ADF

AUDITED FINANCIAL STATEMENTS

2022

General Manager's Report
For the year ended 31 December 2022

The General Manager of the Archdiocesan Development Fund (ADF) presents the financial report of the ADF for the year ended 31 December 2022.

Purpose of the Financial Report
The financial report has been prepared for:

- Distribution to the Archbishop of Brisbane for the purpose of fulfilling the Agency's reporting obligations under the 1983 Code of Canon Law.
- Lodgement with the Australian Securities and Investments Commission.

Scope of the Financial Statements
The ADF's 2022 financial statements have been prepared to fulfil financial reporting requirements under Canon Law and ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813.

Structure of the Agency
The ADF is an agency operating within the Roman Catholic Archdiocese of Brisbane (Archdiocese) and has a registered trading name under the Archdiocesan Australian Business Number of 25 328 758 007.

The Corporation of the Trustees of the Roman Catholic Archdiocese of Brisbane (the Corporation) was established pursuant to Letters Patent issued under the Religious Educational and Charitable Institutions Act of 1861 (RECI Act) and while the RECI Act has been repealed, the Associations Incorporation Act 1981 (Qld) (AI Act) provides that the RECI Act is deemed to continue to have full force and effect in respect of bodies incorporated by Letters Patent under its provisions. The effect of this is that as the Corporation was incorporated under the RECI Act, it is not a company regulated by the Corporations Act nor subject to its legislative requirements.

In terms of civil law, the ADF is a basic religious charity and is not required to lodge audited financial statements with the Australian Charities and Not-for-Profit Commission (ACNC).

The ADF operates with exemptions from the provisions of the Corporations Act 2001 by the Australian Securities and Investments Commission (ASIC) and the Banking Act 1959 by the Australian Prudential Regulation Authority (APRA).

Principal Activities
The ADF is a provider of loans, treasury services and facilitates banking services within the Archdiocese of Brisbane and various Catholic entities including: agencies, other Dioceses, parishes, other charitable entities with juridical status and charitable entities associated with the Catholic Church (on the basis of the Archbishop's approval). The ADF continues to help the helpers; supporting pastoral ministries, initiatives and the mission of the Church.

Review of Operations
The ADF recorded Total Comprehensive Income for the financial year ended 31 December 2022 of $20.0m (2021:$4.9m). This result consists of two components being an Operating Surplus of $40.0m (2021: surplus of $19.9m) and a contribution to the Archdiocese of $20.0m (2021: $15.0m).

In terms of the operating result, the following movements were noted over the 2022 year:

Interest revenue increased by $21.0m (47.8%) to $64.9m from the 2021 result of $43.9m. This increase was primarily due to an increase in investment yields of $12.1m to $22.4m (2021: $10.3m) in line with returns on domestic and international bond markets. Further there was an increase in interest rate yields of $8.9m (26.5%) to $42.5m (2021: $33.6m).

Interest expense increased by $9.6m (59.1%) to $25.7m from the 2021 result of $16.1m due to increases in interest rate yield.

The increase in interest rate yield was due to the increasing interest rate environment which dominated the 2022 year with the RBA increasing rates for 8 consecutive months. These increases resulted in interest rate reviews effective 1 July 2022, 1 August 2022 and 1 October 2022.

The other revenue of $5.5m (2021: loss of $1.8m) relates to market movements and maturities associated with the corporate bond investment mandate managed by Queensland Investment Corporation (QIC).

Liquidity Management

The ADF, as steward of customer funds, ensures it has sufficient cash reserves to meet customer funding obligations as and when required, and provide for Catholic entities' future capital investment.

Liquidity levels are managed to ensure appropriate levels of funding for all customer demographics are available within documented arrangements. Note 17(c) details liquidity risk management.

As at 31 December 2022, the ADF held $896.5m (2021: $768.0m) of cash and investments, and $1.1bn (2021: $1.1bn) in loans to meet current commitments and future capital needs. The Agency's 31 December 2022 commitments include $6.2m (2021: $1.3m) of current payables, $1.9bn (2021: $1.8bn) of current interest-bearing liabilities and $0.3m (2021: $0.3m) of current employee entitlements. The Agency's share of undrawn loans amounts to $620.2m which are to be funded at a future date; some of which extend beyond the next 12 months.

Changes in the State of Affairs

There was no significant change in the state of affairs of the ADF during the financial year.

Dated this 30th day of March 2023 in Brisbane, Queensland .

Andrew Musial
General Manager

Independent auditor's report

To the Archbishop of the Archdiocese of Brisbane in respect of Archdiocesan Development Fund

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Archdiocesan Development Fund (the Agency) as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with Sections 15 and 16 of ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813 and 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 2022
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the statement by the Vicar General and General Manager.

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 Agency in accordance with the ethical requirements of the Accounting Professional & 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 purpose of distribution to the Archbishop of the Archdiocese of Brisbane to fulfil financial reporting requirements under Canon Law and to meet the requirements of 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 Archdiocesan Development Fund and the Archbishop of the Archdiocese of Brisbane and should not be distributed to or used by parties other than Archdiocesan Development Fund and the Archbishop of the Archdiocese of Brisbane. Our opinion is not modified in respect of this matter.

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Other information

The Vicar General and General Manager are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the Vicar General and General Manager 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. The Vicar General and General Manager have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the needs of the Archbishop of the Archdiocese of Brisbane.

In preparing the financial report, Management is responsible for assessing the ability of the Agency 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 Agency or to cease operations, or has no realistic alternative but to do so.

The Vicar General and General Manager are responsible for overseeing the Agency'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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K Challenor

Kim Challenor
Partner

Brisbane
30 March 2023

Statement of Comprehensive Income for the year ended 31 December 2022

	Note	2022 $'000	2021 Restated[1] $'000
Interest revenue	3	64,935	43,934
Interest expense	3	(25,655)	(16,129)
Net interest		**39,280**	**27,805**
Other income/(expenses)	3	5,576	(1,845)
Net operating income		**44,856**	**25,960**
Administration expenses		(3,338)	(4,384)
Bank charges		(892)	(991)
Occupancy costs		(344)	(337)
Depreciation		(87)	(118)
Net profit on sale of fixed assets		23	43
Contribution to Congregation of Leaders of Religious Institutes Queensland		(250)	(250)
Operating surplus before contribution		**39,968**	**19,923**
Contribution by the ADF to the Archdiocese of Brisbane	4	(20,000)	(15,000)
Operating surplus for the year		**19,968**	**4,923**
Other comprehensive income		-	-
Total comprehensive income for the year		**19,968**	**4,923**

The statement of comprehensive income is to be read in conjunction with the attached notes.

[1]Refer to note 23 for detailed information on Restatement of comparatives.

