

ARMIDALE DIOCESAN INVESTMENT GROUP

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2021

Armidale Diocesan Investment Group
Income Statement
FOR THE YEAR ENDED 31 JANUARY 2021

	Note	2021 \$	2020 \$
Income from Loans & Investments	2	6,874,933	23,360,359
Interest Expense		(2,736,670)	(7,606,816)
Net Investment Income		4,138,263	15,753,543
Expenses from continuing operations		(2,071,624)	(2,262,593)
Profit from continuing operations	3	2,066,639	13,490,950
Add/(Less) - Transfers from/(to) Reserves	4	1,663,806	(10,000,000)
Surplus after reserve transfers		3,730,445	3,490,950
Add - Accumulated Surpluses brought forward		14,702,186	13,749,518
Total available for appropriation		18,432,631	17,240,468
Less - Distributions	5	(3,888,561)	(2,538,283)
Accumulated Surpluses carried forward		14,544,070	14,702,186

The accompanying notes form part of these financial statements.

Armidale Diocesan Investment Group

Balance Sheet

AS AT 31 JANUARY 2021

	Note	2021	2020
			\$
Assets			
Cash and cash equivalents	6	129,564,762	30,905,869
Trade and other receivables	7	1,319,265	662,724
Investment securities	8	196,942,756	286,293,198
Investment properties	9	32,125,000	35,837,911
Loans and advances	10	12,211,273	13,161,890
Plant, equipment and vehicles	11	256,886	302,175
Total Assets		372,419,942	367,163,768
Liabilities			
Amounts owed to depositors	12	326,823,142	320,022,398
Trade and other payables	13	870,501	517,015
Provisions	14	94,833	170,967
Total Liabilities		327,788,476	320,710,380
Net Assets		44,631,466	46,453,388
Equity			
Reserves	15	30,087,396	31,751,202
Accumulated Surpluses		14,544,070	14,702,186
Total Equity		44,631,466	46,453,388

The accompanying notes form part of these financial statements.

Armidale Diocesan Investment Group
Cash Flow Statement
FOR THE YEAR ENDED 31 JANUARY 2021

	2021	2020
	\$	\$
Cash Flow From Operating Activities		
Interest & distributions received on investments	1,586,748	10,210,044
Interest received on loans	459,454	921,938
Net rentals/distributions received on property investments	947,416	1,915,320
Interest paid on deposits	(4,461,504)	(6,001,014)
Payments to suppliers and employees	(2,067,552)	(2,071,575)
Net cash provided by operating activities (note 16)	(3,535,438)	4,974,713
Cash Flow From Investing Activities		
Payment for Investment Properties	0	(217,661)
Proceeds from sale of plant, equipment & vehicles	0	8,000
Net reduction/(increase) in loans	950,945	894,092
Net reduction/(increase) in investments	92,735,969	(16,709,458)
Net cash provided by (used in) investing activities	93,686,914	(16,025,027)
Cash Flow From Financing Activities		
Net increase in deposits	6,800,744	21,768,680
Distributions paid	(3,786,283)	(2,495,000)
Net cash provided by financing activities	3,014,461	19,273,680
Net increase in cash held	93,165,937	8,223,366
Cash at the beginning of the year	30,905,869	22,682,503
Cash at the end of the year (note 6)	129,564,762	30,905,869

The accompanying notes form part of these financial statements.

Armidale Diocesan Investment Group

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JANUARY 2021

Note 1: Statement of Significant Accounting Policies

Basis of Preparation

The financial report is a special purpose financial report, prepared in order to satisfy the financial statement preparation requirements of the Board of the Armidale Diocesan Investment Group (the Group) and the Trustees of the Catholic Diocese of Armidale (the Trustees).

The Board and Trustees have determined that the Group is a non-reporting entity and therefore there is no requirement to apply Accounting Standards and other mandatory professional reporting requirements in the preparation and presentation of these statements.

