase/(decrease) in customers' savings investments		30,303	(54,675)
Net increase in customers' fixed term investments		148,465	25,052
Payments for property, plant and equipment		(75)	(279)
Payments for intangible software		(3)	(18)
Proceeds from sale of property, plant & equipment		-	63
Net cash provided by/(used in) investing activities		147,497	(4,995)
Cash flows from financing activities			
Equity Injection to CDF Community Fund		-	(6,500)
Distributions paid		(15,183)	(17,947)
Net cash provided by/(used in) financing activities		(15,183)	(24,447)
Net increase/(decrease) in cash held		60,000	(69,057)
Cash at the beginning of the reporting period		138,428	207,485
Cash at the end of the reporting period	21(a)	198,428	138,428

The accompanying notes should be read in conjunction with these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Framework

The Fund is not a reporting entity because in the opinion of the Board Members of the Fund, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the Board's reporting requirements. The Fund is registered with the Australian Charities and Not-For Profits Commission as a Basic Religious Charity. The Fund has applied not-for-profit specific requirements contained in Australian Accounting Standards in the preparation of these financial statements.

Statement of Compliance

The financial report is a special purpose report which has been prepared in accordance with the recognition and measurement requirements specified by the relevant Accounting Standards and Interpretations, and the disclosure requirements of accounting standards AASB 101: Presentation of Financial Statements, AASB 107: Cash Flow Statements, AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and AASB 1054: Australian Additional Disclosures.

The financial report is for the entity "Archdiocese of Melbourne Catholic Development Fund" which is an agency of the Archdiocese of Melbourne.

Basis of Preparation

This financial report has been prepared on an accrual basis and is based on historical costs, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. All amounts are presented in Australian dollars, unless otherwise noted.

The Fund is of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Fund's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Adoption of new and revised Accounting Standards

In the current year, the Fund has adopted AASB 9 *Financial Instruments* and 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities* issued by the Australian Accounting Standards Board (the "AASB") that are relevant to its operations and effective for the current annual reporting period save for those identified in the Statement of Compliance.

The following is a summary of the material accounting policies adopted by the Fund in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The key changes in significant accounting policies and impacts from the transition are summarised below:

Classification and subsequent measurement:

AASB 9 has three classification categories for financial assets; amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The classification is based on the business model under which the financial asset is managed and its contractual cash flows. Entity applies the following principal policies for new financial assets' classifications in terms of AASB 9.

(i) Amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met: - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and - the contractual terms of the financial asset give rise on specified dates to cash flows that meet the sole payment of principal and interest (SPPI) requirements.

(ii) Fair value through other comprehensive income (FVTOCI)

A financial asset is measured at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements. Changes in the fair value of debt financial assets that are classified as FVTOCI are recognised in other comprehensive income (OCI), except for the recognition of expected credit losses, interest revenue and foreign exchange gains and losses which are recognised in the income statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(iii) Fair value through profit or loss (FVTPL)

Financial assets that are not measured at amortised cost or FVTOCI are measured at FVTPL. Equity financial assets are measured at FVTPL unless the entity irrevocably elects to present subsequent changes in the fair value in OCI. This election is made on an individual instrument basis and upon realisation of the equity instrument, the fair value gain or loss is transferred from a reserve account directly to retained earnings. Financial liabilities AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities. The CDF's financial assets and liabilities are initially measured at cost. Subsequent to initial recognition these instruments are measured according to the categories noted above.

Initial Application of AASB 9 Financial Instruments

AASB 9 Financial instruments replaced AASB 139 Financial instruments for the Financial Year ending after 1st Jan 2018. For comparative purposes the Fund is recognising and measuring as per AASB 9 from 1st July 2018. This has resulted in changes to accounting policies for the classification and measurement of financial assets and liabilities and impairment of financial assets. Financial assets and liabilities were measured at amortised cost under former AASB 139. There is no change to the carrying amounts determined under the new and old measurement categories according to AASB 9 and 139 respectively.

Impairment – Financial assets

AASB 9 replaces the AASB 139's incurred loss model with an expected credit loss model. The impairment requirements apply to financial assets of the Fund measured at amortised cost. Impairment losses are recognised in the profit or loss.

