# Audited Financial Statements

# For the Year Ended 31 January 2023

ADIG

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ARMIDALE DIOCESAN INVESTMENT GROUP | adig.com.au

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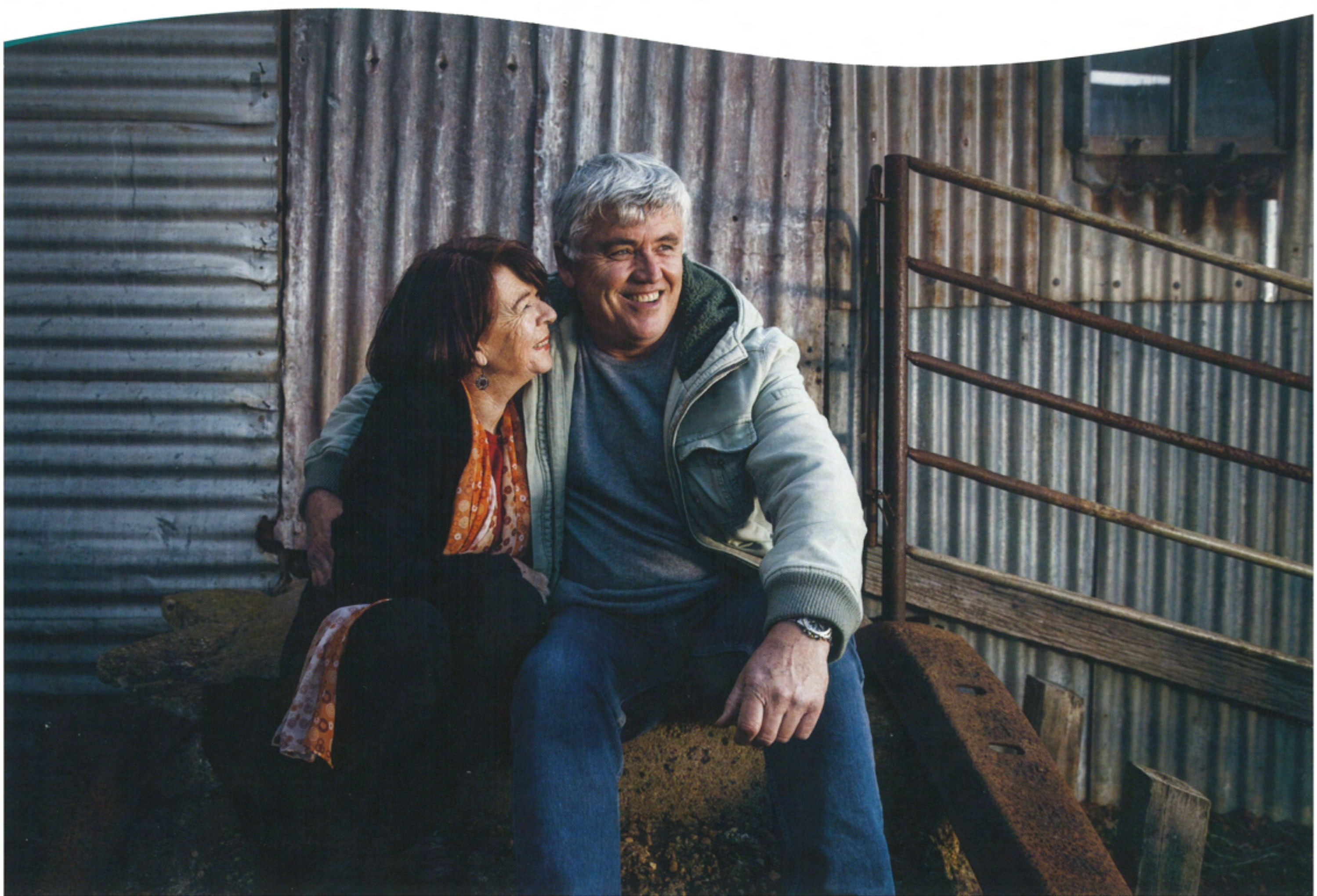

# ARMIDALE DIOCESAN INVESTMENT GROUP

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JANUARY 2023**

**Armidale Diocesan Investment Group**

**Income Statement**

**FOR THE YEAR ENDED 31 JANUARY 2023**

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | $ | $ |
| Interest Income | **2** | **4,172,264** | **2,074,501** |
| Interest Expense | 2 | **(5,024,939)** | **(1,914,091)** |
| **Net Interest Income** | | **(852,675)** | **160,410** |
| Investment and Non Interest Income | **3** | **7,806,208** | **7,528,087** |
| **Total Revenue** | | **6,953,533** | **7,688,497** |
| Salaries and associated costs | | (1,268,181) | (1,103,698) |
| Depreciation Expense | | (153,368) | (47,187) |
| Technology and Equipment | | (425,427) | (410,693) |
| General Administration Expenses | | (275,041) | (362,387) |
| Assurance and Professional Fees | | (49,220) | (35,145) |
| Client Services Expenses | | (33,131) | (54,724) |
| Promotional Expenses | | (63,414) | (47,688) |
| Board Expenses | | (49,618) | (39,731) |
| **Total Expenses** | | **(2,317,400)** | **(2,101,252)** |
| **Surplus from Continuing Operations** | | **4,636,134** | **5,587,245** |
| Change in value of mark to market investments | **4** | **(3,939,419)** | **4,883,539** |
| **Surplus for the year** | | **696,714** | **10,470,784** |