The statements have been prepared in accordance with the requirements of the Board and the Trustees and the following Australian Accounting Standards and other mandatory professional reporting requirements:

AASB 110: Events Occuring after Reporting Date

AASB 116: Property, Plant & Equipment

AASB 119: Employee Benefit Provisions

AASB 136: Impairment of Assets

AASB 137: Provisions, Contingent Liabilities and Contingent Assets

AASB 9: Financial Instruments - Except expected credit loss provision

No other Accounting Standards or other mandatory professional reporting requirements have been applied. The Group has considered the potential impact of AASB 1058 Income of Not-for-Profit Entities but deemed that it is not applicable or not expected to have any significant impact on the Financial Statements.

The statements are prepared on an accruals basis. Except as stated in the following specific accounting policies, the financial statements have been prepared on the basis of historic costs and do not take into account changing money values or, except where specifically stated, current valuations of assets.

Income tax

The Group is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997 as it is part of a religious institution.

Armidale Diocesan Investment Group

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JANUARY 2021

Plant, Equipment & Vehicles

Plant, Equipment and Vehicles are included at cost and are depreciated on a diminishing value basis over five years. Office furniture and fittings are depreciated on a straight line basis over 10 years.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of plant and equipment for not-for-profit-entities is the current replacement cost discounted to current asset condition. Impairment losses are recognised in the income statement.

Leases

The Group does not use finance leases.

The Group has not adopted AASB 16 - Leases which applies for reporting periods commencing after 1 July 2019. This standard requires operating lease liabilities to be brought to account in the Balance Sheet and offset by an asset for right to use. Payments made under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. All rental payments made by the Group are to related parties.

Classes of Assets and Liabilities

Assets and liabilities have been grouped by their nature and listed on the Balance Sheet in the approximate order of their liquidity. These classes have not been allocated to their current and non-current portions.

Loans & Investment Securities

Loans and investments are included at cost except for publicly traded unit trusts and unit funds which are valued at their redemption value as at balance date. Direct property investments are included at fair market value as at balance date. Movements in fair market values are recognised as revenue items and included in the operating surplus in the income statement.

Under AASB 9: Financial Instruments, the Group has adopted the following classifications and asset recognition criteria for its financial instruments:

- Floating Rate Notes, Bank Bills & Deposits, Mortgage loans - are measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying value of the investment are recognised in profit & loss.
- Unit Trusts & Cash Plus Funds - these investments are carried at fair value with subsequent changes in value recognised in profit & loss.
- Investment Property - these investments are carried at fair value with subsequent changes in value recognised in profit & loss.

Unrealised gains or losses on Unit Trusts, Cash Plus Funds and Investment Property are recognised in income.

Armidale Diocesan Investment Group

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JANUARY 2021

Employee Entitlements

Provision is made for the Group's liability for annual leave and long service leave arising from services rendered by employees to the balance date.

All liabilities for annual leave have been included at their nominal value, including allowance for applicable on-costs. Long service leave is provided on a pro-rata basis for all employees who have completed 1 full year of service adjusted by probability factors relevant to the number of years service and the likelihood that the employee will ultimately qualify for a relevant benefit. The provision is based on current pay rates plus applicable on-costs indexed to expected future entitlement dates and then discounted to current values.

Statutory contributions are made by the Armidale Diocesan Investment Group to employee superannuation funds and are charged as expenses when incurred.

Provision for Impairment of Loans

In accordance with the relevant Australian equivalent to International Financial Reporting Standards (AIFRS), provision has been made for the write down of loans due to the possibility of some loans not being recoverable.

The Group has not adopted the the expected credit loss models prescribed by AASB9: Financial Instruments in developing its impairment provision in the Financial Statements.

Cash and Cash Equivalent Assets

For the purpose of the statement of cash flows, cash includes cash on hand and in deposits with banks or financial institutions and investments in money market instruments maturing within one month, net of any bank overdrafts.

Revenue Recognition

Interest and rental revenue are recognised on an accrued proportional basis taking into account the interest rates and current rentals applicable to the financial assets. Lease and rental incentives received in cash on acquisition of investment property assets are treated as deferred income and amortised to income over the relevant future periods to which they relate. Dividend revenue is recognised when received.

