



**To be the trusted financial services provider of the Diocese of Grafton,  
enabling ministry growth.**

**Agenda**  
**Thursday 20<sup>th</sup> April 2017 9.00 am**  
**Level 1 50 Victoria St Grafton**

**1. Opening Prayer**

**2. Attendees:**

**Apologies:** Ted Clarke  
Phil Crandon

**3. Call for additional Agenda items and close of Agenda –**

**4. Confirmation of**

a) **Minutes - 23<sup>rd</sup> March 17**

b) **Flying Minute – Copiers and printers approval to purchase**

**5. Conflict of Interest Declarations - Standing Register of interests at present**

- Bishop Sarah Macneil - various Diocesan Board representations
- Chris Nelson - various Diocesan Board representations
- Anglicare North Coast - Blaine Fitzgerald
- David Ford - Bishop Druitt College (BDC)
- Ted Clarke – Clarence Valley Anglican School (CVAS)

**6. Correspondence In & Out**

- In:** i. expression of Interest AFGD Board Lisa Mulvaney. Refer item 8a.  
**Out:** i. Lindisfarne Funding approval AFGD.  
ii. Emmanuel Anglican College – expression of interest. (refer late papers)

**7. Matters for Decision:**

a) **Finalisation of office refit Cost \$4891.00 incl GST**

Consistent with; key result area 3. Customer and stakeholder

These next two items can be discussed at the same time and will take up a significant amount of time.  
I recommend allocating 1.5 hours for discussion. .

b) **APRA/ASIC update and next steps – linked to item 7.c)**

Overview of current position including email correspondence has been provided in a self contained report to be noted in the minutes.

Consistent with; key result area 5. Governance Compliance and Risk management

**c) AFS Licence update** - (Australian Financial Services licence)

Refer to briefing paper with possible solutions.

Consistent with; key result area 5. Governance Compliance and Risk management

**8. Matters for Discussion:**

a) expression of Interest AFGD Board Lisa Mulvaney.

Consistent with; key result area 5. Governance Compliance and Risk management

**9. Matters for Update:**

Nil

**10. Matters for Noting**

a) **Fund Manager Report** 17/3/17 to 18/4/17 (refer late papers)

b) **Financial Reports** to 31/03/2017

Includes draft audited financial statements for review.

Consistent with key result area 1. Financial Performance

**Next Meeting –**

**11/5/2017 Joint with Corporate Trustees for review and signing of audited results.**



To be the trusted financial services provider of the Diocese of Grafton,  
enabling ministry growth.

**Minutes**  
**Thursday 23 March 2017 9.00 am**  
**Via teleconference**

**1. Opening Prayer led by David Ford**

<b>2. Attendees:</b>	Chris Nelson	Ex Officio
	David Ford	Chairperson
	John Adlington	Board member
	Terry Hunt	Board member
	Gary Boyd	Board member
	Blaine Fitzgerald	Manager AFGD

<b>Apologies:</b>	Ted Clarke	Board member
	Phil Crandon	Board member
	Bishop Sarah	Ex Officio

**3. Call for additional Agenda items and close of Agenda –**

- i. Confirmation of a consistent start time for AFGD meetings.
- ii. Interest Rate Review Lending covering period 1/4/17 to 30/6/17 - refer item 7c.
- iii. Draft motion Chris Nelson regarding delegated authorities for AFGD and Manager. Refer other matters.

Clarification sought over start times of AFGD meetings. The following resolution was made;

**Motion: “That the start times for AFGD Board meetings is confirmed at 9.00 am”**

**Moved:** John Adlington

**Seconded:** Terry Hunt

**Carried**

**4. Confirmation of**

**a) Minutes - 23<sup>rd</sup> February 2017**

**Motion: “That the minutes of the meeting of the 23<sup>rd</sup> February 17 be confirmed”**

**Moved:** Terry Hunt

**Seconded:** Garry Boyd

**Carried**

**b) Flying Minute – Amended Volunteer Policy for submission to CTS.**

**Motion: “That the Flying minute regarding Amended Volunteer Policy to CTS be accepted”**

**Moved:** David Ford

**Seconded:** Terry Hunt

**Carried**

**5. Conflict of Interest Declarations - Standing Register of interests at present**

- Bishop Sarah Macneil - various Diocesan Board representations
- Chris Nelson - various Diocesan Board representations
- Anglicare North Coast - Blaine Fitzgerald
- David Ford - Bishop Druitt College (BDC)
- Ted Clarke – Clarence Valley Anglican School (CVAS)

**6. Correspondence In & Out**

**In:** i. nil  
**Out:** i. nil

Chair David Ford raised a question for Board discussion.

How do we handle electronic forms of communication ie emails etc in relation to inclusion in correspondence in and out?

The following was the outcome of the discussion:

- Must be pertinent to current issues faced by the Board with bullet point update to be provided by the Manager in the Fund Manager Report or in the minutes of the meeting if it was discussed at Board level.
- Must not be based on the day to day operations of the fund.
- Manager and Chair to discuss recent issues or email correspondence and table if required.

**7. Matters for Decision:**

**a) Lindisfarne Anglican Grammar School**

Loan submission for \$6,000,000 submitted for Board consideration under Pari Passu arrangement with Westpac who will retain \$6,000,000. Total Limits circa \$12M.

Consistent with; key result area 2. Marketing & Business Development  
key result area 3. Customer and stakeholder

**Motion:** “**Approval for funding is granted and the Manager of AFGD is authorised to meet with Westpac and Lindisfarne to issue the letter to progress the matter**”

**Moved:** Terry Hunt

**Seconded:** Gary Boyd

**Carried**

**b) Coffs Harbour Parish**

Loan submission for \$174,000 submitted for Board consideration. Refinance of existing Westpac loan.

Consistent with; key result area 2. Marketing & Business Development  
key result area 3. Customer and stakeholder

David Ford abstained from the vote due to a perceived conflict of interest. David is a Synod representative for the Coffs Harbour Parish.

**Motion:** “**Approval for funding is granted**”

**Moved:** John Adlington

**Seconded:** Terry Hunt

**c) Interest Rate Review Lending covering period 1/4/17 to 30/6/17**

Consistent with; key result area 1. Financial Performance

**Motion:** “Approval of interest rates as proposed in submission be adopted for the next quarter covering 1/4/17 to 30/6/17”

**Moved:** John Adlington

**Seconded:** Terry Hunt

**8. Matters for Discussion:**

**a) AFGD Hardship Policy**

Manager was requested to present redraft for Board consideration. Manager is requesting it be held over to the next meeting.

Consistent with; key result area 5. Governance Compliance and Risk management

**Motion:** “Defer to next meeting”

**Moved:** Terry Hunt

**Seconded:** Gary Boyd

**Carried**

**9. Matters for Update:**

**a) APRA/ASIC update**

Consistent with; key result area 5. Governance Compliance and Risk management

**b) AFS Licence update - (Australian Financial Services licence)**

Consistent with; key result area 5. Governance Compliance and Risk management

Manager Blaine Fitzgerald provided the following update:

- Solicitors and Manager are still negotiating with ASIC to have our ID Statement accepted.
- Alison Perrott of Ord Minnett is providing assistance to AFGD with two third party providers who potentially may be able to provide AFGD with an AFS licencing option. A proposal from one provider is expected within the next 14 days.
- Blaine will provide an update and briefing pack on this important topic for the next meeting.