Statement of Financial Position as at 31 December 2022

	Note	2022 $'000	2021 Restated[1] $'000
Assets			
Cash	5	3,513	3,636
Receivables and other assets	6	7,017	2,928
Financial assets	7	893,000	764,400
Loans for Church projects	8	1,132,784	1,143,386
Property, plant and equipment	9	934	1,002
Total assets		**2,037,248**	**1,915,352**
Liabilities			
Payables	10	6,211	1,253
Customers' funds	11	1,896,483	1,799,482
Provisions	12	288	319
Total liabilities		**1,902,982**	**1,801,054**
Net assets		**134,266**	**114,298**
Equity			
Accumulated Funds	13	134,266	114,298
Total Equity		**134,266**	**114,298**

The statement of financial position is to be read in conjunction with the attached notes.

[1] Refer to note 23 for detailed information on Restatement of comparatives.

Statement of Changes in Equity for the year ended 31 December 2022

	Note	Accumulated Funds $'000	Total $'000
Opening Balance at 1 January 2021	13	109,375	109,375
Operating surplus for the year		4,923	4,923
Balance at 31 December 2021	13	**114,298**	**114,298**
Operating surplus for the year		19,968	19,968
Balance at 31 December 2022	13	**134,266**	**134,266**

The statement of changes in equity is to be read in conjunction with the attached notes.

Statement of Cash Flows

for the year ended 31 December 2022

	Note	2022 $'000	2021 Restated[1] $'000
Cash flows from operating activities			
Interest received		62,474	43,488
Interest paid		(25,405)	(16,157)
		37,069	**27,331**
Payments to suppliers and employees		(6,775)	(5,233)
Net increase in customers' funds		97,001	22,312
Net decrease (increase) in loans for Church projects		10,602	(46,328)
Management fees, rebates and other		5,576	(1,845)
Net cash inflow from operating activities	15	**143,473**	**(3,763)**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		56	598
Payments for plant and equipment	9	(52)	(186)
Net proceeds (purchase) of investment securities		5,400	(185,318)
Net cash inflow (outflow) from investing activities		**5,404**	**(184,906)**
Cash flows from financing activities			
Contributions to the Archdiocese of Brisbane	4	(15,000)	(15,000)
Net cash (outflow) from financing activities		**(15,000)**	**(15,000)**
Net increase (decrease) in cash and cash equivalents		133,877	(203,669)
Cash and cash equivalents at the beginning of the financial period		238,536	442,205
Cash and cash equivalents at end of year	5	**372,413**	**238,536**

The statement of cash flows is to be read in conjunction with the attached notes.

[1] Refer to note 23 for detailed information on Restatement of comparatives.

Index to notes to and forming part of the special purpose financial statements for the year ended 31 December 2022

Notes to and forming part of the special purpose financial statements

1. Archdiocesan Development Fund information

The ADF is part of the Brisbane Archdiocese. The Archdiocese exists under and operates in accordance with the 1983 Code of Canon Law. The Archdiocese also operates in civil law through the Corporation which was incorporated by Letters Patent on 25 July 1935 under the RECI Act.

The mandate of the ADF is to provide loans, treasury services and facilitates banking services within the Archdiocese, including Agencies and Parishes, as well as other Catholic Entities with Juridic status and Charitable Entities associated with the Catholic Church (on the basis of the Archbishop's approval). The ADF continues to help the helpers; supporting pastoral ministries, initiatives and the mission of the Church.

In addition, the ADF makes annual contributions to the Archdiocese to assist in funding the activities of the Catholic Church.

The business office of the ADF is 229 Elizabeth Street, Brisbane QLD 4000.

2. Summary of significant accounting policies

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

(a) Basis of significant accounting policies

The ADF is not a reporting entity as defined in Statements of Accounting Concepts SAC 1 Definition of the Reporting Entity because there are no users dependent on general purpose financial statements. For the purposes of preparing the Financial Statements, the ADF is a not-for-profit entity.

This special purpose financial report has been prepared for the sole purpose of distribution to the Archbishop to fulfil financial reporting requirements under 1983 Code of Canon Law and ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813, and must not be used for any other purpose. The accounting policies adopted in the preparation of the financial statements are, in the opinion of the ADF Board (the Board), appropriate to meet the needs of the Archbishop. Unless otherwise noted, amounts are denominated in Australian dollars.

Compliance with Australian Accounting Standards

These special purpose financial statements have been prepared in accordance with all the recognition and measurement requirements of Australian Accounting Standards and Interpretations.

Historical cost convention

The financial report is prepared in accordance with the historical cost convention except for financial assets through profit and loss that have been measured at fair value.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the ADF's accounting policies. An accounting estimate has been provided in the calculation of long service leave entitlements, provision for doubtful debts and financial assets at fair value through profit or loss.

IBOR

In August 2021, the IASB finalised its amendments to IFRS to help entities transition to new benchmark interest rates. The mandatory adoption date was 1 January 2022. The ADF does not hold any direct investments with reference to IBORs, and therefore the amendments have no material impact on the financial statements of the ADF.

(b) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, in banks, net of outstanding bank overdrafts.

Note 5(a) recognises the ADF's investment in short-term deposits, with term deposit maturities less than 3 months of investments date as a component of the statement of cash flows.

(c) Investments and other financial assets

(i) Classification

The ADF classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through profit or loss (FVTPL), and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and derecognition

All financial assets are recognised and derecognised on a settlement date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

(iii) Measurement

The ADF's financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at Fair Value through Profit or Loss (FVTPL).

Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Debt instruments

Subsequent measurement of debt instruments depends on the ADF's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the ADF classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

These are reflected in Note 16.

Equity instruments

The ADF subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(i) Impairment

The ADF assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. See Note 17(b) credit risk.

(ii) Derivatives

The ADF holds derivatives in accordance with the documented investment strategy, being to mitigate foreign exchange and interest rate risks. The Fund Manager enters into various derivatives including forward contracts, options and interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/(loss) is recognised in profit or loss immediately.

(iii) QIC portfolio

Funds invested through QIC Limited (QIC) are classified as financial assets at amortised cost and financial assets at fair value through profit or loss, where applicable, depending on the nature of the underlying investment component. The purpose of the QIC portfolio is to invest in a buy and hold portfolio of fixed interest securities issued by financial institutions (banks and insurers) in Australian dollars and nominated foreign currencies (hedged back to Australian dollars) with a longer-term investment horizon (3 to 5 years).

The portfolio may also invest in cash held with the ADF's custodian (Northern Trust Company) and QIC Cash Fund units. All investments are to be made within the parameters of the Investment Management Agreement.

(d) Impairment of non-financial assets

Non-financial assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

(e) Loans for Church projects

Loans for Church projects represent loans to approved borrowers who are legally part of the Archdiocese, Religious Congregations and other entities considered to be part of the Catholic Church mission.