The amount provided for impairment of loans in determined by management and the Board.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. Movements in the general reserve for credit losses are accounted for as appropriations of retained profit. Bad debts are written off when identified. If an allowance for impairment has been recognised in relation to a loan, write offs for bad debts are made against the allowance. If no provision for impairment has previously been recognised, write offs for bad debts are recognised as expenses in the profit and loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment – Financial assets

Income Tax

No Income Tax is payable because the Fund is an Income Tax Exempt Charity.

Revenue

Loan interest revenue

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the loan account on the last day of each monthly or quarterly repayment period as the case may be.

Loan interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Investment interest revenue

Investment interest revenue from financial assets is recognized on a time-proportionate basis using effective interest method.

Fees

All fees are recognised upon the rendering of the service to the customer.

Donations and Grants

Donations and grants are measured at the fair value of consideration received or receivable.

Property, plant & equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, an accumulated depreciation and impairment losses. The not-for profit sector valuation of best use value in AASB 13 is not applied.

Customer Investments

Client investments are brought to account at fair value. Interest on investments is brought to account on an accrual basis. Interest accrued to balance date is shown as a part of clients' investments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by management to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net service potential that will be received from the assets' employment and subsequent disposal.

Depreciation

Depreciation of fixed assets is calculated on a straight line basis so as to write off the net cost of each asset during its useful working life. Additions are depreciated from the month of acquisition. If applicable, leasehold improvements are amortised over the period in which income for those assets is derived, and will continue until the expiration of the lease term of those assets. The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal and is included in the accounts of the Fund in the year of disposal.

The average depreciation and amortisation rates charged for the period by asset category were:

	Rate %		Rate %
Building	2.5	Computer Software	33.3
Fixtures	10.0	Motor Vehicles	15
Office furniture & equipment	20.0	Computer Equipment	33.3

There was no change to prior year rates.

Intangible assets

Computer Software

Computer software that is not integral to the operation of a related piece of hardware is classified as an intangible asset and is initially recognised at cost. Subsequent to initial recognition, computer software is carried at its cost less accumulated amortisation.

Customer Investment & Short Term

Customer investments are brought to account at fair value. Interest on investments is brought to account on an accruals basis. Interest accrued to balance date is shown as a part of customers' investments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to the balance date. Liabilities recognised in respect of long term employee benefits, such as long service leave and annual leave not expected to be taken in 12 months are measured as the present value of the estimated future cash outflows to be made by the Fund in respect of services provided by employees up to reporting date.

Superannuation Contributions - Accumulation Fund

Contributions are made by the Fund to Employee Superannuation Funds and are charged as expenses when incurred.

Derivative Financial Instruments

The Fund uses derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value, with any increase or decrease in value recognised in the profit or loss.

Goods & Services Tax (GST)

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

Comparative Figures

Where necessary, comparative figures have been adjusted to conform with the changes in presentation in the current year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Standards and Interpretations in issue but not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 15 *Revenue from Contracts with Customers* . CDF chooses to implement the standard the financial period starting after 01 Jan 19 according to 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities.*	01-Jan-19	30-Jun-20
CDF has assessed the impact of AASB 15 and determined there is no financial impact on the Statement of Profit or Loss and other Comprehensive Income. The estimated impact of AASB 15 disclosed above is based on accounting policies, assumptions, judgements, and estimation techniques that remain subject to change until the finalisation of the 2020 annual financial report.		
AASB 16 Leases will replace AASB 117 Leases, Interpretation, Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases - Incentives Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Standard will provide a comprehensive model for the identification of lease arrangements in their treatment in the financial statements of both lessees and lessors.	01-Jul-19	30-Jun-20
CDF has assessed the impact of AASB 16 and determined that the right of use assets and liability balance both will increase by approximately $2.7m. The assessed impact on the Statement of Profit or Loss and other Comprehensive Income will be to incur an minor additional cost of approximately $70k.		

2. INTEREST REVENUE AND EXPENSE

The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate.