**10. Matters for Noting**

**a) Fund Manager Report 10/2/17 to 17/3/17**

**Motion:** “The Fund Managers Report be accepted”

**Moved:** John Adlington

**Seconded:** Terry Hunt

**Carried**

**b) Financial Reports**

to 28/02/2017

Note: additional document – Ord Minnett Performance review to March 17.

Consistent with key result area 1. Financial Performance

The following resolution was made;

**Motion:** “The Financial reports be accepted”

**Moved:** John Adlington

**Seconded:** Terry Hunt.

**Carried**

**Other matters:**

**Board Succession planning:**

Chair David Ford presented a template to be utilized for screening interest from perspective Board members.

**Chris Nelson draft motion regarding delegations:**

**Motion:** “The AFGD Board requests the Manager to review the delegations and procedures in relation to matters that require board approval and come back with recommendations for change such as board business can be streamlined without significant risk to the governance of the fund. The objective of this exercise is to permit AFGD board to schedule meetings on a bi-monthly basis”

**Moved:** Chris Nelson

**Seconded:** David Ford

**Carried**

**Next Meeting –**

**20/04/2017**



**BOARD MEETING DATE:**

20/04/2017

**No 4 Confirmation of**

**Item: b**

**Title: Flying Minute – Copiers and printers approval to purchase**

**No of Pages. 5 incl Header**



Blaine Fitzgerald &lt;blaine.fitzgerald@afgd.com.au&gt;

## Copiers and Printers

10 messages

**Chris Nelson** <chris.nelson@graftondiocese.org.au>  
 To: Blaine Fitzgerald <fundmanager@afgd.com.au>  
 Cc: Julie White <financemanager@graftondiocese.org.au>

22 March 2017 at 17:53

Hi Blaine,

This is the paper that I have prepared for next week's BiC meeting.

I think the simplest way to handle AFGD's share is a straight percentage being 20%.

A 20% share of the capital cost is \$5,108.80 + GST

We can work the 20% of the monthly operating costs as it comes through but based on the current usage it would probably cost AFGD about \$632 + GST every 12 months.

If the pattern of usage changes dramatically we can review the carve up of costs.

Regards,	- M	T. L.	ABSTAIN	
	- S	G. B	C. N.	- CONFLICT
<b>Chris Nelson</b>	-	D. F	B. S	- ✓
<b>General Manager/Registrar</b>	✓	J. A		
<b>Anglican Diocese of Grafton</b>	✓	T. C.		
	✓	P. C.		

This e-mail and any files transmitted with it are confidential and are intended solely for the use of the individual or entity to whom it is addressed. If you are not the intended recipient or the person responsible for delivering the e-mail to the intended recipient, be advised that you have received this e-mail in error and that any use, dissemination, forwarding, printing or copying this e-mail or any file attachments is strictly prohibited. If you have received this e-mail in error, please immediately notify us by telephone at 02 6642 4122 or by reply e-mail to the sender.

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27K

**Blaine Fitzgerald** <fundmanager@afgd.com.au>

28 March 2017 at 16:01

To: Chris Nelson <chris.nelson@graftondiocese.org.au>, David Ford <djacaford@gmail.com>, Gary Boyd <garyandcilla@outlook.com>, John Adlington <j.adlington@bigpond.com>, Phil Crandon <phil\_crandon@bigpond.com>, Sarah Macneil <sarah.macneil@graftondiocese.org.au>, Ted Clarke <tedpeggy1@gmail.com>, Terry Hunt <t\_s\_hunt@bigpond.com.au>  
 Cc: Annette Dent <annette.dent@afgd.com.au>

Dear Board members

Proposed Flying minute resolution for the one off expense of purchasing our share of the new photocopy proposal. This will replace the existing aging machine and the fax machine that is currently in the AFGD office.

### Motion

**"That the Board of AFGD approve the capital cost of \$5,108.80 - excluding GST for our 20% share of the new photocopiers to be acquired for the Diocese office including AFGD."**

Can I please have a proposer and seconder for the motion.

Please reply to all.



kind regards,

**Blaine Fitzgerald FICDA, Dip. Bus. (Gov), Assoc. Dip. Acc**  
**Manager - Anglican Funds Grafton Diocese**  
Level 1, 50 Victoria Street GRAFTON NSW 2460  
PO Box 4 GRAFTON NSW 2460  
Ph: 02 6642 4480 Fax: 02 6643 2391 Mobile: 0488 724 480  
FreeCall 1800 810 919 (NSW Only)

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**Terry Hunt** <t\_s\_hunt@bigpond.com>

28 March 2017 at 16:53

To: Blaine Fitzgerald <fundmanager@afgd.com.au>, Chris Nelson <chris.nelson@graftondiocese.org.au>, David Ford <djacaford@gmail.com>, Gary Boyd <garyandcilla@outlook.com>, John Adlington <j.adlington@bigpond.com>, Phil Crandon <phil\_crandon@bigpond.com>, Sarah Macneil <sarah.macneil@graftondiocese.org.au>, Ted Clarke <tedpeggy1@gmail.com>, Terry Hunt <t\_s\_hunt@bigpond.com.au>  
Cc: Annette Dent <annette.dent@afgd.com.au>

If no one else has moved the proposed motion regarding new photocopiers, then I am prepared to do so. I presume that the proposal has been thoroughly examined and recommended by the diocesan authorities.

Terry Hunt

**From:** Blaine Fitzgerald [mailto:fundmanager@afgd.com.au]

**Sent:** Tuesday, March 28, 2017 4:02 PM

**To:** Chris Nelson; David Ford; Gary Boyd; John Adlington; Phil Crandon; Sarah Macneil; Ted Clarke; Terry Hunt

**Cc:** Annette Dent

**Subject:** Fwd: Copiers and Printers

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This email has been checked for viruses by AVG antivirus software.  
[www.avg.com](http://www.avg.com)

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**Blaine Fitzgerald** <fundmanager@afgd.com.au>

28 March 2017 at 16:57

To: Terry Hunt <t\_s\_hunt@bigpond.com>

Cc: Chris Nelson <chris.nelson@graftondiocese.org.au>, David Ford <djacaford@gmail.com>, Gary Boyd <garyandcilla@outlook.com>, John Adlington <j.adlington@bigpond.com>, Phil Crandon <phil\_crandon@bigpond.com>, Sarah Macneil <sarah.macneil@graftondiocese.org.au>, Ted Clarke <tedpeggy1@gmail.com>, Terry Hunt <t\_s\_hunt@bigpond.com.au>, Annette Dent <annette.dent@afgd.com.au>

Correct -

kind regards,

**Blaine Fitzgerald FICDA, Dip. Bus. (Gov), Assoc. Dip. Acc**  
**Manager - Anglican Funds Grafton Diocese**  
Level 1, 50 Victoria Street GRAFTON NSW 2460

PO Box 4 GRAFTON NSW 2460  
Ph: 02 6642 4480 Fax: 02 6643 2391 Mobile: 0488 724 480  
FreeCall 1800 810 919 (NSW Only)

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**Chris Nelson** <chris.nelson@graftondiocese.org.au>

28 March 2017 at 16:59

To: Blaine Fitzgerald <fundmanager@afgd.com.au>

Cc: David Ford <djcaford@gmail.com>, Gary Boyd <garyandcilla@outlook.com>, John Adlington <j.adlington@bigpond.com>, Phil Crandon <phil\_crandon@bigpond.com>, Sarah Macneil <sarah.macneil@graftondiocese.org.au>, Ted Clarke <tedpeggy1@gmail.com>, Terry Hunt <t\_s\_hunt@bigpond.com.au>, Annette Dent <annette.dent@afgd.com.au>

Hi Blaine,

I will abstain from voting on the basis that I am promoting this capital purchase with the diocese.