Armidale Diocesan Investment Group

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JANUARY 2021

Investment, Loan Asset & Sundry Reserves

The Group has adopted a reserving policy in relation to various classes of investments which aims to maintain the following minimum target reserve amounts:

Direct Investment Property Maintenance & Vacancies - 25% of fully leased income over 5 years.

Property Investment Valuation Fluctuation - 10.00%

Equity/Unit Trust Investment Valuation Fluctuation - 15.00% of total equity value

Fixed Interest Investments General Reserve - 0.50% of total cash investment value

The policy provides for annual transfers to and from reserves to maintain the reserve balance at least equal to the minimum percentage of asset values but additional amounts may be transferred in appropriate circumstances. These transfers are not treated as revenue adjustments and do not affect the reported operating profit for the year. The transfers are shown below the operating profit line in the income

Smoothing techniques are applied by the Group to the returns from equity based unit trust and property investments. Where returns are in excess of the long term expected earnings or "benchmark", the excess is transferred to the relevant Investment Fluctuation Reserve. Where returns are lower than the "benchmark", the shortfall is transferred (to the extent funds are available) from the Reserve.

In the case of direct property investments acquired during a financial year, the target reserve provision for maintenance and vacancies (of 10% of the asset value) would normally be accumulated over a period of up to 5 years following the year of purchase.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except to the extent that GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as an item of expense.

Amounts owed to depositors

Diversified fund deposits are initially recognised at the amount received. After initial recognition, deposits are subsequently measured at amortised cost using a unit price.

The unit price is calculated and posted to the account monthly. The unit price is determined based on the performance of investments in the fund less a management fee.

All other amounts owed to depositors are initially recognised at the amount received. After initial recognition, deposits are subsequently measured at amortised cost using the effective interest method.

Interest is calculated on the daily balance and posted to the accounts periodically, or on maturity in the case of Term Deposits. Interest expense on Savings accounts is brought to account on an accruals basis. Interest is recognised on an effective interest basis.

Armidale Diocesan Investment Group
Notes to the Financial Statements
FOR THE YEAR ENDED 31 JANUARY 2021

	2021	2020
	\$	\$
Note 2: Revenue		
Interest receivable	3,470,722	4,481,875
Change in value of equity trusts & distributions	4,488,254	15,222,419
Net Property Rentals	947,416	2,438,986
Change in value of property unit trusts & distributions	1,221,998	633,826
Fair value adjustment for Investment Properties	(3,712,911)	0
Total investment income	6,415,479	22,777,107
Loans:		
Interest receivable from loans	459,454	583,252
Total Revenue	6,874,933	23,360,359
Note 3: Profit from Ordinary Activities		
Profit from ordinary activities has been determined after:		
Charging as Expenses:		
Borrowing Costs (interest expense)	2,736,670	7,606,816
Expenses from Continuing Operations	2,014,307	2,140,887
Net movement in provision for employee entitlements	(76,134)	65,940
Depreciation of plant, equipment & vehicles	53,294	65,404
Provision for bad debts/(write back)	26,912	(31,662)
Auditors Remuneration	53,245	22,024
Total Expenses	4,808,294	9,869,409

Armidale Diocesan Investment Group
Notes to the Financial Statements
FOR THE YEAR ENDED 31 JANUARY 2021

	2021	2020
	\$	\$
Note 4: Transfer to/(from) Reserves		
<i>Transfers to/(from) Reserve Funds for the year:</i>		
- Investment Fluctuation Reserve	(1,663,806)	19,542,037
- Financial Regulation Special Reserve	0	(155,037)
- Property Valuation Fluctuation Reserve	0	(4,000,000)
- Property Maintenance & Vacancy Reserve	0	(3,277,000)
- Interest Investments General Reserve	0	(2,110,000)
Net Movement in Reserves	(1,663,806)	10,000,000
See also note 16.		
Note 5: Distributions		
Catholic Diocese of Armidale	1,473,000	1,375,000
Special Distribution - Wilcannia Forbes Diocese	565,561	463,283
Special Distribution - Parishes (COVID-19)	1,000,000	0
Grants to Parishes	650,000	600,000
Grants to Priests Retirement Foundation	200,000	100,000
	3,888,561	2,538,283
Note 6: Cash and Cash Equivalents		
Bank operating accounts	262,270	281,822
Cash on hand and in transit	5,772	42,067
Bank deposits with less than 1 month to maturity	129,296,720	30,581,981
	129,564,762	30,905,869