1 July 2018 to 30 June 2019	Average Balance $'000	Interest $'000	Average Rate Per Annum %
Interest earning Assets			
Deposits with other financial institutions	671,867	16,864	2.51
Loans and advances	1,098,625	45,483	4.14
	1,770,492	62,347	3.52
Interest incurring Liabilities			
Customer Investments	1,574,333	25,819	1.64

1 July 2017 to 30 June 2018	Average Balance $'000	Interest $'000	Average Rate Per Annum %
Interest earning Assets			
Deposits with other financial institutions	697,033	16,868	2.42
Loans and advances	997,616	40,703	4.08
	1,694,649	57,571	3.40
Interest incurring Liabilities			
Customer Investments	1,511,048	22,364	1.48

3. REVENUE

	2019 $'000	2018 $'000
Interest revenue	62,347	57,571
Service fees & cost recoveries	3,452	3,301
Management fees	958	527
Donations received	-	40
Unrealised gain on valuation of derivatives (See Note 12)	-	87
Other income	14	-
Total other revenue	4,424	3,955
Total eevenue	66,771	61,526

4. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense has been determined after:

	2019 $'000	2018 $'000
(a) Expenses:		
Interest expense	25,819	22,364
Depreciation Expense		
- Plant and equipment	100	314
- Buildings and fixtures	104	237
Total depreciation expense	204	551
Amortisation expense	7	8
Total depreciation & amortisation expense	211	559
(b) Net loss on disposal of plant and equipment	-	8
(c) Other expenses:		
Other expenses	5,023	4,402
Inclusive of Insurance, Bank Charges, Consultancy and IT Maintenance		

5. CASH, CASH EQUIVALENT AND INVESTMENTS

	2019	2018
	$'000	$'000
Cash on hand and at banks	25,422	30,422
Deposits at call	63,006	42,006
Term deposits <3 months	110,000	66,000
Floating rate notes	252,376	267,183
	450,804	405,611
Term deposits >3 months	50,000	4,000
	500,804	409,611

6. RECEIVABLES

	2019	2018
	$'000	$'000
Interest receivable	2,315	1,648
Other	1,054	1,312
	3,369	2,960

7. LOANS AND ADVANCES

	2019	2018
	$'000	$'000
Overdrafts	14,179	12,789
Term loans	1,168,286	1,015,753
Gross loans and advances	1,182,465	1,028,542
Net loans and advances	1,182,465	1,028,542

Maturity Analysis

	2019	2018
	$'000	$'000
Overdrafts	14,179	12,789
Not longer than 3 months	28,616	27,426
Longer than 3 and not longer than 12 months	81,229	79,902
Longer than 1 and not longer than 5 years	347,086	336,305
Longer than 5 years	711,355	572,120
	1,182,465	1,028,542

8. PROPERTY PLANT AND EQUIPMENT

Building & fixtures	2019 $'000	2018 $'000
Buildings fixtures, at cost	1,093	1,204
Accumulated depreciation	(226)	(233)
	867	971
Office furniture & equipment, at cost	752	239
Accumulated depreciation	(607)	(67)
	145	172
Computer equipment, at cost	97	318
Accumulated depreciation	(77)	(298)
	20	20
Tangible computer software, at cost	149	54
Accumulated depreciation	(136)	(46)
	13	8
Motor vehicles, at cost	280	250
Accumulated depreciation	(88)	(47)
	192	203
Total property plant and equipment	1,237	1,374

8. PROPERTY PLANT AND EQUIPMENT (cont'd)

Movement in Carrying Amounts
Movement in the carrying amounts at each class of

	Buildings Fixtures $'000	Plant and Equipment $'000	Total $'000
Balance at the beginning of the period (1/7/18)	971	403	1,374
Additions	-	75	75
Disposals	-	-	-
Profit/(Loss) on disposal	-	-	-
Depreciation/Impairment expense	(111)	(100)	(211)
Carrying amount at the end of the period (30/6/19)	860	378	1,237
Balance at the beginning of the period (1/7/17)	1,131	585	1,716
Additions	76	203	279
Disposals	-	(62)	(62)
Profit/(Loss) on disposal	-	(8)	(8)
Depreciation/Impairment expense	(237)	(314)	(551)
Carrying amount at the end of the period (30/6/18)	971	403	1,374

9. INTANGIBLES

	2019 $'000	2018 $'000
Computer software at cost	152	45
Accumulated amortisation	(139)	(28)
	13	17

Movements in carrying amounts

Reconciliations of the carrying amounts of each class of intangible asset between the beginning and end of the current financial year are set out below.