[Quoted text hidden]

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**Gary Boyd** <garyandcilla@outlook.com>

28 March 2017 at 17:45

To: Chris Nelson <chris.nelson@graftondiocese.org.au>

Cc: Blaine Fitzgerald <fundmanager@afgd.com.au>, David Ford <djcaford@gmail.com>, John Adlington <j.adlington@bigpond.com>, Phil Crandon <phil\_crandon@bigpond.com>, Sarah Macneil <sarah.macneil@graftondiocese.org.au>, Ted Clarke <tedpeggy1@gmail.com>, Terry Hunt <t\_s\_hunt@bigpond.com.au>, Annette Dent <annette.dent@afgd.com.au>

Hi Blaine

I'm happy to support the motion and second it if required

Bless you heaps!

Gary Boyd

Sent from my iPhone

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**David & Carol Ford** <djcaford@gmail.com>

28 March 2017 at 18:13

To: Chris Nelson <chris.nelson@graftondiocese.org.au>, Terry Hunt <t\_s\_hunt@bigpond.com.au>, Phil Crandon <phil\_crandon@bigpond.com>, Sarah Macneil <sarah.macneil@graftondiocese.org.au>, John Adlington <j.adlington@bigpond.com>, Gary Boyd <garyandcilla@outlook.com>, Ted Clarke <tedpeggy1@gmail.com>, Blaine Fitzgerald <fundmanager@afgd.com.au>  
Cc: Annette Dent <annette.dent@afgd.com.au>

I support the motion

Regards

David Ford

0418 654 909

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**John Adlington** <j.adlington@bigpond.com>

28 March 2017 at 20:24

To: David & Carol Ford <djcaford@gmail.com>

Cc: Chris Nelson <chris.nelson@graftondiocese.org.au>, Terry Hunt <t\_s\_hunt@bigpond.com.au>, Phil Crandon <phil\_crandon@bigpond.com>, Sarah Macneil <sarah.macneil@graftondiocese.org.au>, Gary Boyd <garyandcilla@outlook.com>, Ted Clarke <tedpeggy1@gmail.com>, Blaine Fitzgerald <fundmanager@afgd.com.au>, Annette Dent <annette.dent@afgd.com.au>

I support the motion

John

Sent from my iPad

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**Ted & Peggy Clarke** <tedpeggy@bigpond.net.au>

29 March 2017 at 08:44

To: Blaine Fitzgerald <fundmanager@afgd.com.au>

Cc: David & Carol Ford <djcaford@gmail.com>, Chris Nelson <chris.nelson@graftondiocese.org.au>, Terry Hunt <t\_s\_hunt@bigpond.com.au>, Phil Crandon <phil\_crandon@bigpond.com>, Sarah Macneil <sarah.macneil@graftondiocese.org.au>, Gary Boyd <garyandcilla@outlook.com>, Annette Dent <annette.dent@afgd.com.au>, John Adlington <j.adlington@bigpond.com>

I also support the motion .

I appreciate the attachment providing relevant information, thank you

regards

Ted

[Quoted text hidden]

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**Philip Crandon** <phil\_crandon@bigpond.com>

29 March 2017 at 11:25

To: Blaine Fitzgerald <fundmanager@afgd.com.au>

Cc: Chris Nelson <chris.nelson@graftondiocese.org.au>, David Ford <djcaford@gmail.com>, Gary Boyd <garyandcilla@outlook.com>, John Adlington <j.adlington@bigpond.com>, Sarah Macneil <sarah.macneil@graftondiocese.org.au>, Ted Clarke <tedpeggy1@gmail.com>, Terry Hunt <t\_s\_hunt@bigpond.com.au>, Annette Dent <annette.dent@afgd.com.au>

I also support the motion.

Regards

Phil

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**BOARD MEETING DATE:**

20/04/2017

**No 6 Correspondence In**

**Item: i**

**Title: Expression of Interest AFGD Board Lisa Mulvaney.**

**Refer item 8a.**

**No of Pages. 2 incl Header**

AFGD (Anglican Funds Grafton Diocese) Board Membership – Expression of Interest

Name Lisa Mulvaney Phone 0408 205652  
Address 55 Sandon Rd Minnie Water  
Email lismulvaney@aad123.com.au

Relevant experience and/or employment (attach a resume if relevant).

Accountant B.Com.  
Finance manager for not for profit - ~~was~~  
services included a school and a clinic

Why are you interested in AFGD Council?

Love to contribute using my business to  
a valuable cause.

Area(s) of expertise/contribution you feel you can make.

Strong finance, systems and process skills.  
Entrepreneur mind and love bringing  
broad experience to help a cause that's  
charitable and focus is helping others

Other volunteer commitments (including current and past).

Board of a NGO.  
Board of a Community Coop.  
Treasurer of many community sports etc

I have read the AFGD details on the website <http://www.graftondiocese.org.au/untitled>  
and am able to meet those responsibilities.

Email the completed form to:

The Chair AFGD  
Care of office@afgd.com.au



**BOARD MEETING DATE:**

20/04/2017

**No 6 Correspondence Out**

**Item: i**

**Title: Lindisfarne Funding Approval AFGD**

**No of Pages. 2 incl Header**

27<sup>th</sup> January 2017

The Principal  
Lindisfarne Anglican Grammar School  
PO Box 996  
Banora Point NSW 2486

Dear Stuart,

Thank you for the opportunity to work with you to establish whether Anglican Funds Grafton (AFGD) will be able to provide funds to enable Lindisfarne Anglican Grammar School to purchase 34 Mahers Lane, Terranora NSW Lot 1, DP 216360.

As the finance arm of the Anglican Diocese of Grafton, we are comfortable with the overall transaction.

We have the capacity and appetite for the proposal and would like to be the preferred financier to assist with this transaction.

From the information received from your Business Manager Graham Jones, below is a summary of the funding sought;

**Amount to be financed :**

Anticipated Purchase Price :	\$3,200,000
Borrowing and owning entity to be:	Lindisfarne Anglican Grammar School
Expression of interest closing date:	1 <sup>st</sup> February 2017
Anticipated settlement date:	90 Days from acceptance of offer
Term of Loan:	Initial term 5 years Interest only then renegotiate.
Indicative rate:	*5 yr Fixed 6.18% *Variable rate 4.67% * subject to confirmation 30 days prior to drawdown.
Approval Fee:	Nil
Valuation costs:	Nil
Ongoing Loan Administration Charges:	Nil
Mortgage and solicitors documentation costs etc:	to be at the cost of the school.

**Security required:**

Registered Mortgage over	34 Mahers Lane, Terranora NSW Lot 1, DP 216360.
Registered Mortgage over	86 Mahers Lane, Terranora NSW
Registered General Security Agreement	given by Lindisfarne Anglican Grammar School

Please note that this document does not constitute a letter of offer.

Final approval of the loan will be conditional upon the provision of:

- 2014 audited results (held)
- 2015 audited results (held)
- 30/9/16 Management results (held)
- Terms and conditions of existing Westpac finance commitments (held)
- rolling 5 year budget covering buildings, staffing levels, student numbers and working capital requirements (to be provided)
- Bishop in Council and Diocesan Schools Commission approval and consent to proceed. (to be provided)

We look forward to working closely with the school over the next 21 days to finalise finance unconditionally if you are successful with the tender.

