Diocesan Development Fund

SPECIAL PURPOSE ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
Revenue from continuing operations	3	**8,806,593**	8,657,792
Other income:			
Net gain/(loss) on investments designated as fair value through profit or loss	4	**2,725,706**	(36,290)
Sundry income	4	**1,174**	356
Expenses:			
Administration	5	**(521,305)**	(512,378)
General	6	**(13,080)**	(58,120)
Investment management fee	7	**(142,269)**	-
Finance costs	8	**(3,097,031)**	(3,214,053)
Profit before income tax		**7,759,788**	4,837,307
Income tax expense		-	-
Profit after income tax		**7,759,788**	4,837,307
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**7,759,788**	4,837,307

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	9	**13,168,958**	8,888,433
Receivables	10	**675,793**	1,086,856
Loans	11	**7,239,630**	7,851,030
Investments	11	**107,483,993**	111,010,643
Other assets	12	**3,517**	4,366
Total current assets		**128,571,891**	128,841,328
Non-current assets			
Loans	13	**63,562,130**	63,546,313
Investments	14	**54,693,358**	33,055,543
Total non-current assets		**118,255,488**	96,601,856
Total assets		**246,827,379**	225,443,184
LIABILITIES			
Current liabilities			
Payables	15	**45,852**	1,657
Provisions	16	**81,283**	104,863
Customer funds		**233,121,496**	215,826,360
Total current liabilities		**233,248,631**	215,932,880
Non-current liabilities			
Provisions	17	**110**	2,163
Total non-current liabilities		**110**	2,163
Total liabilities		**233,248,741**	215,935,043
Net assets		**13,578,638**	9,508,142
EQUITY			
Retained earnings	18	**13,578,638**	9,508,142
Total equity		**13,578,638**	9,508,142

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
Total equity at the beginning of the financial year	18	**9,508,142**	8,261,244
Adjustment on initial application of AASB 9 to opening retained earnings balance		**-**	44,367
Profit for the year		**7,759,788**	4,837,307
Distribution to the Roman Catholic Trust Corporation		**(3,689,292)**	(3,634,776)
Total recognised income for the year		**4,070,496**	1,202,531
Total equity at the end of the financial year	**18**	**13,578,638**	9,508,142

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	9,217,391	8,625,214
Interest paid	(3,097,031)	(3,214,053)
Payments to suppliers and employees (inclusive of GST)	(656,978)	(593,342)
Other operating income received	1,174	356
Net cash flows from operating activities	**5,464,556**	**4,818,174**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (increase)/decrease in investment securities	(15,385,548)	4,134,977
Net (increase)/decrease in loans	595,583	307,900
Net cash flows from investing activities	**(14,789,875)**	**4,442,887**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase/(decrease) in debentures and other borrowings	17,295,135	(6,154,770)
Distributions to Roman Catholic Trust Corporation	(3,689,292)	(3,634,776)
Net cash flows from financing activities	**13,605,843**	**(9,789,546)**
Net increase/(decrease) in cash and cash equivalents	4,280,524	(528,495)
Cash and cash equivalents at the beginning of the year	8,888,433	9,416,928
Cash and cash equivalents at the end of the period	**13,168,958**	**8,888,433**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1: GENERAL INFORMATION

The Diocesan Development Fund for the Catholic Diocese of Rockhampton ("DDF") is an agency of the Catholic Diocese of Rockhampton. The address of the principal place of business is as follows:

Bishop's House - 1st Floor
170 William Street
Allenstown QLD 4700
Tel: 07 4487 3090

The entity's principal activities are to further the pastoral mission of the Church in the Diocese of Rockhampton by harnessing the financial resources of the Catholic Community within the Diocese of Rockhampton to provide cost effective financial arrangements for capital works and other essential pastoral programs.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Management Committee ("Committee") have prepared the financial statements on the basis that the DDF is a non-reporting entity because there are no users dependent on a general purpose financial report. The financial report is therefore a special purpose financial report that has been prepared for the use of the Bishop and to meet the requirements of Canon Law and ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations and disclosure requirements of AASB 101 *Presentation of Financial Statements*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 107 *Statement of Cash Flows*, AASB 1048 *Interpretation of Standards* and AASB 1054 *Australian Additional Disclosures*. All amounts are presented in Australian Dollars unless otherwise noted.