Computer software	2019 $'000	2018 $'000
Balance at the beginning of the financial year	17	6
Additions	3	18
Amortisation expense	(7)	(7)
Carrying amount at the end of the financial year	13	17

10. CUSTOMER INVESTMENTS

	2019 $'000	2018 $'000
Customers' savings investments	534,754	504,451
Customers' fixed term investments	897,089	748,624
	1,431,843	1,253,075

Maturity analysis	2019 $'000	2018 $'000
Less than 1 day	534,754	504,451
1 day - 3 months	526,411	464,217
3 months - 12 months	358,929	256,064
1 year - 5 years	11,749	28,343
Longer than 5 years	-	-
	1,431,843	1,253,075

11. PAYABLES AND OTHER LIABILITIES

	2019	2018
	$'000	$'000
Interest payable	7,112	6,873
FRN repurchase facility liability	50,760	-
Other liabilities	1,891	733
	59,763	7,606

Securities sold under repurchase agreements represent a liability to repurchase the financial assets that remain on our balance sheet since the risks and rewards of ownership remain with Catholic Development Fund. Over the life of the repurchase agreement, we recognise the difference between the sale price and the repurchase price and charge it to interest expense in the Statement of Profit or Loss and Other Comprehensive Income.

12. DERIVATIVE LIABILITIES

Interest Rate Swap Contracts	-	16

Derivative Instruments used by the CDF.

The Fund enters into derivative transactions in the normal course of business to hedge exposure to fluctuations in interest rates in accordance with the Fund's financial risk management policy.

As at 30 June 2019, the Fund held no interest rate swaps (2018: 2) with the National Australia Bank ("NAB") with no face value (2018: $2.2M). The gains or losses from remeasuring the interest rate swap contracts at fair value are recognised in profit and loss as at balance date. As at the 30 June 2019, no unrealised gain or loss (2018: $0.087M) was recognised in profit and loss (Note 3).

13. PROVISIONS FOR EMPLOYEE ENTITLEMENTS

Provision for annual leave	305	308
Provision for long service leave	528	445
	833	753
Number of employees FTE at the end of the year	45	41

14. PROVISION FOR DISTRIBUTION TO ARCHDIOCESE/DIOCESE

Provision for Melbourne Archdiocese distribution	811	595
Provision for Sale Diocese distribution	33	134
Provision for Bunbury Diocese distribution	29	49
	873	778

15. RESERVES

(a) General Reserve for Credit Losses	2019 $'000	2018 $'000
General Reserve for Credit Losses at the beginning of the financial year	4,816	4,593
Appropriation of retained funds	770	223
General Reserve for Credit Losses at the end of the financial year	5,586	4,816
Total Reserves	5,586	4,816

The General Reserve for Credit Losses (GRCL) refers to a reserve held against potential losses reasonably assessed to be possible (but not certain) to arise from existing loans which are currently satisfying their contractual terms. Such possible losses reflect the credit risk intrinsic in the business which the Fund undertakes. A GRCL must be freely available to meet any credit losses that may subsequently materialise. The Fund's policy for GRCL is to maintain an amount equal to 0.05% of the drawn term loans as at the end of financial year.