Yours faithfully



**Blaine Fitzgerald**  
Manager



**BOARD MEETING DATE:**

20/04/2017

**No 7 Matters for Decision**

**Item: a**

**Title: Finalisation of Office refit**

**No of Pages. 2 incl Header**



Good afternoon Annette

Thanks you for your enquiry concerning furniture.  
 Please see the list below of your requirements accompanied with prices.

QTY	CODE	DESCRIPTION	PRICE EACH	TOTAL PRICE
2	RSCWS18187M	Corner workstations – white top – black leg 1800 x 1800 x 700	\$440.00	\$880.00
<del>2</del>	<del>SPMP3W</del>	<del>Mobile pedestal – white – 2drawer 1file</del>		
2	CMP4DG	Mobile pedestal – grey – 4 drawers	\$199.00	\$398.00
3	SC1812 GR + Joining Pole	1800 x 1250h screens – GREY Includes brackets for attachment to desk	\$300.00 \$49.00	\$900.00 \$49.00
2	GTD199+5shelves	Tambour cupboard 1900 x 900 - white	\$1062.00	\$2124.00
		Delivery and install		\$540.00
		Total	inc GST	\$4,891.00
			GST	\$444.64
			ex GST	\$4,446.36

Please note that all prices include GST.

If you have any other questions please give me a call.

Note:

I have put the code and the description of the white mobile pedestals but I have not included the price on your quote.

Just in case somebody asks about the white that's the option.

Kind regards

Leigh Connor

Ph 66422122



**BOARD MEETING DATE:**

20/04/2017

**No 7 Matters for Decision**

**Item: b**

**Title: APRA/ASIC update & next steps**

**No of Pages. 43 incl Header**

13<sup>th</sup> April 2017



## APRA and ASIC briefing for AFGD Board and the Corporate Trustees of the Diocese of Grafton.

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### APRA

- 6/9/16 last response from APRA – Final details of new exemption order.
- This response remains consistent with consultation period.
- AFGD believes they can comply with all aspects of the new APRA Exemption Order.

### ASIC

- 22/9/16 ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813
- September 2016 Regulatory Guide 87 Charitable schemes and school enrolment deposits.  
These revised guidelines indicate we have two clear choices of how we intend to operate into the future.
  1. Be a Wholesale Charitable Scheme and eventually exit all retail non associated clients regardless of investment type.
  2. Become a Retail Charitable Scheme allowing us to continue to keep retail non associated clients. This will require by 1/1/18 we hold an Australian Financial Services Licence (AFSL).
- By 28/02/2017 AFGD needed to have lodged an Identification Statement indicating our desire to become a Retail Charitable Investment Fundraiser.

### Timeline of events to date

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#### 22/2/17 – AFGD's Original Identification Statement acknowledged as received by ASIC

From: Stella Lee/Sydney/NSW/ASIC  
To: [office@afgd.com.au](mailto:office@afgd.com.au),  
Cc: Sarah-Jane Farlow/Sydney/NSW/ASIC@ASIC  
Date: 22/02/2017 02:03 PM  
Subject: Acknowledgement of receipt - Anglican Funds Grafton Diocese - Application under ASIC Instrument 2016/813 (Treat as In Confidence) [DLM=Sensitive]

Dear Blaine

I refer to the application relating to Anglican Funds Grafton Diocese received by ASIC on 22 February 2017.

I have primary carriage of this matter and will be in contact with you in due course. If you wish to contact me in the meantime, my details are set out in my signature.

Regards  
Stella

**Stella Lee** | Lawyer | Corporations | Australian Securities and Investments Commission | 100 Market Street Sydney NSW 2000 | '02 9911 5800 | ✉ [stella.lee@asic.gov.au](mailto:stella.lee@asic.gov.au)

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#### 27/2/17 – ASIC feedback on first review of AFGD's Original Identification Statement

From: **Stella Lee** <[Stella.Lee@asic.gov.au](mailto:Stella.Lee@asic.gov.au)>  
Date: 27 February 2017 at 15:39  
Subject: ASIC response- Anglican Funds Grafton Diocese - Application under ASIC Instrument 2016/813 (Treat as In Confidence) [DLM=Sensitive]  
To: [office@afgd.com.au](mailto:office@afgd.com.au)  
Cc: Sarah-Jane Farlow <[Sarah-Jane.Farlow@asic.gov.au](mailto:Sarah-Jane.Farlow@asic.gov.au)>

Dear Blaine

Thank you for your time over the phone to discuss your recent application to lodge an identification statement under the transitional arrangements of *ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813 (Instrument)*.

As discussed, we could not find any record of an identification statement lodged by Anglican Funds Grafton Diocese (AFGD) under ASIC Class Order CO 02/184. The fund has previously lodged, under its former name "The Corporate Trustees of the Diocese of Grafton - Grafton Diocese Investment Fund", an identification statement in 1995 under Class Orders 94/1702 and 94/1703. However, this identification statement cannot be used to satisfy the conditions of CO 02/184. Accordingly, although we understand that AFGD was purporting to rely on CO 02/184, it did not have the benefit of this relief as it had not complied with all of the conditions of CO 02/184.

If AFGD would like to start relying on *ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813 (Instrument)*, it must lodge an identification statement that complies with the requirements as set out in the Instrument. Please refer to our Regulatory Guide 87 : *Charitable schemes and school enrolment deposits* for more details.

We note that issuing certain products to retail investors without disclosure and where no exemption is available may constitute a breach of the Corporations Act. The type of disclosure required depends on the type of product being issued. For example, issuing debentures to retail investors would require disclosure in accordance with Chapter 6D of the Corporations Act.

As we understand that AFGD has been issuing debentures to retail investors without Chapter 6D disclosure, or the benefit of the relief in CO 02/184, we consider that AFGD may have breached the relevant provisions of the Corporations Act and as such we will be referring this matter to our Misconduct and Breach Reporting team. We note that it is open to AFGD to apply for a "no action letter" in relation to any historical breaches of the Corporations Act. However, based on the information currently available to us, it is unlikely that AFGD will meet our policy to be issued such a letter. For further explanation please refer to our *Regulatory Guide 108: No-action letters*.

Please do not hesitate to contact me if you have any other queries.

Regards  
Stella

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## **28/2/17 – Blaine to David Ford of Emil Ford seeking clarification of next steps**

**Blaine Fitzgerald**  
to David, Joseph

Hi David & Joseph

I have forwarded the initial response from ASIC in relation to the AFGD ID Statement.

To assist further I have located the 1995 ID statement under Class Orders 94/1702 and 94/1703 which was accepted by ASIC.

We are currently searching our record for any correspondence with ASIC relating to Class Order CO 02/184, however I am not optimistic about locating anything.

When would be a convenient time to catch up by phone to discuss our options?

**Blaine Fitzgerald FICDA, Dip. Bus. (Gov), Assoc. Dip. Acc**  
**Manager - Anglican Funds Grafton Diocese**  
**Level 1, 50 Victoria Street GRAFTON NSW 2460**  
**PO Box 4 GRAFTON NSW 2460**  
**Ph: 02 6642 4480 Fax: 02 6643 2391 Mobile: 0488 724 480**  
**FreeCall 1800 810 919 (NSW Only)**

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**1/3/17 Response from David Ford of Emil Ford**

**David Ford**  
to Sarah, Blaine, Joseph

Dear Blaine,

Further to our telephone conversations today, I advise that the exemptions available to a charitable body under *ASIC Class Order 02/184* (the old Class Order), assuming it complied with all the other conditions of the old Class Order, are virtually identical to those available under *ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813* (the new Class Order).