(a) Basis of Preparation

The principal accounting policies adopted in the preparation of the special purpose financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The special purpose financial statements have been prepared using the measurement bases specified by the Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

Comparative information is reclassified where appropriate to enhance comparability.

For the purposes of preparing the financial statements, the entity is a not-for-profit entity.

(b) New and amended standards adopted by the DDF

The DDF has adopted all the amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the DDF's financial statements for the annual period beginning 1 January 2019.

The DDF has adopted the accounting requirements of AASB 15 *Revenue from Contracts with Customers, AASB 1058 Income for Not-for-Profits Entities and* AASB 16 *Leases* and all other relevant, minor amendments to the standards in 2019.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of the new standards have not had any impact on the DDF's financial position, profit or loss or other comprehensive income in either the current or prior year.

(c) Going Concern

The Committee notes the DDF has a net current asset deficit of $104,663,121 in the current year. The Committee believes the going concern basis of accounting remains appropriate for the following reasons:

- while all customer debentures are at call, based on past history, there is little likelihood that they will all be called in the next 12 months;
- while the approval of withdrawals is regulated by the Diocesan Finance Council, if all debentures were to be called, the Fund could access $15,000,000 line of credit through Westpac and up to $10,000,000 in funds with other Catholic Development Funds in Australia; and
- total assets exceed total liabilities.

(d) Revenue Recognition

Revenue is measured by reference to the fair value of consideration received or receivable.

Dividend and interest income
Dividend income from investments is recognised when the DDF's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the DDF and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the DDF and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other Income
Other income is recognised on a cash basis as received.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the DDF that remain unpaid at the end of the reporting period. The balances are recognised as a liability with the amounts normally paid within 30 days of recognition of the liability.

(g) Income Tax

No provision for income tax has been raised as the DDF is exempt from Income Tax under division 50 of the *Income Tax Assessment Act 1997,* by virtue of being an entity of the Roman Catholic Trust Corporation for the Diocese of Rockhampton, which is a Religious Institution.

(h) Employee Entitlements

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the DDF in respect of services provided by employees up to reporting date.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long Service Leave
Long Service Leave is provided for employees according to the probability of them continuing with the DDF, such that a probability of 14.28% will be applied per year of employment until the employee long service leave entitlement vests.

(i) Financial instruments

Financial instruments represent the majority of the DDF's statement of financial position, including loans and advances, debentures, shares and fixed and floating rate notes. The carrying amount presented on the financial position reflects the DDF's business model for managing the asset. Where that model is to collect contractual cash flows (such as with loans and advances), the financial instrument is measured at amortised cost. Conversely, where the financial instrument is managed on a fair value basis, that instrument will be measured as such. This approach presents relevant information about the nature and risks associated with the DDF's statement of financial position.

Initial recognition of financial instruments

Accounting for a financial instrument begins at initial recognition. A financial asset or financial liability is recognised in the balance sheet when the DDF becomes a party to the contractual provisions of the instrument, which is generally on trade date. Loans and receivables are recognised when cash is advanced (or settled) to borrowers.

Financial instruments managed on a fair value basis are recognised initially at fair value, with transaction costs recognised in the income statement as incurred. All other financial instruments are recognised initially at fair value plus / less directly attributable transaction costs.

Classification

Following initial recognition is classification. In applying, AASB 9 *Financial Instruments* the DDF classifies its loans, advances, debt instruments and equity instruments as follows:

Instrument type	Classification	Reason
Financial assets		
Loans and advances (customer loans and facilities)	Amortised cost	Cash flows represent solely payments of principal and interest, held with the objective to collect contractual cash flows
Debt instruments (bonds, term deposits, notes or securities issued by financial institutions)		
Trading securities (equities, shares, bonds, notes or securities)	Fair value through profit and loss	Principal purpose is selling or repurchasing in the near term, or part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking
Other financial assets		Designated at fair value through profit or loss to eliminate an accounting mismatch
Hybrid instruments		Embedded option feature introduces volatility to contractual cash flows that is unrelated to the basic lending arrangement.