In considering the repayment term of the loans the following factors are relevant:

(i) Many of the borrowings are covered by substantial investments from the same entities, on the understanding that these borrowers will continue to invest their surplus funds with the ADF.

(ii) A significant proportion of these investments from borrowing entities are in the name of Archdiocesan Entities under the direct control of the Archbishop.

(iii) The amount provided for impairment of loans is determined by Management and the Board. Management assesses on a forward-looking basis the expected credit losses associated with loans from church projects. The impairment methodology applied depends on whether there has been a significant increase in credit risk. ADF applies the general approach permitted by AASB 9. Note 17 (b) details the credit risk management approach to loan impairment.

Loans are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost as at 31 December 2022. Interest is recognised on an effective interest rate (EIR) basis and is recorded as part of receivables.

(f) Plant and equipment

All plant and equipment are stated at historical cost, less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate cost or revalued amounts, net of their residual values, over their estimated useful lives on all plant and equipment (excluding artworks), as follows:

- Asset residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.
- An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as per the impairment policy in Note 2(d).
- Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

The major depreciation periods are:

Furniture and fittings	3 to 8 years
Computer equipment	2½ to 8 years
Fitout and improvements	25 years
Motor vehicles	3 to 8 years

(g) Trade payables

These amounts represent liabilities for goods and services provided to the ADF prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually payable within 30 days of recognition.

(h) Customers' funds

Customers' funds are debentures which are initially measured at fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest method. Interest is recognised on an Effective Interest Rate basis.

There is $10m (2021: $10m) of customer investments for terms beyond 12 months; the remainder of investments are due within one year. The majority of investments are by organisations which also have loans from the ADF.

(i) Employee entitlements

(a) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of reporting date are recognised in other trade payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates payable.

(b) Long service leave and sick leave

Long service leave is recognised as a present entitlement when an unconditional legal entitlement arises after a qualifying period of service (being 7 years). This current liability is recognised in the provision for employee entitlements using a nominal basis for measurement. Long service leave which is not a present entitlement, i.e., employees have not satisfied the qualifying period of service, is recognised using an estimate of the present value of expected future payments and disclosed as provisions.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian Corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(c) Superannuation commitments

The ADF contributes to a number of employee superannuation funds. These funds are accumulation plans. The ADF has no legal obligation to make up any shortfall in funds' assets to meet payments due to employees. Contributions are made by the ADF to superannuation funds as required to satisfy contribution responsibilities covered under the Superannuation Guarantee Charge legislation, various enterprise bargaining agreements, awards and individual contracts.

(j) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian 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. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

(k) Rounding of amounts

Amounts shown in the financial report have been rounded to the nearest thousand dollars, or in certain cases, the nearest whole dollar.

(l) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the ADF invests (the 'functional currency'). The financial statements are presented in Australian dollars which is the ADF's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the profit or loss.

3. Revenue recognition

The ADF derives revenue from returns on loans for Church projects and investments. Revenue is measured at the fair value of the consideration received or receivable.

The ADF's significant revenue sources are:

(i) Interest

Interest is recognised in the financial statements on an Effective Interest Rate basis. Investment income is recognised when the interest is due and receivable. Loan interest is recognised in accordance with the terms of the loan agreement.

(ii) Other income

Other income consists of income generated from investments and fee income. Fees are recognised in the financial statements on an EIR basis, that is when they are due andreceivable. These fees are commitment and unused facility fees. Unrealised and realised market movements on investments are recorded on an EIR basis.

(a) Interest revenue

The following table shows the amount of interest revenue and expense.

	Note	2022 $'000	2021 Restated $'000
Interest revenue			
Loans for Church projects	2 (e)	42,463	33,589
Financial Assets	2 (c)(iii)		
- Measured at amortised cost		22,472	10,345
		64,935	**43,934**
Interest expense			
Customers' funds – At Call	2 (i)	25,592	16,129
Customers' funds - Term		63	-
		25,655	**16,129**

(b) Other income

	2022 $'000	2021 Restated $'000
Non-interest income		
Fee Income	549	661
Unrealised gains on financial assets	1,498	3,949
Realised gains/(losses) on financial assets measured at amortised cost	3,529	(6,455)
	5,576	**(1,845)**

4. Contribution by the ADF to the Archdiocese of Brisbane

	2022 $'000	2021 $'000
Archdiocese of Brisbane	20,000	15,000
	20,000	**15,000**

The ADF makes an annual distribution to the Archdiocese of Brisbane to fund key pastoral ministries and initiatives. In 2022, a distribution of $15m was approved by the ADF Board with a further special distribution of $5m. As at 31 December 2022, there is an outstanding balance of $5m to the Archdiocese of Brisbane.

5. Cash and cash equivalents

	Note	2022 $'000	2021 Restated $'000
Cash at bank and on hand	2 (b)	**3,513**	**3,636**

Cash at bank and on hand bears floating interest rates between 0% and 2.15%.

	Note	2022	2021
(a) Reconciliation to Statement of Cash Flows			
Cash at bank and on hand		3,513	3,636
Financial assets	2 (b)	368,900	234,900
		372,413	**238,536**

The above table recognises the ADF's investment in deposits which are maintained for a short-term as a component of the statement of cash flows.

6. Receivables and other assets

	2022 $'000	2021 Restated $'000
(a) Receivables		
Interest receivables	4,269	1,808
Net GST receivable	2,582	1,120
Trade receivables	67	-
Total receivables	**6,919**	**2,928**
(b) Other assets		
Prepayments	98	-
Total other assets	**98**	**-**
Total receivables and other assets	**7,017**	**2,928**

7. Financial assets

		2022 $'000	2021 Restated $'000
Financial assets at amortised cost			
Financial Institutions	2 (c)	446,900	334,900
QIC	2 (c)	435,921	420,069
Financial assets at fair value through profit or loss			
QIC	2 (c)	10,179	9,431
		893,000	**764,400**
Maturity analysis			
Financial Institutions			
<12 months		446,900	334,900
>12 months		-	-
QIC			
<12 months		108,893	13,797
>12 months		337,207	415,713
		893,000	**764,400**

Investment analysis		
Financial Institutions		
<3 months	368,900	234,900
<3 months	78,000	100,000
QIC		
<3 months	446,100	429,500
>3 months	-	-
	893,000	**764,400**

8. Loans for Church projects

	Note	2022 $'000	2021 $'000
Term loans		1,036,751	1,058,453
Lines of credit		96,033	84,933
		1,132,784	**1,143,386**
Amount of loans expected to be recovered more than 12 months after the reporting date		**1,072,647**	**1,062,021**

	Note	2022	2021
Concentrations of loans			
The ADF has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:	2 (e)		
- Archdiocesan		370,132	343,798
- Parishes		105,548	101,958
- Public Juridic Persons		482,414	507,691
- Other Catholic Entities		106,251	128,467
- Other Diocese		68,439	61,472
		1,132,784	**1,143,386**

There are no impaired loans as at balance date.