**The accompanying notes form part of these financial statements.**

**Armidale Diocesan Investment Group**

**Balance Sheet**

**AS AT 31 JANUARY 2023**

| | Note | 2023<br>$ | 2022<br>$ |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 6 | 87,882,441 | 131,447,922 |
| Due from financial institutions | 7 | 35,000,000 | 25,000,000 |
| Securities at amortised cost | 8 | 56,388,253 | 61,656,356 |
| Securities held at Market Value | 9 | 202,520,425 | 142,623,892 |
| Loans and advances | 10 | 13,984,814 | 13,070,293 |
| Investment Property | 11 | 29,500,000 | 31,632,490 |
| Plant, equipment and vehicles | 12 | 324,160 | 382,665 |
| Right of Use Asset | 13 | 565,516 | - |
| Other Assets | 14 | 1,849,838 | 1,320,442 |
| **Total Assets** | | 428,015,447 | 407,134,060 |
| **Liabilities** | | | |
| Deposits | 15 | 378,527,540 | 354,384,300 |
| Trade and other payables | 16 | 1,286,142 | 1,310,912 |
| Lease Liabilities | 13 | 587,581 | - |
| Provisions | 17 | 165,259 | 104,971 |
| **Total Liabilities** | | 380,566,522 | 355,800,183 |
| **Net Assets** | | 47,448,925 | 51,333,877 |
| **Equity** | | | |
| Reserves | | 36,735,178 | 36,735,178 |
| Retained Earnings | | 10,713,747 | 14,598,699 |
| **Total Equity** | | 47,448,925 | 51,333,877 |

**The accompanying notes form part of these financial statements.**

**Armidale Diocesan Investment Group**

**Statement of Changes in Equity**

**FOR THE YEAR ENDED 31 JANUARY 2023**

| | Note | Retained Earnings<br>$ | Reserves<br>$ | Total Equity<br>$ |
|---|---|---|---|---|
| Balance at 1 February 2021 | | **14,544,070** | **30,087,396** | **44,631,466** |
| Surplus for the Year | | **10,470,784** | **-** | **10,470,784** |
| Transfers to Reserves | | **(6,647,782)** | **6,647,782** | **-** |
| Distributions | **18** | **(3,768,373)** | **-** | **(3,768,373)** |
| **Balance as at 31 January 2022** | | **14,598,699** | **36,735,178** | **51,333,877** |
| Balance at 1 February 2022 | | **14,598,699** | **36,735,178** | **51,333,877** |
| Surplus for the Year | | **696,714** | **-** | **696,714** |
| Transfers | | **-** | **-** | **-** |
| Distributions | **18** | **(4,581,666)** | **-** | **(4,581,666)** |
| **Balance as at 31 January 2023** | | **10,713,747** | **36,735,178** | **47,448,925** |

**The accompanying notes form part of these financial statements.**

**Armidale Diocesan Investment Group**

**Cash Flow Statement**

**FOR THE YEAR ENDED 31 JANUARY 2023**

| | Note | 2023<br>$ | 2022<br>$ |
|---|---|---|---|
| **Cash Flow From Operating Activities** | | | |
| Interest & distributions received on investments | | 9,844,118 | 8,249,763 |
| Interest received on loans and advances | | 522,284 | 430,294 |
| Net rentals/distributions received on property investments | | 1,252,742 | 899,265 |
| Interest paid on deposits | | (5,024,939) | (1,914,090) |
| Payments to suppliers and employees | | (2,316,372) | (2,216,099) |
| **Net cash provided by operating activities** | 19 | 4,277,833 | 5,449,133 |
| **Cash Flow From Investing Activities** | | | |
| Capital Expenditure | | - | (286,854) |
| Net reduction/(increase) in loans | | (901,220) | (236,314) |
| Net reduction/(increase) in investments | | (67,243,726) | (26,827,457) |
| **Net cash provided by (used in) investing activities** | | (68,144,946) | (27,350,625) |
| **Cash Flow From Financing Activities** | | | |
| Net increase in deposits | | 24,833,505 | 27,521,526 |
| Distributions paid | | (4,531,873) | (3,736,873) |
| **Net cash provided by financing activities** | | 20,301,632 | 23,784,653 |
| **Net increase in cash held** | | (43,565,481) | 1,883,161 |
| Cash at the beginning of the year | | 131,447,922 | 129,564,761 |
| **Cash at the end of the year** | 6 | 87,882,441 | 131,447,922 |

**The accompanying notes form part of these financial statements.**

**Armidale Diocesan Investment Group**

**Notes to the Financial Statements**

**FOR THE YEAR ENDED 31 JANUARY 2023**

## Notes to and forming part of the Financial Statements

### Basis of Preparation

The financial statements are general purpose financial statements prepared by the Board of ADIG in order to meet the needs of the Board of the Armidale Diocesan Investment Group and the Trustees of the Roman Catholic Church for the Diocese of Armidale (the Trustees). The Board has determined that ADIG is not publicly accountable and therefore it is not necessary for ADIG to comply with all of the requirements of the Australian Accounting Standards and other mandatory financial reporting requirements promulgated by the Australian Accounting Standards Board (AASB).