Financial liabilities		
Debentures and other borrowings (debentures, payables)	Amortised cost	Not designated as fair value through profit or loss

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments measured at amortised cost

Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Financial assets measured at fair value through other comprehensive income

Gains or losses arising from changes in the fair value of financial instruments measured at fair value through other comprehensive income are recognised in a separate component of equity. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

Investment in equity instruments that are not held for trading are measured at fair value through other comprehensive income, where an irrevocable election has been made by management. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial instruments at fair value through profit or loss

Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

Derecognition of financial instruments

The DDF derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. The DDF removes a financial liability from the balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

Measurement and recognition of expected credit loss

The DDF applies a three-stage approach to measuring expected credit losses (ECLs) for the following categories of financial assets that are not measured at fair value through profit or loss:
- debt instruments measured at amortised cost and FVOCI
- loan commitments

Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Where such evidence exists, the exposure is assessed on an individual basis.

At each reporting date, the DDF assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement. If the credit risk of an exposure has increased significantly since initial recognition, the asset will migrate to Stage 2. If no significant increase in credit risk is observed, the asset will remain in Stage 1. Should an asset become impaired it will be transferred to Stage 3.

The DDF considers reasonable and supportable information that is relevant and available without undue cost or effort, for this purpose. This includes quantitative and qualitative information and also forward looking information.

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

cash shortfall is the difference between the cash flows due to the DDF in accordance with the contract and the cash flows that the DDF expects to receive.

- Financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

The DDF utilises historical default data drawn to assess the potential default risk of loans provided to customers and counterparties.

Inputs, assumptions and techniques used for estimating impairment

In assessing the impairment of financial assets under the expected credit loss model, the DDF defines default as when is considered unlikely that the credit obligation to the DDF will be paid in full without recourse to actions, such as realisation of security. Impaired exposures under the expected credit loss model consist of loans contractually 90 days or more past due and/or doubt exists about the ability to collect principal and interest in a timely manner with insufficient security to cover principal and arrears of interest revenue.

When determining whether the risk of default has increased significantly since initial recognition, the DDF considers both quantitative and qualitative information including forward looking information and analysis based on the DDF's historical experience.

Calculation of expected credit loss

Given the limited number of related-party clients the DDF lends to, expected credit loss assessments are performed on an individual customer level taking into account current, historical performance and forward looking information. When an increase in credit risk is observed, the DDF performs a review of forward looking data including forecast cash flows and the mitigating effect of collateral to understand its impairment exposure.

(j) Fair value of assets and liabilities

The DDF measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard. Fair value is the price the economic entity would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

instruments are held in assets. Where this information is not available, other valuation techniques are adopted.

(k) Operating expenses

Operating expenses are recognised in the profit or loss upon utilisation of the service or at the date of their origin.

(l) 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 Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis.

(m) Provisions

Provisions are recognised when the DDF has a present obligation (legal or constructive) as a result of a past event, it is probable that the DDF will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) Critical judgements and estimates

The following are the critical judgements, assumptions and estimates of future events that the Committee have made in the process of applying the DDF's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:
- impairment charges on loans and advances
- fair value of financial assets and liabilities

NOTE 3: REVENUE

From continued operations	**2019 $**	**2018 $**
Revenue		
Interest on loans	3,491,582	3,463,275
Interest on invested funds	4,280,387	5,194,517
Dividends	1,034,624	-
	8,806,593	**8,657,792**

NOTE 4: OTHER INCOME

	2019 $	**2018 $**
CDF Community Fund return	1,174	356
Net (gain)/loss on financial assets designated at FVTPL	2,725,706	(36,290)

NOTE 5: EXPENSES - ADMINISTRATION

	2019 $	2018 $
Audit fees	24,240	30,880
Bank charges	17,497	17,012
IT & computer	124,812	114,342
Short term employee benefits	57,553	80,972
Salaries & superannuation	276,554	252,808
Other expenses	21,285	17,036
	521,305	**512,378**

NOTE 6: EXPENSES - GENERAL

	2019 $	2018 $
Electricity & rates	1,792	5,710
Freight & storage	111	131
Meeting expenses	11	169
Office rental	7,272	27,192
Other	3,894	24,918
	13,080	**58,120**

NOTE 7: INVESTMENT MANAGEMENT FEE

	2019 $	2018 $
Investment management fees	142,269	-

NOTE 8: FINANCE COSTS

	2019 $	2018 $
Interest paid on debentures	3,096,856	3,213,642
Interest paid on borrowings	175	411
	3,097,031	**3,214,053**

NOTE 9: CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Cash on hand	1,682	1,668
Cash at bank	13,167,276	8,886,765
	13,168,958	**8,888,433**

(a) Reconciliation of profit/loss for the year to net cash flows from operating activities