9. Property, Plant and equipment

	Fitout and improvements $'000	Plant and equipment $'000	Total $'000
At 1 January 2022			
- Cost	1,007	737	1,744
Accumulated depreciation	(168)	(574)	(742)
Net book amount	**839**	**163**	**1,002**
Year ended 31 December 2022			
Opening net book amount	839	163	1,002
Additions	0	52	52
Disposals	0	(33)	(33)
Depreciation charge	(40)	(47)	(87)
Closing net book amount	**799**	**135**	**934**

	Fitout and improvements $'000	Plant and equipment $'000	Total $'000
At 31 December 2022			
- Cost	1,007	536	1,543
Accumulated depreciation	(208)	(401)	(609)
Net book amount	**799**	**135**	**934**
At 1 January 2021			
- Cost	1,007	1,109	2,116
Accumulated depreciation	(129)	(495)	(624)
Net book amount	**878**	**614**	**1,492**
Year ended 31 December 2021			
Opening net book amount			
Additions	0	184	184
Disposals	0	(556)	(556)
Depreciation charge	(39)	(79)	(118)
Closing net book amount	**839**	**163**	**1,002**
At 31 December 2021			
- Cost	1,007	737	1,744
Accumulated depreciation	(168)	(574)	(742)
Net book amount	**839**	**163**	**1,002**

10. Payables

	2022 $'000	2021 Restated $'000
Accrued interest payable on customers' funds	357	107
Dormant accounts – unclaimed monies	9	3
Settlement clearing accounts	578	844
GST payable	-	8
Facility fee income earned in advance	17	41
Contribution to Archdiocesan	5,000	-
Contribution to Religious of Queensland	250	250
	6,211	**1,253**

11. Customers' funds

		2022 $'000	2021 Restated $'000
Customers' funds – At Call		1,878,133	1,799,482
Customers' funds - Term		18,350	-
	2 (h)	**1,896,483**	**1,799,482**

Maturity analysis		
At call	1,868,133	1,789,482
Not longer than 3 months	7,750	-
Longer than 3 months but not longer than 12 months	10,600	
Longer than 1 year	10,000	10,000
	1,896,483	**1,799,482**
Concentration of customers' funds		
Archdiocesan	607,100	533,118
Associates	3,251	2,947
Parishes	227,527	193,547
Public Juridic Persons	715,610	643,917
Other Catholic Entities	342,995	425,953
	1,896,483	**1,799,482**

A significant amount of customers' funds are obtained from Archdiocesan Entities, Parishes and Religious Congregations. These funds are subject to withdrawal based on the operational needs of each operating entity.

	Note	**2022**	**2021**
		$'000	$'000
Archdiocesan investment subordinated	2 (h)	**10,000**	**10,000**

With effect from 19 May 2017 the Corporation has subordinated the sum of $10m invested by the Corporation in the ADF in favour of the customers' funds (other than the Corporation) of the ADF. The subordinated amount will be available to meet calls for repayment of invested funds owed to the customers in priority and preference to any call by the Corporation. The Corporation may from time to time vary or revoke the subordinated amount. Any Deed of Revocation or reduction in the subordinated amount will take effect twelve calendar months following execution of the Deed.

12. Provisions

	Notes	**2022**	**2021**
		$'000	$'000
Employee entitlements		288	319
		288	**319**

13. Accumulated funds

	2022	**2022**
	$'000	$'000
Movements in accumulated funds were as follows:		
Accumulated funds at the beginning of the year	114,298	109,375
Operating surplus before contribution	39,968	19,923
Contribution to the Archdiocese of Brisbane	(20,000)	(15,000)
Accumulated funds at the end of the year	**134,266**	**114,298**

14. Contingent liabilities

(a) Approved but undrawn loans and lines of credit

At balance date the approved but undrawn loan facilities of customers totaled $620.2m. It is expected that the majority of these facilities will be drawn down within the next 24 months. Of this balance, undrawn lines of credit accounted for $68.2m.

(b) Bank guarantees

The ADF has indemnified the Commonwealth Bank of Australia for $5,099,250 (2021: $4,984,944) in guarantees on behalf of ADF customers. Management believes no liability will arise as in the event that the guarantees are called upon, the Fund has the right of redress from the customers.

15. Reconciliation of operating surplus to the net cash inflow from operating activities

	2022 $'000	2021 Restated $'000
Operating surplus before contribution	39,968	19,923
Depreciation	87	118
Net profit on sale of non-current assets	(23)	(43)
Change in operating assets and liabilities		
Increase in interest receivable	(2,461)	(445)
(Increase) Decrease in receivables	(1,628)	372
(Decrease) Increase in payables	(292)	727
Increase (Decrease) in interest payable	250	(28)
(Decrease) Increase in leave provisions	(31)	2
Increase in customers' funds	97,001	21,938
(Decrease) Increase in loans for Church project	10,602	(46,328)
Net cash inflow (outflow) from operating activities	**143,473**	**(3,763)**

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

- Customer investments and withdrawals
- Customer draw downs and repayments
- Sale and purchase of plant and equipment.

16. Classes of financial assets and financial liabilities

The ADF holds the following financial instruments:

	2022 $'000	2021 Restated $'000
Financial assets		
Financial assets at amortised cost		
Receivables	7,017	2,928
Financial Institutions	446,900	334,900
QIC	435,921	420,069
Loans and advances	1,132,784	1,143,386
Total financial assets at amortised cost	**2,022,622**	**1,901,283**
Financial assets at fair value through profit or loss		
QIC	10,179	9,431
Total financial assets at fair value through profit or loss	**10,179**	**9,431**
Total financial assets	**2,032,801**	**1,901,714**
Cash and cash equivalents	3,513	3,636

Financial liabilities		
Subordinated debt	10,000	10,000
Customers' funds	1,886,483	1,789,482
Other payables	6,211	1,253
Total Financial liabilities	**1,902,694**	**1,800,735**

The ADF's exposure to various risks associated with the financial instruments is discussed in note 17. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(a) Financial assets at amortised cost

(i) Classification of financial assets at amortised cost
Financial assets at amortised cost include the following debt investments:

	2022		**2021**	
	Current $'000	**Total $'000**	**Current $'000**	**Total $'000**
Corporate bonds (QIC)	435,921	435,921	420,069	420,069
	435,921	**435,921**	**420,069**	**420,069**

(b) Financial assets at fair value through profit or loss

(i) Classification of financial assets at fair value through profit or loss
Financial assets mandatorily measured at FVTPL include the following:

	2022	**2021**
	$'000	$'000
Current assets		
Unit trust (QIC)	8,769	8,278
Futures (QIC)	1,410	1,153
	10,179	9,431

(ii) Fair value hierarchy and estimates
The ADF measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by ADF is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(iii) Financial instruments measured at fair value - Fair value hierarchy
The following table presents the level 1 items for the periods ended 31 December 2022 and 31 December 2021:

	Level 1 Investments	Total
2022		
Financial assets		
Financial assets at fair value through profit or loss	10,179	10,179
2021		
Financial assets		
Financial assets at fair value through profit or loss	9,431	9,431

There were no transfers during the year between Level 1, Level 2 and Level 3 investments.