The financial statements were authorised for issue by the Board on 22 May 2023.

### Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures made by the Australian Accounting Standards Board.

These financial statements are the first general purpose financial statements prepared in accordance with Australian Accounting Standards – Simplified Disclosures.

### Change in accounting policies

In the prior year, special purpose financial statements were prepared by ADIG. There was no material impact on the recognition and measurement of amounts recognised in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of changes in cash flows of ADIG as a result of the change in basis of preparation. Lease accounting was adopted which did result in changes in recognition and measurement, refer note 13. Where necessary comparative information has been reclassified and repositioned for consistency with current year disclosures. There has been more disclosure required including, maturity analysis, related parties and financial risk management.

The financial statements do not comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

### Basis of measurement

The financial statements have been prepared on an accruals basis of accounting. The financial statements are also based on historical cost modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### Functional and presentation currency

The financial statements are presented in Australian dollars, which is ADIG's functional and presentation currency.

**Rounding**

All amounts have been rounded to the nearest dollar unless stated.

**Going concern**

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business for a period of 12 months from the date of this report.

**Critical accounting estimates and judgements**

In applying ADIG's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on ADIG. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management even though actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are described below:

*Impairment of loans and advances*

Considerable judgement is exercised in determining the extent of the expected credit losses (ECLs) for financial assets assessed for impairment both individually and collectively. The ECLs for financial assets is based on assumptions about the risk of default and expected loss rates. ADIG uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on ADIG's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Changes in such judgements and analysis may lead to changes in the ECLs over time. The key judgement areas are the assumptions used to measure ECLs, including the use of forward-looking and macroeconomic information for individual and collective impairment assessment.

*Estimation of useful lives of Assets*

The entity determines the estimated useful lives and related depreciation for its property, plant and equipment. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Lease term*

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The options that are reasonably going to be exercised are a key management judgement that the entity will make. The entity determines the likeliness to exercise the options on a lease-by-lease basis looking at various factors such as which assets are strategic and which are key to future strategy of the entity.

*Fair value*

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

For cash and cash equivalents and trade and other payables the carrying value is deemed to be a reasonable approximation of fair value due to their short-term nature.

**Summary of Significant Accounting policies**

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. ADIG has consistently applied the accounting policies to all periods presented in the financial statements, except as otherwise stated.

The following specific accounting policies have been adopted in the preparation of these financial statements.

**Financial Instruments**

**Financial Assets**

*Recognition and initial measurement*

Financial assets of ADIG include cash and cash equivalents, due from financial institutions, securities at amortised cost, securities held at market value and loans and advances.

Loans and advances are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when ADIG becomes a party to the contractual provisions of the instrument.

*Classification and subsequent measurement*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI - equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless ADIG changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

*Business model assessment*

ADIG makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or

expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to ADIG's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with ADIG's continuing recognition of the assets.

*Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, ADIG considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, ADIG considers:
-contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
-prepayment and extension features; and
-terms that limit ADIG's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

ADIG recognises its financial assets at amortised cost as they meet both of the following conditions and are not designated as at FVTPL:
-they are held within a business model whose objective is to hold assets to collect contractual cash flows; and
-their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

*Subsequent measurement and gains and losses*

Financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

*Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities of ADIG include lease liabilities, deposits and trade and other payables. ADIG recognises the financial liabilities at amortised cost using the effective interest rate method as they are not classified as held-for-trading, not a derivative or not designated as such on initial recognition. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

*Derecognition*

ADIG derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which ADIG neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

*Impairment*

ADIG recognises loss allowances for ECLs on financial assets measured at amortised cost.
Loss allowances for financial assets at amortised cost are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to ADIG in accordance with the contract and the cash flows that ADIG expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

**Financial liabilities**

ADIG derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

*Amounts owed to depositors*

All other amounts owed to depositors, excluding diversified deposits, 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.

*Diversified fund deposits*

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.

**Plant and equipment**

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

If significant parts of an item of plant and equipment have different useful lives, then they are accounted for as separate items (major components) of plant and equipment. Any gain or loss on disposal of an item of plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to ADIG.

Depreciation is used to write off the cost of plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives and is generally recognised in profit or loss. Motor vehicles are depreciated at 20% of cost and computer equipment and furniture and fittings at 10%-20%.

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

**Leases**

At inception of a contract, ADIG assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, ADIG uses the definition of a lease in AASB 16 Leases (AASB 16).

*As a lessee*

ADIG recognises a right-of-use asset (ROUA) and a lease liability at the lease commencement date. The ROUA is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROUA is subsequently amortised using the straight-line method from the commencement date to the end of the lease term. The ROUA is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, ADIG's incremental borrowing rate. Generally, ADIG uses its incremental borrowing rate as the discount rate.