Armidale Diocesan Investment Group

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JANUARY 2021

	2021	2020
	\$	\$
Note 7: Trade and other receivables		
Debtors & prepayments	1,319,265	662,724
	1,319,265	662,724
Note 8: Investment Securities		
<i>Investments in Financial Assets held at amortised cost</i>		
- Fixed Interest Deposits with Banks - at cost	139,132,847	133,081,981
- Floating Rate Notes - at amortised cost	89,499,563	101,836,121
- Mortgage Loans - at cost	400,000	400,000
<i>Investment in Financial Assets designated at fair value through profit & loss</i>		
- Unit Trusts - at redemption value	80,378,661	75,069,519
- Property Trusts - at redemption value	16,828,405	6,295,638
<i>Other financial assets:</i>		
- Accrued Interest on Investments	0	191,920
	326,239,476	316,875,179
- Less - cash equivalent financial assets with less than 30 day maturities	(129,296,720)	(30,581,981)
	196,942,756	286,293,198

Armidale Diocesan Investment Group
Notes to the Financial Statements
FOR THE YEAR ENDED 31 JANUARY 2021

	2021	2020
	\$	\$
Note 9: Investment Properties		
Opening balance 1 February 2020	35,837,911	35,620,250
Add - Additions		217,661
Net gain/(loss) from fair value adjustment	(3,712,911)	0
Closing balance 31 January 2021	32,125,000	35,837,911
<p>Investment properties are stated at fair value, which is determined based on valuations performed by independent valuers on a bi-annual basis. In the intervening years, fair value is determined using available property indices and other relevant market information. The last formal valuation obtained for the Tamworth property was 31 January 2021 and the Brisbane property revalued 31 January 2021.</p>		
Note 10: Loans and advances to customers		
- Loans to Church Institutions	12,740,018	13,648,266
- Loans to Priest's Car Fund (net of credit balances)	(143,444)	(127,985)
- Accrued Interest on Loans	0	0
	12,596,574	13,520,280
- Less: Provision for Impairment	(385,302)	(358,390)
Total Loans	12,211,273	13,161,890

Armidale Diocesan Investment Group
Notes to the Financial Statements
FOR THE YEAR ENDED 31 JANUARY 2021

	2021	2020
	\$	\$
Note 11: Plant, Equipment & Vehicles		
Plant and equipment:		
- At cost	367,923	367,926
- Less: Accumulated depreciation	(210,019)	(170,545)
	157,904	197,381
Office furniture & fittings:		
- At cost	222,293	222,294
- Less: Accumulated depreciation	(143,619)	(134,879)
	78,674	87,414
Motor vehicles:		
- At cost	57,774	72,254
- Less: Accumulated depreciation	(37,467)	(54,874)
	20,307	17,380
Total Plant, Equipment & Vehicles	256,886	302,175
Note 12: Amounts owed to depositors		
- Individuals	75,151,612	87,401,398
- Church Institutions	132,853,814	117,401,723
- Parish Growth Accounts	29,737,816	30,349,215
- Cheque Accounts	5,531,617	4,335,303
- <i>Sub-total</i>	243,274,860	239,487,637
- CSO Short term Deposits	83,548,282	80,534,761
- Total Deposits	326,823,142	320,022,398

Armidale Diocesan Investment Group
Notes to the Financial Statements
FOR THE YEAR ENDED 31 JANUARY 2021