(c) Cash and cash equivalents

Refer to note 2(b) for disclosures that apply to cash and cash equivalents.

17. Risk management policy and objectives

Introduction
The Board has endorsed a policy of compliance and risk management to suit the risk profile of the ADF.

Key risk management policies encompassed in the overall risk management framework include:

- Interest rate risk management,
- Liquidity risk management, and
- Credit risk management.

Authority flows from the Board to the Finance & Risk Committee which is integral to the management of risk.

The main elements of risk governance are as follows:

- *Archdiocese*

  The Archdiocese exists and operates in accordance with the 1983 Code of Canon Law. The Archdiocese, in turn, provides the primary guidance to the Board and Management of the ADF through the issuance of specific governance policies covering Board processes, strategic directions, human resources, financial management, quality management, risk management, ethics and public relations.

- *The Board*

  The Board assists the ADF by providing advice and recommendations to Management and the Archbishop in relation to the mandated objectives of the ADF to provide loans and facilitating banking services within the Archdiocese as well as other Catholic entities within Australia.

- *Finance and Risk Committee*

  The Finance and Risk Committee is a standing committee of the Board which provides recommendations and advice in relation to the operational functions of the ADF.

  The Committee oversees and appraises the ADF's financial and operational reporting processes, including monitoring the specific risk exposures of the ADF in the areas of liquidity, interest rate, capital management, operating and lending practices to identify and recommend improvements in management policy and strategy to manage risk exposure.

- *ADF Management*

  This group, comprising the General Manager, Manager ADF and Assistant General Manager and is responsible for implementing policies and practices to ensure that all loans, investments, liquidity and capital adequacy requirements, are properly managed and reported.

  For loans, all credit exposures are properly pre-approved, measured and controlled. Details concerning a prospective borrower are subject to a criteria-based decision-making process. Criteria used for this assessment include borrower's capacity to service the value of all loans commitments, including the new loan or facility, performance on existing loans and security on offer to support the loan (for non-Archdiocesan borrowers). All large credit exposure facilities above $1,250,000 are approved by the Board.

  The ADF provides a range of simple products and services to its customers. The products and services do not contravene the APRA and ASIC exemptions. The ADF also has an active program in place that mirrors the requirements of the *Anti-Money Laundering and Counter Terrorism Financing Act 2006*.

  Surplus funds are invested in accordance with the ADF's Investment Policy. The investment portfolio with QIC is managed by an Investment Management Agreement.

  Investment products utilised have historically been very conservative with regards to risk (i.e. term deposits with highly rated banks). Required liquidity and capital adequacy are covered by the ADF's Prudential Policy. For liquidity, the ADF maintains a minimum of 10% of total liabilities in prime liquid assets, with access to a standby facility with the Commonwealth Bank and standby arrangements with other Catholic Development Funds. A minimum capital adequacy level of 14% of risk weighted assets is maintained. Both liquidity and capital adequacy are reported to the Board with the level of capital adequacy reviewed annually by the Board.

The ADF has undertaken the following strategies to minimise the risks arising from financial instruments.

(a) Market risk

The objective of the ADF's market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and other volatilities will have an adverse effect on the ADF's financial condition or results. The management of market risk is the responsibility of Management which reports to the Finance & Risk Committee.

The ADF is not exposed to material currency risk or other significant price risk. The ADF does not trade in the financial instruments it holds on its books.

Interest rate risk

Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to the changes in interest rates. The ADF's exposure to interest rate risk is managed on a regular basis in accordance with its Operating Policies.

The policy of the ADF is to maintain a balanced strategy by ensuring that the net interest rate gaps between assets and liabilities are not excessive. The ADF currently maintains a net interest gap approaching 2.8% (2021: 2.8%) between its return on assets and cost of funds.

Based on calculations as at 31 December 2022, the net operating surplus decline for a +1% movement in interest rates would be $7,636,992 (2021: $6,560,948). The method used to determine the sensitivity was to evaluate the surplus based on the timing of the interest repricing on the transaction book of the ADF for the next 12 months. In doing the calculation the assumptions applied were that:

- the interest rate change would be applied equally over the loan products and term deposits;
- the rate change would be as at the beginning of the 12-month period and no other rate changes would be effective during the period;
- the term customer funds would all reprice to the new interest rate at the term maturity, or be replaced by deposits with similar terms and rates applicable;
- customer funds would not reprice in the event of a rate change;

- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms); and
- the value and mix of call savings to term deposits will be unchanged.

The interest rate sensitivity is not representative of the risk inherent in the financial instruments during the financial year due to:

- The market risk associated with investments in Catholic Church Investment Service and the portfolio with QIC.

The ADF's exposure to interest rate risk, which is the risk that a financial instrument's value or cash flows will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate on classes of financial assets and financial liabilities, is set out below.

	Floating interest rate	Fixed interest rate Within 1 year	Non-interest sensitive	Total	Effective interest rate
	$'000	$'000	$'000	$'000	%
2022					
Cash	3,513	-	-	3,513	0.23%
Investments	271,900	621,100	-	893,000	2.09%
Loans and advances	1,132,784	-	-	1,132,784	3.79%
Other receivables	-	-	7,017	7,017	-
Short-term borrowings	-	-	-	-	0.00%
Customer funds	(1,868,133)	(18,350)	-	(1,886,483)	1.18%
Subordinated debt	(10,000)	-	-	(10,000)	1.50%
Other payables	-	-	(6,211)	(6,211)	-
	(469,936)	**602,750**	**806**	**133,620**	
2021					
Cash	3,636	-	-	3,636	0.03%
Investments	154,900	609,499	-	764,400	1.33%
Loans and advances	1,143,386	-	-	1,143,386	3.15%
Other receivables	-	-	2,928	2,928	-
Short-term borrowings	-	-	-	-	0.00%
Customer funds	(1,789,482)	-	-	(1,789,482)	0.73%
Subordinated debt	(10,000)	-	-	(10,000)	1.50%
Other payables	-	-	(1,253)	(1,253)	-
	(497,559)	**609,499**	**1,675**	**113,615**	

The values discussed above include recognised and unrecognised (undrawn) facilities, including Line of Credit facilities. Details of undrawn facilities are described in Note 14.