ADIG determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

*Lease payments included in the measurement of the lease liability comprise the following:*

-fixed payments, including in-substance fixed payments;
-variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
-amounts expected to be payable under a residual value guarantee; and
-the exercise price under a purchase option that ADIG is reasonably certain to exercise, lease payments in an optional renewal period if ADIG is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless ADIG is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in ADIG's estimate of the amount expected to be payable under a residual value guarantee, if ADIG changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in- substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROUA or is recorded in profit or loss if the carrying amount of the ROUA has been reduced to zero.

ADIG presents ROUA and lease liabilities separately on the statement of financial position.

*Short-term leases and leases of low-value assets*

ADIG has elected not to recognise ROUA and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. ADIG recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Provision for employee entitlements**

Provision is made for ADIG'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.

ADIG considers the impact of future pay increases and discounting of payments due after 12 months is not material to the financial results.

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

### Finance income and finance costs

ADIG's finance income and finance expense includes:
- interest income on funds invested and on related party loans; and
- interest expense.

Interest income or expense is recognised using the effective interest rate method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

### Income tax

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

### Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not fully recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. ADIG is a member of the Catholic GST Religious Group, Administered by the General Secretariate of the Australian Catholic Bishops Conference. The Group was established by Federal legislation in 2000. The legislation allowed for the creation of the Catholic GST Religious Group to eliminate the need for members of this group to first charge Goods and Services Tax (GST) and then claim a GST input tax credit on Intra-Church transactions. It therefore determined that transactions between members of the Catholic GST Religious Group were not subject to GST.

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **Note 2: Net Interest Income** | | |
| Interest Income using the effective interest rate method | | |
| Cash at Bank and at call deposits | **1,102,675** | **438,240** |
| 31 Day Notice | **217,986** | **192,785** |
| Term Deposits | **899,850** | **169,371** |
| Securities at amortised cost | **1,429,469** | **821,279** |
| Loans and advances | **522,284** | **452,826** |
| **Interest Income** | **4,172,264** | **2,074,501** |
| Interest Expense using the effective interest rate method | | |
| At call deposits | **(2,196,533)** | **(786,462)** |
| 31 day notice deposits | **(680,076)** | **(104,453)** |
| Fixed term deposits | **(2,148,330)** | **(1,023,176)** |
| **Interest expense** | **(5,024,939)** | **(1,914,091)** |
| **Net Interest Income/(Expense)** | **(852,675)** | **160,410** |

**Armidale Diocesan Investment Group**

**Notes to the Financial Statements**

**FOR THE YEAR ENDED 31 JANUARY 2023**

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **Note 3: Investment and Non Interest Income** | | |
| Directly held property | 1,252,742 | 899,265 |
| Property trusts | 1,778,111 | 1,115,404 |
| Equity investments | 5,732,197 | 6,469,290 |
| External entity share of investment income in diversified fund | (1,170,739) | (1,386,813) |
| **Net Investment Income** | 7,592,310 | 7,097,146 |
| Management fees | 207,293 | 247,166 |
| Other non interest income | 6,605 | 183,775 |
| **Total Investment and Non Interest Income** | 7,806,208 | 7,528,087 |
| **Note 4: Change in Value of Mark to Market Investments** | | |
| Directly held property investment | (2,132,490) | 30,225 |
| Property trusts investments | 2,360,189 | 4,735,467 |
| Equity investments | (4,880,878) | 1,233,604 |
| Fixed income fund investments | 23,496 | (152,245) |
| External share of diversified fund valuation movements | 690,263 | (963,511) |
| **Net Change in value of mark to market investments** | (3,939,419) | 4,883,539 |
| **Note 5: Auditors Remuneration** | | |
| Audit Services - Current Year | 25,190 | 22,900 |
| Other Services | 7,715 | 5,650 |
| **Total Auditors Remuneration** | 32,905 | 28,550 |

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **Note 6: Cash and Cash Equivalents** | | |
| - At Call Deposits | **87,865,448** | **131,437,957** |
| - Cash on hand and in transit | **16,993** | **9,965** |
| **Total Cash and Cash Equivalents** | **87,882,441** | **131,447,922** |

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call and those that mature less than 3 months, net of outstanding bank overdrafts. Cash and Cash equivalents does not include term deposits or Securities held at amortised cost.

| | 2023 | 2022 |
|---|---|---|
| **Note 7: Due from Financial Institutions** | | |
| - Term Deposits | **35,000,000** | **25,000,000** |
| **Total due from Financial Institutions** | **35,000,000** | **25,000,000** |
| **Maturity Analysis** | | |
| less than 1 month | **-** | **-** |
| Greater than 1 month less than 3 months | **10,000,000** | **10,000,000** |
| longer than 3 months less than 12 months | **20,000,000** | **10,000,000** |
| Longer than 12 months | **5,000,000** | **5,000,000** |
| | **35,000,000** | **25,000,000** |