Since speaking to you, I have established that the provisions of the *Corporations Act* that I thought may not have been exempt under the new Class Order are in fact exempt.

Accordingly, I do not believe there is any point in trying to convince ASIC that AFGD is entitled to rely on the exemptions under the old Class Order for the rest of this year.

I attach the Identification Statement with my suggested changes marked up on it removing all reference to the old Class Order. If you are happy with it, please accept the changes, sign it and then email me a scanned copy which I will send to Stella Lee at ASIC.

Regards,

*David*

David C Ford  
Partner

[Visit me on LinkedIn](#)

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**2/3/17 - Blaine to David Ford of Emil Ford – amended ID Statement for lodging with ASIC**

**Blaine Fitzgerald**

Dear David, Joseph and Sarah

As discussed attached is the PDF of the signed amended document.

Thank you for your assistance with this matter.

kind regards,

**\*\*\*\* Refer to attachment “A” of this pack. \*\*\*\***

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**9/3/17 Joseph Omara of Emil Ford - feedback to Blaine on conversation with ASIC re 2/3/17 ID Statement**  
to fundmanager, David

Dear Blaine,

We spoke with two officers at ASIC yesterday and received feedback on the draft amended Identification Statement.

There are two further issues that need to be addressed before the Identification Statement can be accepted for lodgement.

### **1. AFS Licence**

If AFGD is to offer products to retail, non-associated clients, ASIC will not accept the Identification Statement until AFGD has an AFS Licence in place and has provided details of the arrangement in the Identification Statement. There are two options:

- (a) Delete all references to retail, non-associated clients from the Identification Statement, lodge the Identification Statement with ASIC and operate as a wholesale charitable investment fundraiser until the AFS Licence arrangement has been finalised. Once this arrangement has been finalised, AFGD may then lodge an updated Identification Statement with ASIC and operate as a retail charitable investment fundraiser.
- (b) Delay lodging the Identification Statement and cease offering all products until the AFS Licence has been put in place.

Where are you up to with the AFS Licence arrangement? How would you like us to proceed?

### **2. Volunteer Staff**

The second issue concerns the investors section of the Identification Statement and the criteria used to define voluntary staff members. ASIC has asked us to specify a minimum number of regular volunteer hours before a person is classified as a voluntary staff member. They were clear that this does not include cleaners or occasional volunteers, but could include voluntary members of a church ministry or office team.

Do you actually offer products to voluntary staff members? We originally included this paragraph because it was an option available to you under the Charitable Instrument. If you would like to retain this option, we could specify a number of hours worked, such as 8 hours per week (the equivalent of one day per week). Otherwise, if this is not applicable, we could remove the reference to voluntary staff members.

Once we have your instructions, we will email a further draft to ASIC for review and approval before we ask you to formally sign and lodge another Identification Statement.

Finally, we attach our Trust Account Statement for your records.

Regards,

*David and Joseph*

David C Ford  
Partner

Joseph O'Mara  
Lawyer

Emil Ford Lawyers  
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**21/3/17 Blaine Fitzgerald to David Ford of Emil Ford**

Dear Joseph & David,

We have been discussing your response below in relation to proposed next steps.

In relation to **1. AFS Licence**

**1. AFS Licence**

In our earlier email we described the two options that ASIC described.

(a) In relation to the first option, that is, if AFGD lodges as a wholesale charitable investment fundraiser and has its Identification Statement accepted by ASIC, AFGD would be entitled to rely on the new Charitable Instrument, which would allow AFGD to retain retail, non-associated clients that were issued products prior to 31 December 2016, until 31 December 2017. On 31 December 2017, all products held by retail, non-associated clients would need to be paid out. It is clear that, as a wholesale charitable investment fundraiser, AFGD would not be entitled to issue new products if approached by existing or new retail, non-associated clients.

It is less clear whether rolling over or extending the term of a client account constitutes the issue of a new product. This could depend on the terms of the original financial product, whether they provide for rollover/extension and whether they treat the rolled over/extended product as a new product or a continuation of the original product. Nevertheless, we believe the intent of the rules is that AFGD not be allowed to roll over products where retail, non-associated clients are involved.

(b) You indicated that AFGD's organisational requirement is to be classified as a retail charitable investment fundraiser, but that it would be some time before the AFS Licence arrangement is in place. In these circumstances, if AFGD continues to operate without an accepted Identification Statement, it will be in breach of the *Corporations Act 2001*. However, since AFGD does not currently have an accepted Identification Statement under the old Class Order and cannot rely on the transition arrangements, AFGD is already in breach of the *Corporations Act 2001*. We do not know how ASIC will respond to these breaches of the *Corporations Act 2001*, especially if, as you suggest, there are many other organisations in this position.

Please let us know if you would like to have a teleconference to discuss this further.

We would like to gauge your feedback if you consider the following may have some merit that could be correctly worded into legal terminology and response for us.

This may necessitate a teleconference

**Point (b)**

AFGD has consistently corresponded with ASIC and this continued whilst responding to Consultation Paper 207 on 15 July 2013.

AFGD again on 12th February 2016 responded to ASIC's Amended Consultation Paper 207.

AFGD on 20th September 2016 contacted ASIC refer ASIC Inquiry Reference Number 1-22416806224 seeking clarification on Identification Statement preparation and the confirmation of existence of any prior Identification Statement.

We have recently been advised by ASIC on 27 February 17 that we cannot rely on the transition arrangement of the class order CO 2016/813 as we did not have a Identification Statement lodged and accepted by ASIC post the class order of CO 02/184 issued 16 February 2002.

This places the fund in a very difficult position.

Relying on the transition arrangement was imperative for AFGD to be able to work through the due diligence and compliance requirements to secure an AFS Licence in a cost effective and timely manner enabling us to retain our existing "Retail non-associated clients"

Without the benefit of the transition arrangement to work with our existing "Retail non-associated clients" through this process our ongoing viability and strategic direction is impacted and will significantly reduce our ability to provide financial support to the Anglican Diocese of Grafton for mission, ministry and administration.

During the period covering 16 February 2002 to 27 February 17 AFGD was not advised by ASIC of any breach for non compliance or follow up from ASIC as a result of a complaint received from a "Retail non-associated client" of AFGD.

During the consultation period from July 2013 to September 2016 AFGD has not been advised that the Identification Statement lodged on 20 March 1995 and accepted by ASIC on 29 March 1995 would not enable it rely on class order of CO/02/184 16/2/2002.

Our request is that we would like to be able to rely on the transition arrangement for existing "Retail non-associated clients" until 31 December 2017 which will provide sufficient time to obtain and AFS Licence.

We would be prepared to report to ASIC quarterly in relation to the status of obtaining the licence. Further as at 31 December 2017 if a suitable AFS Licence has not been obtained AFGD will return all existing "Retail non-associated clients" investments as they mature.

## **2. Volunteer Staff**

In relation to the classification of volunteer staff, paragraph 32 of ASIC Regulatory Guide 87 provides the following guidance:

We expect that appropriate criteria, such as number of hours regularly worked, will be included to ensure that this category is limited to persons who are genuinely and substantially involved in the organisation of the charity. For example, in the case of a religious charity this would not include members of the religious group that contribute to specific tasks—such as agreeing to be included in a roster from time to time for performing such functions as welcoming, social organisation, music, reading, assisting celebrants of religious services, counting collections, cleaning premises or decorating places where religious services occur—as distinct from persons performing an identifiable staff role as a minister or leader.