	2021	2020
	\$	\$
Note 13: Trade and other payables		
- Trade Creditors	870,501	517,015
	870,501	517,015
Note 14: Provisions		
Provision for employee annual leave and long service leave	94,833	170,967
	94,833	170,967
Note 15: Reserve Funds		
Equity Investment Fluctuation Reserve		
- Opening balance	0	12,209,165
- Less - transfers from reserve for year	0	(12,209,165)
- Closing balance	0	0
Investment Property Maintenance & Vacancy Reserve		
- Opening balance	0	3,277,000
- Less - transfers from reserve for year	0	(3,277,000)
- Closing balance	0	0
Property Investment Valuation Fluctuation Reserve		
- Opening balance	0	4,000,000
- Less - transfers from reserve for year	0	(4,000,000)
- Closing balance	0	0
Doubtful Loans Reserve		
- Opening balance	0	349,451
- Less - transfers to provision for impairment	0	(349,451)
- Closing balance	0	0

Armidale Diocesan Investment Group
Notes to the Financial Statements
FOR THE YEAR ENDED 31 JANUARY 2021

	2021	2020
	\$	\$
Interest Investments General Reserve		
- Opening balance	0	2,110,000
- Less - transfers from reserve for year	0	(2,110,000)
- Closing balance	0	0
Financial Regulation Special Reserve		
- Opening balance	0	155,037
- Less - transfers from reserve for year	0	(155,037)
- Closing balance	0	0
Investment Fluctuation Reserve		
- Opening balance	31,751,202	0
- Add - transfers (from)/to reserve for year	(1,663,806)	31,751,202
- Closing balance	30,087,396	31,751,202
Total Reserve Funds	30,087,396	31,751,202

See also Note 1

Armidale Diocesan Investment Group
Notes to the Financial Statements
FOR THE YEAR ENDED 31 JANUARY 2021

	2021	2020
	\$	\$
Note 16: Reconciliation of Net Cash Provided by/used in Operating Activities to Net Profit		
Operating Profit	2,066,639	13,490,950
Add:		
Depreciation	53,294	65,404
Increase/(reduction) in provision for employee entitlements	(76,134)	65,940
Increase/(reduction) in provision for bad debts	26,912	(31,662)
Increase/(reduction) in trade creditors	(2,191,343)	(126,325)
Increase/(reduction) in accrued interest on deposits	(226,508)	1,605,802
Decrease/(increase) in debtors & prepayments	693,016	31,794
Decrease/(increase) in value of property investments (net)	0	0
Decrease/(increase) in value of Property Trusts	(395,916)	(117,419)
Less:		
Decrease/(Increase) in value of Equity/Unit Funds	(1,571,043)	(10,572,621)
Amortisation of deferred rental income	0	(844,412)
Amortisation of gain on Floating Rate Notes	(136,558)	(78,033)
(Increase)/Reduction in accrued interest on loans & investments	0	1,485,295
Net cash flow used in operating activities	(3,535,438)	4,974,713

Armidale Diocesan Investment Group

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JANUARY 2021

Note 17: Contingent Liabilities

The Group has arranged a master credit card facility with its bankers covering a number of Diocesan agencies. Each agency is responsible for the control and payment of its respective cards and no defaults are expected. However, in the event of a default by any of those agencies, the Group would be required to meet the liability. As at the end of the financial year, the total facility applicable to other Diocesan agencies was \$2,000,000.

Note 18: Future Operations

During the year ended 2019/2020, ADIG implemented its new management structure and operations. The New Management team have been working to set the the business, operational and investment strategy to ensure ADIG continues to grow and perform strongly into the future. ADIG will continue to operate to deliver this strategy to provide financial support to the mission of the Armidale Diocese.

Armidale Diocesan Investment Group

Declaration by Members of the Board

The members of the Board of the Armidale Diocesan Investment Group, hereby declare that:

The financial report comprising the Income Statement, Balance Sheet, Statement of Cash Flows and the Notes to the Financial Statements:

- (a) have been prepared in accordance with the accounting policies described in note 1 and the accounting policies are appropriate to the needs of the Board and the Trustees of the Roman Catholic Church for the Diocese of Armidale; and
- (b) give a true and fair view of the financial position as at 31 January, 2021 and of the performance of the Group for the year ended on that date.

In the opinion of the Board members, there are reasonable grounds to believe that the Group 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 members of the Board.



Paul Mazzola
Board Member



A Hamilton
Board Member

Dated: 28 April 2021