16. RETAINED FUNDS

	2019 $'000	2018 $'000
Retained funds at the beginning of the financial period	175,458	167,986
Equity transferred to CDF Community Fund	-	(6,500)
Net profit	29,580	29,124
Total available for appropriation	205,038	190,610
Distributions provided for or paid	(15,278)	(14,929)
Transfer to General Reserve for Credit Losses	(770)	(223)
Retained funds at the end of the reporting period	188,990	175,458

17. RELATED PARTY DISCLOSURES

Amounts received or due and receivable from the Fund by Board Members and Committee Members of the Fund	164,390	112,708
Number of Board Members and Committee Members of the Fund whose income was within the following bands:		
$0 - $9,999	5	5
$10,000 - $19,999	5	3
$20,000 - $29,999	2	2
$30,000-$39,999	0	1
$40,000-$49,999	1	-

18. FINANCIAL INSTRUMENTS

Overview

The Fund's financial instruments consist of deposits with Australian banks, investment securities, loans to customers, investments from customers, accounts receivable and payable, and derivatives.

The main purpose of non-derivative financial instruments is to provide a source of finance and credit and other expenditures in the work of the Catholic Church within the Archdiocese of Melbourne, Diocese of Sale and Diocese of Bunbury.

Derivatives are used by the Fund for hedging purposes on fixed rate loans. Such instruments include swapping 180 days Bank Bill Swap Reference Rate for fixed rate loans. The Fund does not speculate in the trade of derivative instruments.

Financial Risk Exposures and Management

The Fund's lending, investment-taking and investing activities expose it to the following risks from its use of financial instruments:

- Credit risk
- Interest rate risk
- Liquidity risk

The Board has overall responsibility for the establishment and oversight of the risk management framework. Towards this end, the Board has established the Audit and Risk Management Committee and the Finance Committee. The committees regularly report on their activities to the Board. The following information describes the committees' responsibilities, terms of reference and authorities.

Title

Audit and Risk Management Committee

Responsibility

The Committee is responsible to the Board of the Catholic Development Fund for oversight of both the internal and external audits, the presentation of the Fund's annual accounts and the monitoring of the Fund's Risk Management Plan.

18. FINANCIAL INSTRUMENTS (cont'd)

Authority

The Committee may resolve matters referred or delegated by the Board otherwise the role is that of an advisory Committee. The quorum shall be two Board members.

Title

Finance Committee

Responsibility

The Finance Committee is responsible to the Board of the Catholic Development Fund for the monitoring of its financial performance, approval of loans with the Committee's delegation and the seeking of professional advice with regard to financial, investment, administration and property matters as required.

Authority

The Finance Committee may resolve matters referred or delegated by the Board otherwise the role is that of an advisory Committee. The quorum is three members, including at least two Board Members.

Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Fund. The Fund has a policy of only dealing with credit worthy counterparties and ensuring the Fund has adequate internal controls to mitigate the risk of financial loss to the Fund.

Credit Risk in loans receivable is managed by a careful evaluation of lending proposals by the Senior Management, the Chief Executive Officer, Finance Committee and the Board. All loans require ratification by the Board.

The quality of the loan portfolio is monitored by the Finance Committee with regular reports from management on overdrawn accounts, accounts in arrears and loans with larger exposures. Securities on the loans provided by the Fund are as follows:

i. Loans to Parishes, Parish Primary Schools and Archdiocesan Colleges are secured by title held by the Roman Catholic Trust Corporation.

ii. Loans to Orders are guaranteed by a letter of guarantee from the Order or by a mortgage on land and/or the business.

18. FINANCIAL INSTRUMENTS (cont'd)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Fund is exposed to this risk as it raises deposit and also lends and invest funds.

Market interest rates are monitored daily. The Fund's rates are reviewed at each Finance Committee meeting. Recommended interest rate changes are approved by the Finance Committee.

Interest Rate Sensitivity Analysis

The Fund's investment taking, lending and investment policies are all aimed at ensuring its financial position is not materially exposed to interest rate risk through changes in interest rates. To this end the Fund accepts investments 'at call', or with minor exceptions, with short term maturity not beyond 12 months. Similarly, loans (again with minor exceptions) are made at variable interest rates (or where at fixed rates are covered by 180 day bank bill Interest Rate Swap Agreements – see Note 12). Additionally, the Fund has the ability to adjust variable interest rate loans subject to market/competitive forces, to ensure that a satisfactory operating margin is achieved. Investments are principally, cash, fixed rate bank deposits/Bank Bills and floating rate notes of varying maturities.