Implicitly, this definition distinguishes between volunteers and volunteer **staff**. Our view is that board and committee members and members of a Parish Council are unlikely to meet ASIC's definition of voluntary staff, unless their volunteer capacity involves regular weekly volunteer hours. ASIC may not be satisfied with the criteria of 2 hours per week. We suggest that 4 hours (half a day), or 8 hours (a full day), per week are more likely to be accepted. You should therefore considering amending your volunteer policy. If you have a large category of clients who are in the volunteer staff category working less than 4 hours per week, we could instead attempt to make the volunteer definition more acceptable to ASIC by excluding the types of volunteers described in the ASIC Regulatory Guide above. We can amend this section of the Identification Statement once we have clarity on the AFS Licence.

Unless you want to lodge as a wholesale charitable investment fundraiser in the meantime, it seems to us that lodgement of an Identification Statement is dependent upon finalising the AFS Licence arrangement. We will therefore delay contacting ASIC until we hear back from you regarding the AFS Licence arrangement.

In relation to point **2. Volunteer staff**

Our amended policy at 4 hrs per week has recently been approved by the Corporate Trustees 16/3/17. I have included the amended definition. Please amend the ID statement to reflect this change and lets see how we go.

**Volunteer:** "Volunteering is time willingly given for the common good and without financial gain." Source: Volunteering Australia



For the purpose of this policy, the following individuals will be considered as volunteers within the Anglican Diocese of Grafton:

- Any unpaid member of any Board or Council of the Anglican Diocese of Grafton or one of its committees or sub committees. This refers to but is not limited to any governance group described in the Diocesan Governance Ordinance 2008 or described in any constitution established under the Anglican Church of Australia (Bodies Corporate) Act 1938 (NSW).
- Any unpaid member of a Parish Council
- Parish Volunteers who undertake ongoing volunteering for their Parish of at least 4 hours per week
- A person who works on a regular and ongoing basis (for at least 4 hours per week) for an Organisation of the Anglican Community without being paid, or an honorary office bearer recognised by the Ordinances of the Synod, for example members of Diocesan Council, and its associated Boards and Committee.

Alternatively we are open to the following as a back up, - (kindly provided by Newcastle Diocese.)

In determining whether a person is to be treated as a voluntary staff member, **AFGD** requires that person to work at least **four** hours per week on a voluntary basis. A person is not a voluntary staff member simply because they may volunteer for specific tasks, such as agreeing to be included in a roster from time to time for performing such functions as welcoming, social organisation, music, reading, assisting clergy, counting collections or cleaning or decorating church premises, as distinct from persons performing an identifiable staff role.

We look forward to your feedback.

kind regards,

**Blaine Fitzgerald FICDA, Dip. Bus. (Gov), Assoc. Dip. Acc**  
Manager - Anglican Funds Grafton Diocese  
Level 1, 50 Victoria Street GRAFTON NSW 2460  
PO Box 4 GRAFTON NSW 2460  
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FreeCall 1800 810 919 (NSW Only)

**3/4/17 - Request - David Ford - Emil Ford Solicitors to ASIC**

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To: [Stella.Lee@asic.gov.au](mailto:Stella.Lee@asic.gov.au)  
Cc: [Joseph.Omara@emilford.com.au](mailto:Joseph.Omara@emilford.com.au)

Dear Stella,

As you know, we act for Anglican Funds Grafton Diocese in relation to its application under ASIC Instrument 2016/813.

Our client requests that ASIC exercise its discretion to allow Anglican Funds Grafton Diocese to rely on ASIC Class Order CO 02/184 until 31 December 2017, notwithstanding that our client's most recent Identification Statement was lodged under Class Orders 94/1702 and 94/1703.

Our client intends to lodge as a retail charitable investment fundraiser but is currently in the process of securing the services of a third party AFS Licensee appropriate to its charitable status and financial limitations.

Our client makes this request on the following basis:

1. Our client has, since 15 July 2013, corresponded with ASIC regarding Consultation Paper 207 and was at no time during this consultation period informed that it was not entitled to operate as a charitable investment fundraiser by virtue of not having a current Identification Statement.

2. Our client contacted ASIC on 20 September 2016 seeking confirmation that our client had lodged a current Identification Statement with ASIC and ASIC failed to provide our client with an answer to this simple inquiry.

3. If our client is not permitted to rely on ASIC Class Order CO 02/194, our client's associated charitable entities will suffer significant financial detriment and will consequently be limited in their ability to pursue their charitable purpose and activities.

4. If our client is granted relief to rely on ASIC Class Order CO 02/184 until 31 December 2017, our client is willing to report to ASIC quarterly in relation to the progress of its AFS Licence arrangement.

I look forward to your response.

Regards,

*David*

David C Ford  
Partner

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**4/4/17 Response - Stella Lee ASIC forwarded to Blaine by Joseph Omara of Emil Ford on the 7/4/17.**

Dear David

Thank you for your email.

We have considered your submissions, however ASIC is not in a position to facilitate the requested relief to allow Anglican Funds Grafton Diocese (**AFGD**) to rely on the transitional provisions under *ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813 (Instrument)*. Our reasons are as follows:

**1. The 1995 identification statement (1995 ID Statement) lodged is not an acceptable identification statement required under CO 02/184**

To rely on the transitional provisions of the Instrument, an ID statement which complied with the conditions of CO 02/184 was required to have been lodged prior to CO 02/184 being revoked last year. *Regulatory Guide 87: Charities* issued in 2004 (**Old RG 87**) explains the process of applying for exemption under CO 02/184. The Old RG 87.49 states that "to obtain relief under [CO 02/184] you must apply to register an identification statement as required by the class order. The identification statement must address each of the issues set out in RG 87.35 - RG 87.36. It must also include a consent to allow any person to examine your application on request to ASIC." The Old RG 87.50 states that "You must include a statutory declaration from an authorised officer or trustee of your organisation that states that your organisation is a charity as defined for this policy."

A copy of the Old RG 87 has been attached to this email for your reference.

The Old RG 87.35-36 sets out in detail all the information required to be included in a valid identification statement lodged under CO 02/184, such as ACN/ABN, types of assets the charity will hold, countries those assets will be located in and how the charity will ensure compliance with conditions attached to CO 02/184, all of which are missing from the 1995 ID Statement. Therefore, even if AFGD had re-lodged the 1995 ID Statement under CO 02/184, it would not be an acceptable identification statement required under CO 02/184 as it lacks significant information required by CO 02/184 and the Old RG 87.

**2. No financial information lodged since 1999**

We further note that it is a condition for an entity to lodge financial statements each year to be able to rely on the relief given under CO 02/184. According to our records, the last financial statement lodged by AFGD with ASIC was in 1999. Therefore, although AFGD has purported to rely on CO 02/184, it has never satisfied the financial reporting condition in CO 02/184. Accordingly, AFGD has never had the benefit of this relief and we are not minded to allow AFGD to rely on the transitional provisions under the Instrument so that it can start having the benefit of this relief.

### 3. Next steps

Under the Instrument, an AFSL is only necessary where financial products are offered to retail, non-associated clients. As such, it is open for AFGD to lodge an identification statement that complies with the requirements as set out in the Instrument without an AFSL if AFGD would like to start relying on the Instrument to only offer its products to retail, associated clients and wholesale clients. AFGD may then lodge an updated identification statement with us after it has finalised its AFSL arrangements in order to offer products to retail, non-associated clients through an AFS licensee. Please refer to our new Regulatory Guide 87: *Charitable schemes and school enrolment deposits* for more details.