(b) Credit risk

Credit risk is the risk that borrowers, financial institutions and other counterparties will be unable to meet their obligations to the ADF which may result in financial losses. Credit risk arises principally from the ADF's loan book and investment assets.

Credit risk – loans and advances

The method of managing credit risk is by way of strict adherence to the credit assessment policies before loans are approved and maintaining regular contact with the borrower.

The ADF has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value to non-mortgage secured loans and concentrations of geographic and industry groups considered a high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Review of compliance with the above policies.

Concentration of credit risk – loans and advances

Concentrations of credit risk arise in the following categories:

	Maximum credit risk exposure for each concentration			
	Percentage of loans For Church Projects (%)		$m	$m
Industry	2022	2021	2022	2021
Education	51%	49%	582	560
Aged care	12%	12%	131	139
Health care	8%	9%	89	99
	71%	70%	802	798
Other non-concentrated	29%	30%	331	346
	100%	100%	1,133	1,144

Concentrations of credit risk on loans to individual borrowers (including associated borrowers) greater than 10% of capital are detailed as follows:

	2022	2021
Number of loans	20	20
Approved loan balance ($m)	488	445

(i) Past due and impaired loans
ADF applies the principles of AASB 9 to measure expected credit losses.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at the time of default. The assessment of the probability of default is based on historical data.

Management makes judgements about a counterparty's financial situation and the net realisable value of any collateral to determine loss given default. Risks are mitigated by many factors including security requirements, counterparty investments with the ADF and dealings with internal Archdiocesan entities*.

Below is a summary of loan concentrations:

	2022 $'000	**2022** %	**2021** $'000	**2021** %
- Archdiocesan*	370,132	33%	343,798	30%
- Parishes*	105,548	9%	101,958	9%
- Public Juridic Persons	482,414	43%	507,691	44%
- Other Catholic Entities	106,251	9%	128,467	11%
- Other Diocese	68,439	6%	61,473	5%

To date, the ADF has never incurred credit loss nor do they expect a credit loss to be incurred in future. There is no loss allowance as at 31 December 2022.

(ii) Maximum credit risk exposure

The ADF's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Statement of Financial Position.

In relation to loans, the maximum credit exposure is the value on the Statement of Financial Position plus the undrawn loan commitments. Details of undrawn loan commitments are shown in Note 15.

(iii) Collateral securing loans

The portion of the loan book to non-Archdiocesan entities for loans in excess of $6,768,275 is secured by first registered mortgage over property. Therefore, the ADF is exposed to risks in the reduction of the Loan to Value (LVR) cover should the property market be subject to a decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The Board policy is to carry a 75% Loan to Valuation ratio or less on all loans where security is held. It is the policy of the ADF to allow borrowers with a secured loan or advance reasonable assistance and opportunity to rectify a breach prior to recovery procedures being initiated.

(iv) Concentration risk

Concentration risk is a measurement of the ADF's exposure to an individual counterparty (or group of related parties). The ADF differs significantly from commercial lenders in many ways, including:

- The ADF has a limited number of counterparties that it can lend to.
- These operate in a limited number of industries, predominantly education, health care, aged care and social welfare.
- The ADF is not a standalone entity but a part of the Archdiocesan legal entity.
- Many of the counterparties of the ADF are part of the same legal entity as the ADF.
- Borrowers from the ADF generally have extensive assets and ADF loans are usually only a small portion of the value of those assets.
- All borrowers from the ADF are contributing to the Mission of the Church. In the event that a counterparty to an ADF loan was unable to meet its commitments, the ADF would always seek ways to continue the apostolic work. Sale of any security would only occur after all other avenues had been exhausted.

The Board has adopted a number of measures to assist with the management of loan exposures including:

- Exposures over $2m are reported to the Board each month.
- Loans to a counterparty or group of related counterparties in excess of $10m are reviewed at least annually by the Board.

- Maximum loan exposures are limited according to the borrower category of the counterparty or group of related counterparties:
    - Archdiocesan agencies and parishes,
    - Public Juridic Persons and
    - Other Catholic entities.

Credit risk – liquid investments

Credit risk in relation to liquid investments is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the ADF incurring a financial loss. This usually occurs when counterparties fail to settle their obligations owing to the ADF.

(v) Concentration risk

ADF investments for daily cash management are made with financial institutions, or QIC.

Our credit policy requires that investments are to be placed with financial institutions that hold a minimum short-term credit rating of "A-2" from Standard & Poor's (S&P) or Moody Investment Services equivalent. A maximum of 60% can be invested in any one financial institution at a time provided that is rated AA- and above. The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on one entity. Also, the relative size of the ADF compared to the industry is relatively low such that the risk of loss is reduced.

Securities purchased within the QIC mandate must be listed to allow for quick liquidation and have a term to maturity such that the maximum deviation either side of the Bloomberg AusBond Bank Bill Index does not exceed 0.25 years.

Allowable Investments - Physical Assets

The Portfolio may be invested in securities issued by financial institutions (banks and insurers) in Australian Dollars from the following permissible investment options:

- At call and term deposits;
- Discount/money market securities issued by including: bank accepted and endorsed bills, negotiable certificates of deposits and promissory notes;
- Senior debt securities;
- Tier 2 subordinated debt securities;
- Tier 1 subordinated debt securities;
- Hybrids;
- Cash held with the Client's Custodian; and
- QIC Cash Fund units.

Allowable Investments - Derivatives and Synthetics

QIC (as Manager) can purchase or sell the following derivatives:

- Australian interest rate futures contracts (bond and bank bills).
- United States, United Kingdom, Japanese and German interest rate futures contracts.
- Foreign exchange derivatives (spot, forwards, cross currency basis swaps).

Investment Limits

- A maximum of 10% of the portfolio value will be invested in cash, discount securities and QIC Cash Fund units.
- A maximum of 5% of the Portfolio Value will be invested in retail hybrid securities issued by

  Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, Westpac Banking Corporation and National Australia Bank Limited. Retail hybrids of other issuers are not permitted.

Credit limits

- Other than cash and QIC Cash Fund units, all securities will be rated investment grade and have either a long-term credit rating of at least BBB- or a short term credit rating of at least A-3 or equivalent from Standard & Poor's, Moody's or Fitch.
- A maximum of 50% of the QIC Portfolio Value will be invested in securities with a long-term credit rating of BBB+, BBB or BBB-.
- Standard & Poor's, Moody's or Fitch apply short term credit ratings to discount/money market securities and long-term credit ratings to longer dated securities (greater than 1 year). QIC applies the highest credit rating from Standard & Poor's, Moody's or Fitch.

Issuer limits

- No more than 35% of the Portfolio Value will be invested in a single Australian domiciled corporate issuer, excluding cash and discount securities.
- No more than 15% of the Portfolio Value will be invested in a single non-Australian domiciled corporate issuer, excluding cash and discount securities.
- The aggregate investment in non-Australian domiciled corporate issuers, excluding cash and discount securities will be no more than 50% of the Portfolio Value.