The Fund's Board is of the opinion that these policies and practices together with prudent capital and liquidity management ensure that the Fund's exposure to interest rate movements in any one year are immaterial in the context on annual net operating profit and the net equity of the Fund.

18. FINANCIAL INSTRUMENTS (cont'd)

In support of this, the following Interest Rate Sensitivity Analysis shows the Net impact of one off 1% change in interest rates, on only those liabilities and assets which would be immediately impacted as at the end of the balance date. Any liabilities or assets as at balance date, with a maturity during the year or beyond are not included in the rate sensitivity calculation unless they were capable of being re-priced as at the end of the relevant reporting period. The following table details the calculations, showing a Net Operating Profit impact of +/- $223K as at 30 June 2019 and +/-$878K as at 30 June 2018.

Financial instrument assets			**1% +/- VARIANCE**	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cash and liquid assets	25,422	30,422	254	304
Floating rate notes	252,376	267,183	2,524	2,672
Loans and advances	1,166,492	1,016,755	11,665	10,168
TOTAL FINANCIAL INSTRUMENTS ASSETS	1,444,290	1,314,360	14,443	13,144
Customer Investments	1,420,094	1,224,732	14,201	12,247
Derivatives Liability	-	16	-	19
TOTAL FINANCIAL INSTRUMENT LIABILITIES	1,420,094	1,224,748	14,201	12,266
NET CHANGE			242	878

The Fund's operations allow it to re-price interest rates for loan and investment products running variable rates to allow for market movements in interest rates. Loan products on fixed rates have interest rate swap arrangements in place to compensate for market movements. These factors would have ensured that any impact on the surplus and equity of the Fund would be immaterial to the year ended 30 June 2019.

18. FINANCIAL INSTRUMENTS (cont'd)

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund limits it exposure to liquidity by investing in highly liquid securities which are realisable when the need arises.

The approved Investment Policy regarding credit and liquidity risk is as follows:

Liquid Assets Management

Liquid assets management is the responsibility of the Fund's Treasury Department.

The investment portfolio, including bank account balances, is monitored daily. Liquid assets are to be managed in a way to ensure that:

(i) Capital value is preserved;

(ii) Optimum return is achieved; and

(iii) Sufficient cash-flow is maintained to cover the Fund's operational commitments.

Liquid assets are managed in accordance with the Fund's Investment Guidelines and Liquidity Management Policy.

Liquidity Management

The Fund monitors liquidity on a daily basis in accordance with its liquidity management policy.

The minimum liquidity holding (MLH) target ratio is set at 12%

18. FINANCIAL INSTRUMENTS (cont'd)

Liquidity and interest risk tables

The following tables detail the Fund's remaining contractual maturity for its derivative and non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial assets and liabilities based on the earliest date on which the Fund can be required to pay. The table includes both interest and principal cash flows. Whilst current liabilities exceed current assets; investments held by the Fund are considered non-volatile as clients have a contractual agreement when borrowing to invest surplus funds with the Fund. There has been no change to the risk management policy since the prior year.

Liquidity and interest risk tables	Weighted average eff. interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
ASSETS	%	$'000	$'000	$'000	$'000	$'000	$'000
2019							
Variable interest rate deposits	2.26	86,000	24,000	46,000	4,000	-	160,000
Variable interest rate FRNs	2.42	5,100	12,350	60,376	160,550	14,000	252,376
Variable interest rate loans	4.14	9,502	19,114	81,228	347,086	725,210	1,182,141
Fixed interest rate loans	7.70	-	-	324	-	-	324
		100,602	55,464	187,928	511,636	739,210	1,594,841
2018							
Variable interest rate deposits	2.42	66,000	-	-	4,000	-	70,000
Variable interest rate FRNs	3.19	9,000	13,000	45,753	199,430		267,183
Variable interest rate loans	4.08	9,142	18,285	79,901	336,303	584,911	1,028,542
Fixed interest rate loans	3.97	222	-	667	1,641	-	2,530
		84,365	31,285	126,322	541,374	584,911	1,368,255