Please confirm if AFGD would like to send us a revised identification statement or if it would like to withdraw the identification statement lodged on 2 March 2017.

Please do not hesitate to contact me if you have any queries.

Regards  
Stella

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### 13/4/17 – Request Blaine Fitzgerald to Stephanie Rickard ASIC

Dear Stephanie,

AFGD is a regionally based Charitable Investment Fund that is currently experiencing difficulty in having our Identification Statement as a Retail Charitable Investment Fundraiser accepted by ASIC.

The transition period to 31/12/17 that we were intending to rely on, providing sufficient time to obtain an AFSL, appears no longer available to us.

We are currently in negotiations with Melbourne Securities Corporation's (MSC) Managing Director Matthew Fletcher who I believe you met via teleconference on Monday 10/4/17.

MSC have provided us with a proposal to take over the management and compliance of our retail non associated clients in a Registered Fundraising Trust via a Managed Investment Scheme, enabling us to rely on their existing AFSL.

We are seeking assistance in this instance to enable AFGD to rely on the transition period to 31/12/17 when dealing with existing retail non- associated clients whilst we continue to finalise our agreement with MSC.

Below is the most current email extracts between our representatives - David Ford of Emil Ford Solicitors and ASIC's representative Stella Lee.

I look forward to your response.

### 13/4/17 – Response Stephanie Rickard to Blaine Fitzgerald - verbal

It may be possible to retain existing retail until such time as they transfer to the Managed scheme as long as we do not vary terms of the existing rollover until such time as we transfer compliance to MSC.

She will check class order and advice.

Her recommendation is

- Lodge ID statement as Wholesale Investment Fundraiser
- Move retail non-associated into Managed scheme and not rely on provisions of the class order as the funds will be held in a regulated approved MIS.
- No requirement to re-lodge ID Statement at a later date as retail as retail funds sit outside in trust and are protected.

## AFS Licence update

Melbourne Securities Corporation – Managing Director Matt Fletcher appear to be a third party provider that sees the potential in developing a solution in this space for the Charitable Development Funds.

It should be noted this third party provider has been sourced for our benefit and some other small RCDF's by Alison Perrott of Ord Minnett the funds current Investment Manager. I met face to face with Alison in Adelaide 17/2/17 to confirm if Ord Minnett or other third party providers may be open to assist with licensing.

They presented several document over the past 20 days.

- 23/3/17 - Overview of the organisation – Melbourne Securities Corporation. **Refer Attachment “B”**
  - 4/4/17 – Concept plan of how they believe they provide a solution to our AFS licencing needs.
  - 5/4/17 – A proposal including pricing offering their services including heading up negotiations with ASIC. First cut – **Refer Attachment “C”**
  - 10/4/17 – Matt Fletcher MSC met with ASIC – Stephanie Rickard Senior Specialist Investments Managers & Superannuation & James Nott Senior Manager Operations, Licensing ASIC to discuss their proposal indicating they are prepared to assist with the licencing and compliance in the Charitable Development Fund space.
  - 11/4/17 – teleconference AFGD David Ford & Blaine Fitzgerald, Ord Minnett Alison Perrott & MSC Matt Fletcher to discuss current position and proposed next steps.
  - 13/4/17- Blaine Fitzgerald to email Stephanie Rickard at ASIC requesting a review and reinstatement of transition period to 31/12/17 for retail non –associated clients of AFGD until MSC solution can be finalised. Refer email dated 12/4/17
  - 1/5/17 Meeting Coffs Harbour AFGD Blaine Fitzgerald, Matt Fletcher MSC, Alison Perrott Ord Minnett and Ron Perry Armidale Diocese re – MSC proposal.
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### Critical next steps:

1. ASIC Identification Statement amended and accepted.
  - Seeking advice in regard to lodging wholesale or retail just to get a statement accepted.
  - Melbourne Securities Corporation may be able to assist.
  - Refer Blaine's email to Stephanie Rickard 13/4/17.
2. Obtain through formal contractual arrangement and AFS licence with Melbourne Securities Corporation.
  - **“Refer Attachment D”** options available to us.
3. Deal with as a separate issue potential ASIC misconduct and breach from 2002 to date.
  - AFGD Insurer ANIP verbally informed around 6/3/17
  - AFGD Insurer ANIP to be formally advised to put it on record of our current position by 20/4/17

**Blaine Fitzgerald**  
**AFGD Manager**

**Mission**

*"To be the trusted financial services provider of the Anglican Diocese of Grafton, enabling ministry growth."*

Identification Statement – Anglican Funds Grafton Diocese  
**ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813**  
 complying with ASIC's Regulatory Guide 87 (issued September 2016)

### IDENTIFICATION INFORMATION

Anglican Funds Grafton Diocese (**AFGD**) is the business name of The Corporate Trustees of the Diocese of Grafton Investment Fund (ABN 42 489 753 905), which is a trading entity of The Corporate Trustees of the Diocese of Grafton (ABN 88 144 942 068), a body corporate incorporated by section 5 of the *Anglican Church of Australia Trust Property Act 1917 (NSW)*. AFGD was created under the *Diocese of Grafton Investment Fund Ordinance 1981*, now continued under Chapter 18 of the *Diocese Governance Ordinance 2008*. AFGD is located at Level 1, 50 Victoria Street, Grafton NSW 2450.

### COMPLIANCE

AFGD raises funds to support the charitable purposes of The Anglican Diocese of Grafton by issuing debentures. It relies on exemptions contained in paragraphs 5(1)(a), 5.1(b), 5(1)(c) and 5(1)(d) of *ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813*. It also relies on exemptions to Sections 7 and 8 of the *Banking Act 1959* provided by APRA – Banking Exemption No.1 of 2016.

AFGD ensures compliance with the conditions of the above exemptions in the following ways:

- AFGD has lodged this Identification Statement with ASIC and it is made available to the public via the AFGD website.
- AFGD regularly reviews its Identification Statement and all relevant offer documents to ensure that they are up to date, complete and not misleading.
- As of 31 December 2016, AFGD no longer offers short term investment products to clients who are retail, non-associated clients. AFGD is paying out all existing short term investments to retail non-associated clients as the relevant short term investments mature so that on and after 1 January 2018, no person is to hold a short-term investment product issued by AFGD.
- All debentures issued by AFGD are held on terms that they may only be repaid or redeemed if AFGD has reasonable grounds to believe that repayment or redemption would not frustrate its ability to meet its other obligations to redeem or repay, or repayment or redemption would alleviate the financial hardship of an individual holder of a debenture, or in the unlikely event that AFGD is wound up.
- Where a person is entitled to receive payment in relation to a debenture, AFGD only provides payment via direct bank transfer to that person's bank account or by cheque payable to that person.
- AFGD does not offer any debentures on an "at-call" or "on deposit" basis.
- AFGD ensures that all relevant offer documents detail that:
  - neither AFGD itself, its products, nor its promotional material or offer documents have been examined or approved by ASIC;
  - the investment funds will be used to support the charitable purposes of AFGD;
  - this Identification Statement may be viewed on AFGD's website;
  - AFGD is required by law to notify investors that its products are not subject to the normal *Corporations Act* protections for investors under the *Corporations Act* or regulation by ASIC;
  - the investment is only intended to attract investors whose primary purpose for making the investment is to support the charitable purposes of AFGD;
  - investors may be unable to get some or all of their money back when the investor expects or at all; and
  - the investment is not comparable to investments with banks, finance companies or fund managers.
- AFGD obtains investor acknowledgements from all retail, non-associated clients in respect of the disclosures listed above.
- Any false or misleading material statements relating to this Identification Statement are rectified as soon as practicable via the issue of a supplementary or replacement Identification Statement.
- AFGD lodges with ASIC audited financial statements, which comply with relevant accounting standards, within 6 months after the end of each financial year. Such statements are made available to the public via AFGD's website for a minimum period of 3 years from the date of issue.