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **Note 8: Securities at amortised cost** | | |
| - FRNs with ADIs | **51,550,000** | **60,200,000** |
| - FRNs with other institutions | **3,500,000** | **-** |
| - Mortgage Backed Securities | **1,338,253** | **1,456,356** |
| **Total Securities at amortised cost** | **56,388,253** | **61,656,356** |

| | | |
|---|---|---|
| **Maturity Analysis** | | |
| less than 1 month | **2,500,000** | **-** |
| Greater than 1 month less than 3 months | **-** | **-** |
| Longer than 3 months less than 12 months | **10,300,000** | **8,650,000** |
| Longer than 12 months | **43,588,253** | **53,006,356** |
| | **56,388,253** | **61,656,356** |

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **Note 9: Investment held at market value** | | |
| **Equity Investments** | | |
| Opening balance | 81,612,265 | 80,378,661 |
| Add - Additions/Disposals | 17,926,760 | - |
| Net gain/(loss) from fair value adjustment | (4,880,878) | 1,233,604 |
| Closing balance | 94,658,147 | 81,612,265 |
| **Property Trusts** | | |
| Opening balance | 39,163,871 | 16,828,405 |
| Add - Additions/Disposals | 12,077,081 | 17,600,000 |
| Net gain/(loss) from fair value adjustment | 2,360,189 | 4,735,467 |
| Closing balance | 53,601,141 | 39,163,871 |
| **Fixed Income Trusts** | | |
| Opening balance | 21,847,755 | - |
| Add - Additions/Disposals | 32,389,886 | 22,000,000 |
| Net gain/(loss) from fair value adjustment | 23,496 | (152,245) |
| Closing balance | 54,261,137 | 21,847,755 |
| **Total Investments Held at Market Value** | 202,520,425 | 142,623,892 |

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **Note 10: Loans and Advances to customers** | | |
| - Loans to Church Institutions | 14,210,481 | 12,862,605 |
| - Loans to Priest's Car Fund (net of credit balances) | 152,465 | 199,122 |
| - Mortgage Loans | - | 400,000 |
| | 14,362,946 | 13,461,727 |
| - Less: Provision for Impairment | (378,132) | (391,433) |
| **Total Loans and Advances to customers** | 13,984,814 | 13,070,293 |
| **Maturity Analysis** | | |
| less than 1 month | 15,247 | 29,956 |
| Greater than 1 month less than 3 months | 32,330 | 32,275 |
| Longer than 3 months less than 12 months | 2,277,056 | 959,202 |
| Longer than 12 months | 12,038,314 | 12,440,293 |
| - Less: Provision for Impairment | (378,132) | (391,433) |
| | 13,984,814 | 13,070,293 |

**Note 11: Investment Properties**

**Investment Properties**

| | 2023 | 2022 |
|---|---|---|
| Opening balance | 31,632,490 | 32,125,000 |
| Add - Additions/Disposals | - | (522,735) |
| Net gain/(loss) from fair value adjustment | (2,132,490) | 30,225 |
| **Closing balance** | 29,500,000 | 31,632,490 |

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **Note 12: Plant, Equipment & Vehicles** | | |
| **Plant and equipment:** | | |
| - At cost | 370,104 | 370,104 |
| - Less: Accumulated depreciation | (267,478) | (241,822) |
| | 102,626 | 128,282 |
| **Office furniture & fittings:** | | |
| - At cost | 352,886 | 352,886 |
| - Less: Accumulated depreciation | (174,440) | (154,210) |
| | 178,446 | 198,676 |
| **Motor vehicles:** | | |
| - At cost | 75,895 | 75,895 |
| - Less: Accumulated depreciation | (32,807) | (20,188) |
| | 43,088 | 55,707 |
| **Total Plant, Equipment & Vehicles** | 324,160 | 382,665 |

(a) Movements in carrying amounts

| | Plant and equipment: | Office furniture & fittings | Motor Vehicles |
|---|---|---|---|
| Opening balance | 128,282 | 198,676 | 55,707 |
| Additions | - | - | - |
| Disposals | - | - | - |
| Depreciation Expense | (25,656) | (20,230) | (12,619) |
| Closing Balance | 102,626 | 178,446 | 43,088 |

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |

## Note 13: Leases

**(i) Right of use assets**

| | 2023 | 2022 |
|---|---|---|
| Opening Balance | **660,378** | - |
| Depreciation | **(94,862)** | - |
| Closing Balance | **565,516** | - |

**(ii) Lease Liabilities**

| | 2023 | 2022 |
|---|---|---|
| Lease Liabilities | **587,581** | - |

**(iii) Amounts recognised in Statement of Comprehensive Income**

| | 2023 | 2022 |
|---|---|---|
| Interest on Lease Liabilities | **23,809** | - |

**(iv) Amounts recognised in Statement of Cash Flow**

| | 2023 | 2022 |
|---|---|---|
| Total Cash Outflow for Leases | **109,011** | - |

The maturity analysis of lease liabilities based on contractual undiscounted cashflows is shown below.

| | 1 Year | 1-5 Years | > 5 Years | Total Cash Flows |
|---|---|---|---|---|
| **2023** | **109,956** | **409,559** | **154,997** | **674,512** |