18. FINANCIAL INSTRUMENTS (cont'd)

Liquidity and interest risk tables LIABILITIES	Weighted average eff. interest rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	Over 5 years $'000	Total $'000
2019							
Variable interest rate investments	0.58	534,754	-	-	-	-	534,754
Fixed interest rate term investments	2.54	171,837	354,575	358,929	11,748	-	897,089
		706,591	354,575	358,929	11,748	-	1,431,843
2018							
Variable interest rate investments	0.47	504,451	-	-	-	-	504,451
Fixed interest rate term investments	2.55	134,324	330,796	255,161	28,343	-	748,624
		640,514	332,540	259,634	30,379	-	1,253,075

Outstanding floating for fixed contracts		1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
DERIVATIVES	%						
2019							
Net settled							
Interest rate swaps	-	-	-	-	-	-	-
2018							
Net settled							
Interest rate swaps	4.35	(50,450)	(5,099)	-	-	-	(55,549)

18. FINANCIAL INSTRUMENTS (cont'd)

Net fair values

	2019		2018	
	Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial assets				
Cash on hand and at banks	88,428	88,428	72,428	72,428
Term deposits	160,000	160,000	70,000	70,000
Floating rate notes	252,376	254,235	267,183	267,221
Loans and Receivable	1,185,834	1,344,882	1,031,501	1,064,607
	1,686,638	1,847,545	1,441,112	1,474,256
Financial Liabilities				
Customer Investments	534,754	534,754	504,451	504,451
Customer Term Investments	897,089	897,089	748,624	748,624
Derivatives	-	-	16	16
	1,431,843	1,431,843	1,253,091	1,253,091

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. All Interest Rate Swaps are classified as Level 2 inputs (2018: Level 2).

Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Quoted prices (unadjusted in active markets for identical assets & liabilities that the Fund can access at the time of measurement.	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable.	Inputs that are not based on observable market data. The assumptions used must reflect those that market participants would use, including risk.

19. AUDITORS' REMUNERATION

	2019	2018
	$	$
Amounts received or due and receivable by the auditors for:		
Auditing the financial report.	61,500	57,000
	61,500	57,000

The auditor of the Fund is Deloitte Touche Tohmatsu.

20. COMMITMENTS

	$'000	$'000
Loans approved but not disbursed	235,154	203,493

21. CASH FLOW INFORMATION

(a) Reconciliation of Cash

For the purpose of the cash flow statement, cash includes cash on hand, 'at call' deposits and term deposits with other financial institutions. Cash at the end of the reporting period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	$'000	$'000
Cash	25,422	30,422
Deposits at call & Term Investments	223,006	112,006
	248,428	142,428
Less Term Investments > 3 months	50,000	4,000
Cash	198,428	138,428

(b) Cash Flows Presented on a Net Basis

Cash flows arising from the following activities are on a net basis in the cash flow statement:

(i) customer investments in and withdrawals from savings, money market and other deposit accounts;
(ii) sales and purchases of dealing securities;
(iii) sales and purchases of maturing certificates of deposit; and
(iv) short-term borrowings.

21. CASH FLOW INFORMATION (cont'd)

(c) Reconciliation of Net Cash provided by Operating Activities to Operating Profit

	2019 $'000	2,018 $'000
Operating profit before distribution	29,580	29,124
Unrealised gain on revaluation of derivatives	-	(87)
Net loans granted	(153,923)	(69,222)
Depreciation and amortisation	211	559
Net loss/(gain) on asset sales	-	8
Increase/(decrease) in interest receivable	(668)	618
Increase/(decrease) in other debtors	258	(1,055)
Increase/(decrease) in accrued expenses and commitments	52,147	216
Increase/(decrease) in employee entitlements	83	226
Net cash provided by operating activities	(72,313)	(39,614)

22. SUBSEQUENT EVENTS

There are no material subsequent events to report since the end of the financial year.

23. FUND DETAILS

The registered office of the Fund is:

Archdiocese of Melbourne, Catholic Development Fund
Level 4, 486 Albert Street
EAST MELBOURNE VIC 3002
Tel: (03) 9926 2200