Currency limits

- No more than 50% of the Portfolio Value will be invested in securities issued in foreign currencies.
- All foreign currency exposures stemming from offshore investments will be hedged back into Australian dollars. Foreign currency exposures may also exist from time to time in the form of daily fluctuations in the denominating currency value of international investments.
- Offshore asset purchases will be limited to those issued in:
  - United States Dollars.
  - Euro.
  - Great British Pounds.
  - Japanese Yen.

Leverage

The portfolio will not be net leveraged either by direct borrowing or through the use of Derivatives. Net leverage is based on the net market exposure of a portfolio compared to the net asset value of the portfolio. The net market exposure is to remain at or below 100%. Net leverage only restricts a portfolio from having an exposure greater than 100% and does not restrict or limit a portfolio from net negative market exposures.

(i) Credit assessment for institutional investments

Ratings of reputable ratings agencies is used to assess the credit quality of all investment exposure. The position as at 31 December 2022 is shown below:

Issuer Rating Composition

Rating	% of Total Portfolio		% of Total Portfolio	
	2022	Prudential Portfolio Limit 2022	2021	Prudential Portfolio Limit 2021
A-1+	100%	100%	85.07%	100%
A-1	0%	100%	2.99%	100%
A-2	0%	25%	11.94%	25%
	100.00%		**100.00%**	

(ii) External credit assessment for institutional investments

The investment portfolio with QIC is managed by the Investment Management Agreement, with parameters set as follows:

Issuer Rating Composition

Rating	% of Total Portfolio		% of Total Portfolio	
	2022	Prudential Portfolio Limit 2022	2021	Prudential Portfolio Limit 2021
AAA	2.00%	100.00%	0.00%	100.00%
AA	0.00%	100.00%	0.00%	100.00%
A	75.80%	100.00%	75.44%	100.00%
BBB	21.44%	50.00%	21.95%	50.00%
Cash	0.76%	10.00%	2.61%	10.00%
	100.00%		**100.00%**	

(c) Liquidity risk

Liquidity risk is the risk that the ADF may encounter difficulties raising funds to meet commitments associated with financial instruments e.g. borrowing repayments or customer withdrawal demands. It is the policy of the Board that the ADF maintains adequate cash reserves and committed credit facilities so as to meet the customer withdrawal demands when requested.

The ADF manages liquidity risk by:

- Continuously monitoring actual and daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and financial liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the policy liquidity ratio daily.

The ADF has long standing arrangements with other Catholic Development Funds, NAB and the Commonwealth Bank of Australia to access funds to provide support to the ADF should this be necessary at short notice.

While the ADF is not subjected to APRA Regulations, it has resolved to maintain a level of liquid assets which the Board believes is required to provide comfort to its customers. The ADF has resolved to maintain at least 10% of total liabilities as prime liquid assets. The ADF's policy is to apply 10% of funds as liquid assets to maintain adequate funds for meeting customer withdrawal requests. The ratio is checked daily. Should forecasting show that the liquidity ratio may fall below this level, ADF management are to address the matter and ensure that the liquid funds are obtained from new customer investments and the borrowing facilities available. The maturity profile of financial liabilities based on contractual repayment terms is set out in Note 19.

The ratio of liquid funds over the past year is set out below:

	2022	**2021 (Restated)**
Liquid funds to total adjusted liabilities:		
- As at 31 December	46.93%	42.44%
- Average for the year	52.04%	56.02%
- Minimum during the year	44.32%	42.60%
Liquid funds to total customer investments:		
- As at 31 December	47.55%	42.48%

(d) Capital adequacy

The Australian Prudential Regulatory Authority (APRA) sets and monitors capital requirements for Approved Deposit-taking Institutions (ADIs) under Australian Prudential Standard (APS) 110 Capital Adequacy. While the ADF is not subject to APRA Regulations, it has resolved to maintain a level of capital which the Board believes is required to provide comfort to its customers (excluding Archdiocesan agencies). Under the APRA Standard, an ADI must maintain minimum levels of Tier 1 capital and may also hold Tier 2 capital up to certain prescribed limits. Tier 1 capital comprises the highest quality components of capital that fully satisfy the following essential characteristics:

- Provide a permanent and unrestricted commitment of funds;
- Are freely available to absorb losses;
- Do not impose any unavoidable servicing charges against earnings; and
- Rank behind claims of depositors and other creditors in the event of winding up.

The ADF has applied a modified Capital Adequacy methodology to consider the characteristics of its operating environment. The ADF's Tier 1 capital includes the Accumulated Funds of the ADF.

Tier 2 capital comprises a deposit from the Archdiocese subordinated for this purpose as set out in Note 11.Capital in the ADF is made up as follows:

	2022 $'000	**2021** $'000
Tier 1 capital		
Accumulated funds	134,266	114,298
Net Tier 1 Capital	**134,266**	**114,298**
Tier 2 capital		
Subordinated customer funds	10,000	10,000
Net Tier 2 capital	**10,000**	**10,000**
Total capital	**144,266**	**124,298**

The level of the capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. The ADF has a minimum capital ratio of 14%. The capital ratios as at the end of each reporting period, for the past 5 years are as follows:

2022	**2021 (Restated)**	**2020 (Restated)**	**2019 (Restated)**	**2018 (Restated)**
17.34%	17.15%	14.85%	16.54%	17.09%

The ADF's objective is to maintain sufficient capital resources to support business activities and operating requirements and to ensure continuous compliance with capital ratios. To manage the ADF's capital, the ADF reviews the ratio monthly and monitors major movements in asset levels. The ADF's Operating Policies requires monthly reporting to the Board of the ratio.

18. Maturity profile of financial liabilities

The tables below analyse ADF's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Within 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total cash flows**	**Carrying amount**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2022							
Other payables	5,854	-	-	-	-	5,854	5,854
Customer Funds	1,868,134	7,806	10,936	-	-	1,886,876	1,886,483
Archdiocesan investment	-	-	-	-	10,000	10,000	10,000
	1,873,988	**7,806**	**10,936**	**-**	**10,000**	**1,902,730**	**1,902,337**
2021 Restated							
Other payables	1,020	-	-	-	-	1,020	1,020
Customer Funds	1,723,482	66,197	-	-	-	1,789,679	1,789,482
Archdiocesan investment	-	-	-	-	10,000	10,000	10,000
	1,724,502	**66,197**	**-**	**-**	**10,000**	**1,800,699**	**1,800,502**

To manage liquidity risk arising from financial liabilities, the ADF holds liquid assets comprising cash and cash equivalents and investment securities. These assets can be readily sold to meet liquidity requirements. Hence, the ADF believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable users to evaluate the nature and extent of liquidity risk.

19. Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the ADF:

	2022	**2021**
	$'000	$'000
Audit and review of financial statements	63	53
Other assurance services	18	44
Total remuneration for audit and other assurance services	**81**	**97**

20. Major service providers

(a) Commonwealth Bank of Australia (CBA)

The ADF relies on the CBA to provide a range of banking services. In particular the CBA acts as the clearing house for the ADF in order to facilitate the provision of the cheque issuance facility, agency payment facility and all over-the-counter transactions carried out at local CBA branches. The ADF is also treated as a closed branch of the CBA which provides the platform for electronic transactions.

(b) Melbourne CDF

The ADF relies on the Melbourne CDF to provide bureau services for its main application software. The Melbourne CDF also provides the ADF with support services and system enhancement capabilities. During 2022, the Melbourne CDF continued to provide day-to-day operational support however hosting services have been outsourced to an external service provider.

c) Queensland Investment Corporation (QIC)

The ADF relies on QIC to provide investment management advice and services in relation to Financial Assets and associated instruments. QIC has been relied upon to provide monthly reporting and transaction details on the ADF investments held under the Investment Management Agreement.

21. Standby arrangements and credit facilities

The ADF has access to standby arrangements, subject to annual review.

Standby arrangements	**2022** $'000			**2021** $'000		
	Available	Used	Unused	Available	Used	Unused
CBA	-	-	-	25,000	-	25,000
Total	**-**	**-**	**-**	**25,000**	**-**	**25,000**

The ADF also has an intra-day overdraft facility with CBA of $25m

The ADF has access to standby arrangements, subject to annual review.

Standby arrangements	**2022** $'000			**2021** $'000		
	Available	Used	Unused	Available	Used	Unused
NAB	25,000	-	25,000	25,000	-	25,000
Total	**25,000**	**-**	**25,000**	**25,000**	**-**	**25,000**

This standby facility will allow the ADF to remain responsive to unexpected fluctuations in cashflows.

	2022 $'000	**2021** $'000
Contingent liabilities facility		
Total bank guarantee and indemnity facility provided by CBA	12,700	12,700
Used at balance date	(5,099)	(4,984)
Unused at balance date	**7,601**	**7,716**

22. Board remuneration

During the year no remuneration was paid to the ADF Board (2021: $0).

23. Restatement of comparatives

Correction of error

Monies invested into cash and short-term deposits and the monies received from other Dioceses were previously disclosed as fiduciary activities of the ADF in the notes to the special purpose financial statements. The associated balances, being at-call and term deposit investments, and customer deposits relating to the other Dioceses, as well as the associated interest income and expense, were not previously recognised in the statement of financial position, statement of comprehensive income or the statement of cash flows of ADF.

As these balances meet the criteria of assets and liabilities under the AASB Conceptual Framework, they have been recognised in the statement of financial position, statement of comprehensive income and statement of cash flows of the ADF at 31 December 2022, and the prior year comparative financial information has been restated

Extracts (being only those line items affected) from the statement of comprehensive income, statement of financial position and statement of cash flows are disclosed below.

Statement of Comprehensive Income

	2021 Reported	**Adjustment**	**2021 Restated**
Extract	$'000	$'000	$'000
Interest revenue	42,466	1,468	43,934
Interest expense	(15,412)	(717)	(16,129)
Net interest	**27,054**	**751**	**27,805**
Other revenue	(1,166)	(679)	(1,845)
Net operating income	**25,888**	**72**	**25,959**
Administration expenses	(4,312)	(72)	(4,384)
Operating surplus for the year	**4,923**	**-**	**4,923**

Statement of Financial Position

	31 Dec 2021 Reported	**Adjustment**	**31 Dec 2021 Restated**	**31 Dec 2020 Reported**	**Adjustment**	**1 Jan 2021 Restated**
Extract	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Receivables	2,765	163	2,928	2,743	175	2,918
Financial Assets[1]	590,499	173,901	764,400	573,262	207,419	780,681
Total assets	**1,741,288**	**174,064**	**1,915,352**	**1,680,195**	**207,594**	**1,887,789**
Liabilities						
Payables	1,128	125	1,253	499	54	553
Customers' funds	1,625,543	173,939	1,799,482	1,570,004	207,540	1,777,544
Total liabilities	**1,626,990**	**174,064**	**1,801,054**	**1,570,820**	**207,594**	**1,778,414**
Net assets	**114,298**	**-**	**114,298**	**109,375**	**-**	**109,375**

[1]Financial assets are in the form of at-call deposits and short term deposits with maturities less than 3-months which are treated as a component of cash and cash equivalents per the statement of cash flows. Short term deposits with maturities greater than 3 months are treated as part of investing activities.

Deposit maturities < 3 months	160,999	73,901	234,900	249,081	187,419	436,500
Deposit maturities > 3 months	429,500	100,000	529,500	324,181	20,000	344,181
Financial Assets	**590,499**	**173,901**	**764,400**	**573,262**	**207,419**	**780,681**

Statement of Cash Flows

	2021		**2021**
	Reported	**Adjustment**	**Restated**
Extract	$'000	$'000	$'000
Cash flows from operating activities			
Interest received	42,007	1,481	43,488
Interest paid	(15,440)	(717)	(16,157)
	26,567	**764**	**27,331**
Net increase in customers' funds	55,913	(33,601)	22,312
Management fees and rebates	(1,166)	(679)	(1,845)
Net cash inflow from operating activities	**29,754**	**(33,517)**	**(3,763)**
Net purchase of investment securities	(105,318)	(80,000)	(185,318)
Net cash inflow (outflow) from investing activities	**(104,906)**	**(80,000)**	**(184,906)**
Net increase/(decrease) in cash	(90,152)	(113,517)	(203,669)
Cash at the beginning of the financial period	254,787	187,418	442,205
Cash at end of year	**164,635**	**73,901**	**238,536**

Statement by Vicar General and General Manager

It is our opinion that :

a) the accompanying Statement of Comprehensive Income presents fairly the financial performance of the ADF for the year ended 31 December 2022;

b) the accompanying Statement of Financial Position presents fairly the ADF's state of affairs as at 31 December 2022;

c) the accompanying Statement of Changes in Equity presents fairly the movements in equity of the ADF for the year ended 31 December 2022;

d) the accompanying Statement of Cash Flows presents fairly the cash flows of the ADF for the year ended 31 December 2022;

e) the financial statements have been made out in accordance with both the accounting policies described in Note 2 to the financial statements and ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813; and

f) there are reasonable grounds to believe that the ADF will be able to pay its debts and repay its customers as and when they become due and payable.

Dated this 30th day of March 2022

Most Reverend Kenneth Michael Howell
Vicar General
Archdiocese of Brisbane

Andrew Musial
General Manager
Archdiocesan Development Fund