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **Note 14: Other Assets** | | |
| Debtors | **1,598,413** | **1,170,773** |
| Prepaid Insurance | **57,977** | **-** |
| Other Assets | **193,448** | **149,669** |
| **Total Other Assets** | **1,849,838** | **1,320,442** |

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **Note 15: Amounts owed to depositors** | | |
| At Call Deposits Diocesan | **150,106,537** | **140,450,008** |
| At Call Deposits Associates | **35,739,725** | **28,396,682** |
| 31 Day Retail | **16,971,839** | **10,006,048** |
| Term Retail | **76,121,783** | **75,061,012** |
| Term Associates | **16,208,676** | **19,666,830** |
| Term Arch Diocesean | **48,889,693** | **47,324,912** |
| Parish Growth Accounts | **9,325,355** | **8,508,715** |
| Investments in ADIG Diversified Fund | **25,163,932** | **24,970,093** |
| **Total Deposits** | **378,527,540** | **354,384,300** |
| **Maturity Analysis** | | |
| At Call | **192,127,630** | **169,724,876** |
| less than 3 months | **77,607,615** | **89,442,360** |
| Longer than 3 months less than 12 months | **71,960,020** | **65,243,100** |
| Longer than 12 months Less than 5 years | **36,832,275** | **29,973,967** |
| Greater than 5 years | **-** | **-** |
| | **378,527,540** | **354,384,302** |

**Armidale Diocesan Investment Group**

**Notes to the Financial Statements**

**FOR THE YEAR ENDED 31 JANUARY 2023**

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **Note 16: Trade and Other Payables** | | |
| - Trade Creditors | **1,288,501** | **1,339,924** |
| - Other Payables | **(2,359)** | **(29,012)** |
| **Total Trade and Other Payables** | **1,286,142** | **1,310,912** |
| **Note 17: Provisions** | | |
| Provision for employee annual leave and long service leave | 109,874 | 104,971 |
| Provision for other employee benefits | 55,385 | - |
| **Total Provisions** | **165,259** | **104,971** |
| **Note 18: Distributions** | | |
| Catholic Diocese of Armidale | **2,900,000** | **2,200,000** |
| Special Distribution - Wilcannia Forbes Diocese | **686,666** | **636,873** |
| Grants to Parishes | **695,000** | **681,500** |
| Armidale Clergy Fund | **300,000** | **250,000** |
| **Total Distributions** | **4,581,666** | **3,768,373** |

All Distributions have been paid with the exception of the Special Distribution to the Wilcannia Forbes Diocese. This will be distributed in May 2023.

**Note 19: Reconciliation of Net Cash Provided by/used in Operating Activities to Net Profit**

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Surplus for the year | 696,714 | 10,470,784 |
| ***Adjusted for*** | | |
| Depreciation | 153,368 | 47,187 |
| Recognition effect for leases in accordance with AASB16 | 12,482 | - |
| Increase/(reduction) in provision for employee entitlements | 60,208 | 10,138 |
| Increase/(reduction) in provision for bad debts | (13,301) | 6,132 |
| Increase/(reduction) in trade creditors | (24,770) | 57,672 |
| Increase/(reduction) in Lease Liabilities | (85,202) | - |
| Decrease/(increase) in debtors & prepayments | (201,756) | (166,032) |
| Amortisation of gain on Floating Rate Notes | (259,330) | (93,208) |
| Increase/(reduction) in value of investments | 3,939,419 | (4,883,539) |
| **Net cash flow provided from operating activities** | 4,277,833 | 5,449,133 |

## Note 20: Financial Risk Management

### Overview

ADIG's financial instruments consists of cash and cash equivalents, due from financial institutions, securities at amortised cost, loans and advances, lease liabilities, deposits and trade and other payables. The main purpose of non-derivative financial instruments is to provide a source of finance and credit for capital and other expenditures in the work of the Church primarily within the Diocese of Armidale.

### Financial risk exposures and management

ADIG's lending, deposit-taking and investing activities expose it to the following risks from its use of financial instruments:
- Liquidity risk;
- Credit risk;
- Interest rate risk; and
- Other (market) price risk.

The Board has overall responsibility for the establishment and oversight of the risk management framework. To assist the Board in meeting its responsibilities the Board has established an Audit and Risk Committee (ARMC) and an Investment Committee (IC). These committees monitor, and if thought necessary, makes recommendations to the Board on the policies in relation to Balance Sheet Management; lending and credit risk management; investment management; and interest rate risk management. The ARMC also assesses the financial risk arising from ADIG's operations and considers the adequacy of the measures taken to moderate those risks. Both committees meet at least 4 times per year and regularly report to the Board.

### Capital Adequacy

ADIG's reserving policy focuses on the Capital Adequacy Ratio. Capital Adequacy Ratio (CAR) is defined as total capital (Reserves + Retained Earnings) divided by Risk Weighted Assets. ADIG applies the Risk weighted assets definition as prescribed in APS112 using the weightings to assets as outlined in APRAs prudential Standard. ADIG seeks to maintain a CAR of between 10-15%. At 31 January 2023 ADIGs capital adequacy ratio was 11.7%

In determining the amount to reserve each year, ADIG seeks to maintain a minimum 9% of reserves divided by Risk weighted Assets. Under the policy, ADIG can dip below this level for a period not exceeding 12 months and must ensure plans are in place to lift reserves above 9% after the 12 month period. ADIG will either release reserves to Retained Profits or take up additional reserves in the event profit is below or above the target return of 5year Bonds + 2.5% respectively.