	2019 $	2018 $
Cash flows from operating activities		
Profit for the year	7,759,788	4,837,307
Net (gain)/loss on financial assets designated at FVTPL	(2,725,706)	36,290
	5,**034,083**	**4,873,597**
Movements in working capital		
(Increase)/decrease in accrued interest on investments	410,798	(32,578)
(Increase)/decrease in prepayments & other receivables	1,113	(37,934)
(Increase)/decrease in trade and other payables	44,195	(1,369)
(Increase)/decrease in provisions	(25,633)	16,459
Net cash generated from operating activities	**5,464,556**	**4,818,174**

(b) Net debt reconciliation

	2019	2018
	$	$
Cash and cash equivalents	13,168,958	8,888,433
Liquid investments	85,141,907	56,038,500
Customer funds – repayable within one year	(233,121,496)	(215,826,130)
Customer funds – repayable after one year	-	-
Net debt	**(134,810,631)**	**(150,899,427)**

	Cash/cash equivalents	Liquid investments	Customer Funds - due within one year	Total
Net debt as at 1 January 2018	9,416,927	52,409,967	(221,981,130)	(160,154,236)
Cashflows	(528,494)	3,664,823	6,154,770	9,291,098
Other charges	-	(36,290)	-	(36,290)
Net debt as at 31 December 2018	**8,888,433**	**56,038,500**	**(215,826,360)**	**(150,899,427)**
Net debt as at 1 January 2019	8,888,433	56,038,500	(215,826,360)	(150,899,427)
Cashflows	4,280,525	29,097,864	17,295,135	46,112,171
Other charges	-	5,543	-	5,543
Net debt as at 31 December 2019	**13,168,958**	**85,141,907**	**(233,121,496)**	**(134,810,631)**

NOTE 10: CURRENT ASSETS - RECEIVABLES

	2019	2018
	$	$
Interest receivable	424,779	1,023,947
Debtors	251,014	62,909
	675,793	**1,086,856**

NOTE 11: CURRENT ASSETS - LOANS AND INVESTMENTS

	2019	2018
	$	$
Church-related entities	7,239,630	7,851,030
Funds invested	107,484,454	111,010,623
Unamortised premium/(discount) on investment	(461)	20
	114,723,163	**118,861,673**

(a) Church-related entities

$7,239,630 (2018 - $7,851,030) represents the current lending portfolio for advances granted to the Roman Catholic Trust Corporation, parishes, schools, colleges, congregations, hospitals and other entities and institutions of the Church. Diocesan policies determine repayment conditions. Certain borrowers have debentures with the DDF, which could offset their loans.

The policy of the Diocesan Development Fund is to lend only for Church-related projects undertaken by entities including Religious Congregations which share the mission of the Church.

(b) Funds invested

	2019	2018
	$	$
Debt instruments	107,484,454	109,977,131
Hybrid instruments	-	1,013,492
	107,484,454	**111,010,623**

(c) Amortised premium/(discount) on investment

	2019 $	2018 $
Premium/(discount) on investments	(5,175)	275
Premium/(discount) on investments purchases	-	-
Accumulated amortisation (premium)/discount	4,714	(255)
Unamortised premium/(discount)	**(461)**	**20**

NOTE 12: CURRENT ASSETS - OTHER ASSETS

	2019 $	2018 $
Prepayments	3,517	4,366

NOTE 13: NON-CURRENT ASSETS – LOANS

	2019 $	2018 $
Church-related entities	63,562,130	63,546,313

(a) Church-related entities

$63,562,130 (2018 - $63,546,313) represents the non-current lending portfolio for advances granted to the Trust Corporation, parishes, schools, colleges, congregations, hospitals and other entities and institutions of the Church. Diocesan policies determine repayment conditions. Certain borrowers have debentures with the DDF, which could offset their loans.

The policy of the Diocesan Development Fund is to lend only for Church-related projects undertaken by entities including Religious Congregations which share the mission of the Church.