### Liquidity Risk

Liquidity risk is the risk that ADIG will not be able to meet its financial obligations as they fall due. To limit this risk, management manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. (Refer to Note 15 for the maturity analysis on deposits.) ADIG limits its exposure to liquidity risk by:
- maintaining sufficient funds at call with NAB;
- matching the maturity of funds invested in term deposits with other ADIs to known drawings from its major clients; and
- investing in investments that can be realised within a 3 month timeframe.

**Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to ADIG. ADIG has a policy of only dealing with credit worthy counterparties and ensuring ADIG has adequate internal controls to mitigate the risk of financial loss to ADIG. ADIG's Investment Policy specifies that ADIG may only invest in the following:

Authorised Deposit-Taking Institutions (ADIs) regulated by the Australian Prudential Regulation Authority (APRA) that have a Standard and Poors (S&P) (or equivalent) long term rating of BBB- or higher;
- bank bills, promissory notes or certificates of deposits, bonds and floating rate notes issued by an Australian owned bank that has an S&P (or equivalent) long term rating of BBB- or higher; or
- State or Commonwealth Government Bonds or Securities.

Additionally, the following limits have been set with regard to exposure limits to these counterparties and counterparty rating groups:

| S&P Long Term Rating | S&P Short Term Rating | Maximum Total Portfolio (%) | Maximum Individual Exposure (%) |
|---|---|---|---|
| AAA/AA | A-1 | 100 | 45 |
| A | A-2 | 60 | 35 |
| BBB | A-3 | 40 | 20 |
| Unrated | Unrated | 30 | 10 |

ADIG's exposure per counterparty rating group for the Investment pool at balance date was as follows:

| S&P Long Term Rating | 2023 | | 2022 | |
|---|---|---|---|---|
| | $ | % of Total | $'M | % of Total |
| AAA/AA | 40,000,000 | 43.8% | 31,150,000 | 35.9% |
| A | 35,300,000 | 38.6% | 34,800,000 | 40.2% |
| BBB | 14,750,000 | 16.1% | 19,250,000 | 22.2% |
| Unrated | 1,338,253 | 1.5% | 1,456,355 | 1.7% |

Credit risk in loans receivable is managed by a careful evaluation of lending proposals by management and the Board. All material loans require ratification by both the Board and the Bishop of the Diocese of Armidale. ADIG assesses the risk on the Loan portfolio as low as all loans are to related parties within the Diocese of Armidale, the largest loan, 63% of the total portfolio is to the Chancery office of the Armidale Diocese, there is no history of Loan delinquency and each loan is carefully assessed on the ability of the counterparties ability to make payments and approved by the Board. ADIG uses an ECL Model to cover other generic credit risk and records this against the loan balance.

## Market Risk

ADIG manages its market risk through the Investment Committee (IC) and the Board. The Investment Committee meets quarterly and is also provided with reporting monthly showing movements in ADIGs investment portfolio. The investment portfolio is set through a Strategic Asset Allocation (SAA process) overseen by the IC and approved by the Board. The SAA process is undertaken every three years with the last process undertaken in 2022, and reviewed annually. The SAA determines asset allocation to equity, property, fixed interest and cash. The allocations are subject to rules outlined in ADIGs investment policy and the impact on Capital Adequacy.

ADIGs SAA models market movements across asset classes using expected volatility and expected returns in the SAA model. The SAA model looks at returns and volatility profiles across asset classes and is set to target a long term rate of return 5 year government bonds + 2.5%. The portfolio was stress tested by determining the probability of a breach in the 10% Capital Adequacy Ratio based on the expected returns and historical volatility of the individual asset classes and assuming a normal distribution of returns. Overall it was found that the Capital Adequacy Ratio would be kept above 10% 99% of the time for the chosen SAA.

**Note 20: Financial Risk Management**

**Interest Rate Risk**

The following table is the profile of ADIGs exposure to interest rate risk at balance date

| | 2023 | 2022 | Average Interest Rate | Sensitivity Analysis | | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Income Statement Impact of 1% Increase to Interest Rates | Income Statement Impact of 1% Decrease to Interest Rates | At Call | | Fixed <1 year | | Fixed >1 year | | Non Interest Bearing | |
| | $ | $ | % | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Financial Assets** | | | | | | | | | | | | | |
| Cash and cash equivalents | 87,882,441 | 131,447,923 | 1.56% | 878,824 | (878,824) | 87,882,441 | 131,447,923 | - | - | - | - | - | - |
| Due from financial institutions | 35,000,000 | 25,000,000 | 2.13% | 150,000 | (150,000) | - | - | 30,000,000 | 20,000,000 | 5,000,000 | 5,000,000 | - | - |
| Securities at amortised cost | 55,050,000 | 60,200,000 | 2.44% | 64,000 | (64,000) | - | - | 12,800,000 | 8,650,000 | 42,250,000 | 51,550,000 | - | - |
| Loans and advances | 13,984,814 | 13,070,293 | 3.96% | 139,848 | (139,848) | 13,984,814 | 13,070,293 | - | - | - | - | - | - |
| Debtors | 1,598,416 | 1,170,777 | 0.00% | - | - | - | - | - | - | - | - | 1,598,416 | 1,170,777 |
| Mortgage backed Securities | 1,338,253 | 1,456,355 | 3.52% | - | - | - | - | - | - | 1,338,253 | 1,456,355 | - | - |
| **Total** | 194,853,924 | 232,345,348 | | 1,232,673 | (1,232,673) | 101,867,255 | 144,518,216 | 42,800,000 | 28,650,000 | 48,588,253 | 58,006,355 | 1,598,416 | 1,170,777 |
| **Financial Liabilities** | | | | | | | | | | | | | |
| Deposits | 378,527,540 | 354,384,300 | 1.61% | (2,669,114) | 2,669,114 | 192,127,630 | 169,724,876 | 149,567,635 | 154,685,460 | 36,832,275 | 29,973,967 | - | - |
| Trade and other payables | 1,288,501 | 1,339,924 | | - | - | - | - | - | - | - | - | 1,288,501 | 1,339,924 |
| **Total** | 379,816,041 | 355,724,224 | | (2,669,114) | 2,669,114 | 192,127,630 | 169,724,876 | 149,567,635 | 154,685,460 | 36,832,275 | 29,973,967 | 1,288,501 | 1,339,924 |

Interest rate risk is managed through ADIGs Asset and Liability Committee (ALCO). ALCO meets monthly to discuss interest rate movements and considers interest rate movements and forecasts, RBA announcements and competitor pricing to determine interest rates on loans and financial liabilities. In addition the ALCO reviews maturity profile of assets and liabilities and forecasts future net earnings. ADIGs strategy is to manage funds in both financial assets and assets subject to capital gains including equity, property and fixed interest trusts. While there is a gap between financial assets and financial liabilities, this risk is mitigated through assets held at market value ($232,020,424) 64% of which can be converted to cash in T+2 days. Interest sensitivity applies a full 1% change in interest rates to at call assets and liabilities and 0.5% impact to fixed rate assets and liabilities due in less than 1 year.

## Note 21: Related Party Transactions

### Advisory Board Members

**Ms Alison Hamilton** B.FA, CA (Chair) (Audit & Risk Management Committee - Member) (Governance and Remuneration Committee - member)
**Ms Kerry Adby** LLM, FAICD, TFASFA (Governance and Remuneration Committee - Chair)(Investment Committee - Member)
**Mr Kevin Dupe** B.Ecc, FAICD, FGIA, IECL (Audit & Risk Management Committee - Member)
**Ms Karin Hawkins** MPP, MA, B.Bus, FGIA, GAICD (Investment Committee - Member)
**Dr Paul Mazzola** PHD, M.AppFin, B.Com (merit), FCPA, FFIN, MAICD (Audit & Risk Management Committee - Chair)
**Mr David Smith** B.Bus, CA Diocesan Financial Administrator
**Mr John Stroud** B.Ecc (hon), Dip.FP, GAICD, ABE(Investment Committee - Chair)

### Key Management Personnel

**Mr Grant Devine** MBA, B.Bus, GradCertBus, FAICD - Chief Executive Officer
**Mr Andrew Draney** M.AppFin, B.Com, CA - Chief Financial Officer
**Mr Craig Archer** BFA, CPA - Chief Operations Officer

### Controlling Entities

The ADIG is a special fund vested in the Trustees of the Roman Catholic Church for the Diocese of Armidale, which is a body corporate under the provisions of the *Roman Catholic Church Trust Property Act 1936 (NSW)* as amended. The Bishop exercises the control and management of the ADIG with the assistance of the Advisory Board, Key Management Personal and the Financial Administrator.

The Diocese of Armidale and other Catholic bodies, including Parishes, have deposits with, and have obtained loans from, ADIG under normal commercial terms and conditions or as otherwise determined by the Board. The Board has a Policy which requires Board Members to declare any conflicts of interest.

As detailed in note 18 to the financial statements, payments were made to various Diocesan entities during the year representing distributions of ADIGs surplus.

ADIG pays rent on leased premises at 131 Barney St Armidale to the Catholic Diocese of Armidale. refer note 13.

### (a) Key Management Personal Compensation

The key management personnel compensation was $767,515 for the year ended 31 January 2023. (2022: $624,636)

**(b) Other related party transactions**

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Loans to related parties | 14,362,946 | 13,061,727 |
| Deposits from related parties | 208,321,589 | 196,283,635 |
| Interest received from related parties | 528,890 | 436,426 |
| Interest paid to related parties | 2,537,291 | 693,806 |

## Note 22: 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 23: Events occurring after reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect the operations of ADIG, the results of it's operations, or the state of affairs of ADIG in future years.

**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, 2023 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.

P. Mazzola

Dr Paul Mazzola
Audit and Risk Management Committee Chair

Alison Hamilton

A Hamilton
Board Chair

22-May-2023