NOTE 14: NON-CURRENT ASSETS – INVESTMENTS

(a) Funds invested

	2019 $	2018 $
Debt instruments	19,474,007	32,600,000
Hybrid instruments	467,620	458,585
Equities	34,752,548	-
	54,694,175	**33,058,585**

(b) Amortised premium/(discount) on investment

	2019 $	2018 $
Premium/(discount) on investments	(1,230)	(3,461)
Premium/(discount) on investments purchases	-	(1,230)
Accumulated amortisation (premium)/discount	413	1,649
Unamortised premium/(discount)	**(817)**	**(3,042)**
Total Non-Current Assets	**54,693,358**	**33,055,543**

NOTE 15: CURRENT LIABILITIES – PAYABLES

	2019 $	2018 $
Trade creditors	45,852	1,657

NOTE 16: CURRENT LIABILITIES – PROVISIONS

	2019 $	2018 $
Provision for employee benefits	57,443	78,809
Provision for audit fees	23,840	26,054
	81,283	**104,863**

NOTE 17: NON-CURRENT LIABILITIES – PROVISIONS

	2019 $	2018 $
Provision for employee benefits	**110**	**2,163**

NOTE 18: RETAINED EARNINGS

Movement in retained earnings were as follows:

	2019 $	2018 $
Opening balance 1 January	9,508,142	8,261,244
Opening balance remeasurement – AASB 9	-	44,367
Net profit/(loss) for the year	7,759,788	4,837,597
Distribution to the Roman Catholic Trust Corporation	(3,689,292)	(3,634,776)
Balance 31 December	**13,578,638**	**9,508,142**

NOTE 19: CONTINGENT LIABILITIES

Contingent liabilities exist with regard to guarantees given by Westpac Banking Corporation to various councils and contractors totalling $13,679 (2018 – $13,679).

NOTE 20: REMUNERATION OF AUDITORS

	2019 $	2018 $
Amounts received, or due and receivable to the auditors for auditing the accounts of the DDF	26,209	23,445

NOTE 21: EVENTS OCCURING AFTER THE REPORTING PERIOD

Corona virus (COVID-19) pandemic
As the response to COVID-19 continues to rapidly evolve, the outbreak has led to global economic uncertainty and market volatility. Share market volatility has had a significant impact on the fair value of the Diocesan Development Fund's equity portfolio.

In addition, there is the possibility of increased credit risk through the Diocesan Development Fund's loan portfolio and fixed income investments, as COVID-19 impacts the ability of borrowers, to meet their obligations. Individual borrowers and financial institutions may have a particular exposure to the economic impacts in their geography and industry sector. More broadly, reductions in forecasts in economic growth increase the probability of default and loss given default rates may increase due to the fall in value of collateral evident more generally by falls in prices of assets. Whilst the impact of COVID-19 on credit risk is unknown at this time, no credit events have occurred subsequent to the financial year end.

Liquidity and capital levels of the Diocesan Development Fund remain strong and management remain confident that the preparation of financial statements on a going concern basis remains appropriate.

DECLARATION BY THE COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2019

This special purpose financial report of Diocesan Development Fund has been prepared for distribution to the Bishop of the Roman Catholic Diocese of Rockhampton to fulfil the Fund's financial reporting requirements under Canon Law and ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813 as described in Note 2 to the financial statements.

As stated in Note 1 to the financial statements, in the Committee's opinion, the Fund is not a reporting entity because there are no users dependent on a general purpose financial report. This is a special purpose financial report that has been prepared to meet the Fund's reporting requirements.

The Committee declares that the financial statements and notes set out on pages 3 to 16:

(a) have been prepared in accordance with the statement of accounting policies as described in Note 1; and
(b) presents fairly the Fund's financial position as at 31 December 2019 and of its performance, as represented by the results of its operations and cash flows, for the financial year ended on that date; and
(c) 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 Committee and is signed for and on behalf of the Committee.

Mr Dean Smith
Fund Manager

Dated this 3rd day of April 2020.

Independent auditor's report

To the Diocesan Finance Council of the Diocesan Development Fund

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Diocesan Development Fund (the Fund) as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards to the extent described in Note 2 of the financial report.

What we have audited

The financial report comprises:

- the statement of financial position as at 31 December 2019
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the declaration of the committee.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

Emphasis of matter - basis of accounting and restriction on distribution and use

We draw attention to Note 2 in the financial report, which describes the basis of accounting. The financial report has been prepared for the use of the Bishop, to meet the requirements of Canon Law and the ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Diocesan Development Fund and the Diocesan Finance Council and should not be distributed to or used by parties other than the Diocesan Development Fund and the Diocesan Finance Council. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Responsibilities of management and the committee for the financial report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards to the extent described in Note 2 of the financial report, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the 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 intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The committee is 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

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Trevor Mahony
Partner

Brisbane
3 April 2010