## METHOD OF FUNDRAISING

AFGD issues debentures and lends the funds raised for profit to assist and grow the mission of the Anglican Church in the Diocese of Grafton. AFGD generates a margin between the rates paid to investors and those charged to borrowers. This surplus funds the operating costs of AFGD. AFGD retains minimum surpluses to strengthen its capital adequacy aspiring to reach a benchmark of 8-10% of Risk Weighted Assets.

## FINANCIAL YEAR

AFGD has a financial year of 1 January to 31 December.

## AFS LICENCE

AFGD is required to hold an Australian Financial Services Licence and is negotiating with a third party AFS Licence holder for the right to operate under the auspices of its AFS Licence. Further details to be confirmed as soon as the agreement has been executed.

## CHARITABLE PURPOSE

The charitable purpose of Anglican Funds Grafton Diocese (AFGD) as set out in paragraph 218.2 of *Diocese Governance Ordinance 2008* is to be a fiscally responsible entity which generates financial resources to support and serve the community of faith that is the Anglican Diocese of Grafton. The issue of debentures by AFGD promotes this charitable purpose by providing operating surpluses to the Anglican Diocese of Grafton for Mission, Ministry & Administration.

## KEY TERMS

AFGD offers several classes of debentures on the terms set out below. As a general rule, no fees or costs are payable by the holder of a debenture. However, if the holder of a debenture causes AFGD to incur a third-party cost, such as a dishonour fee, then this cost will be charged back to the holder on a pass-through basis.

AFGD has a Hardship Policy, which allows for early release of funds on certain grounds.

### Fixed term Investments

#### Available to Associated clients, Retail associated clients & Retail non-associated clients.

- Minimum investment \$500
- Interest is paid at maturity.
- View only Online Access
- The terms offered on investments are
  - 31 Days
  - 90 Days
  - 180 Days
  - 365 Days
  - 18 Month
- Except for 18 month investments, interest is calculated daily and paid at maturity to a nominated account or can be capitalised with the initial investment.
- For the 18 month fixed investment, interest is either calculated daily and paid half yearly to a nominated account or capitalised with the initial investment.
- Interest rates offered on fixed investments are reviewed monthly by the Board of AFGD.
- The interest rate applied on the initial investment is advised at the time of application.
- Interest rate changes are provided via correspondence to all existing investors at pre-maturity and via the AFGD website.

<b>31 Days' Notice Online Saver Account</b>	<p><b>Available to Retail associated clients &amp; Retail non-associated clients.</b></p> <ul style="list-style-type: none"> <li>• Minimum investment amount Nil</li> <li>• View only Online Access</li> <li>• Funds can be invested by EFT or by cheque</li> <li>• Written notice requiring 31 days notice to withdraw funds which can be; <ul style="list-style-type: none"> <li>➤ transferred to an account of the person with an Australian ADI.</li> <li>➤ a cheque payable only to the person.</li> </ul> </li> <li>• Interest is calculated daily and paid monthly capitalised to the account.</li> <li>• The Interest rates applicable to this product are reviewed monthly by the AFGD Board.</li> <li>• The Interest rates applicable to this product are linked to the current RBA cash rate, plus or minus an applicable margin.</li> <li>• The interest rate applied including the RBA benchmark and applicable margin is advised at the time of application.</li> <li>• Any change in the interest rate is effective the following day after any RBA rate change is released.</li> </ul>
<b>Short Term Investments &lt; 31 days</b>	<p><b>Available to Associated clients and Retail associated clients</b></p> <p><b>Savings Account</b></p> <ul style="list-style-type: none"> <li>• Minimum investment amount Nil</li> <li>• Online Access</li> <li>• EFT &amp; BPay facilities.</li> <li>• Interest is calculated daily and paid half yearly capitalised to the account.</li> <li>• The interest rate is linked to an AFGD benchmark, plus or minus an applicable margin.</li> <li>• The interest rate applied is tiered, based on the dollar amount of funds under management in the account. <ul style="list-style-type: none"> <li>➤ 0- \$4,999</li> <li>➤ \$5,000 - \$49,999</li> <li>➤ \$50,000 &amp; over</li> </ul> </li> <li>• The interest rate applicable to this product is reviewed monthly by the AFGD Board. 18 days' notice is given prior to any proposed change taking effect.</li> <li>• The interest rate applied on the initial investment is advised at the time of application.</li> <li>• Existing clients will be advised of any interest rate change via the AFGD website.</li> </ul>
<b>Short Term Investments &lt; 31 days</b>	<p><b>Available to Associated clients (only)</b></p> <p><b>Cheque Account</b></p> <ul style="list-style-type: none"> <li>• Minimum investment amount Nil</li> <li>• Online Access.</li> <li>• EFT &amp; BPay facilities.</li> <li>• Cheque Books and customised A4 cheque stationery available.</li> <li>• Interest is calculated daily and paid monthly capitalised to the account.</li> <li>• The interest rate is linked to an AFGD benchmark, plus or minus an applicable margin.</li> <li>• The interest rate applicable to this product is reviewed monthly by the AFGD Board. 21 days' notice is given prior to any proposed change taking effect.</li> <li>• The interest rate applied on the initial investment is advised at the time of application.</li> <li>• Existing clients will be advised of any interest rate change via the AFGD website.</li> </ul>
<b>Short Term Investments &lt; 31 days</b>	<p><b>Cash Management Account</b></p> <ul style="list-style-type: none"> <li>• Minimum investment amount Nil</li> <li>• Online Access</li> <li>• EFT &amp; BPay facilities.</li> <li>• Interest is calculated daily and paid monthly capitalised to the account.</li> <li>• The Interest rate applicable to this product is reviewed monthly by the AFGD Board.</li> <li>• The Interest rates applicable to this product is linked to the current RBA cash rate, plus or minus an applicable margin.</li> <li>• The interest rate applied including the RBA benchmark and applicable margin is advised at the time of application.</li> <li>• Any change in the interest rate is effective the following day after any RBA rate change is released.</li> </ul>



## INVESTORS

AFGD offers debentures to the following classes of investors as defined by *ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813*:

### 1. Associates & Retail, associated clients

Products are promoted to this class of investor in the following ways:

- advertising in the AFGD internal publication, "the North Coast Anglican Newspaper";
- promotional material and brochures;
- direct written correspondence;
- advertising on the AFGD website; and
- word of mouth.

A product is offered to this class of investor after a formal signed application is received by AFGD.

Associates are defined by *ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813* as:

- a) A body constituted by or under the authority of a decision of the charity or is controlled by the charity.
- b) A person or body that constituted the charity or under whose authority the charity was constituted or controls the charity.
- c) A charity with a charitable purpose (*related charitable purpose*) which is the same or similar to the charity.
- d) A person acting as a trustee of a trust for the charity or a charity with a related charitable purpose.
- e) A member of clergy, employee or \*\*voluntary staff member who works for a person in paragraphs (a) to (d).
- f) A person undertaking training or education to enable them to be a person mentioned in paragraph (e) who receives money from a person mentioned in paragraph's (a) to (e).

This class of investor includes voluntary staff members who are to be treated as associates. In determining whether a person is to be treated as a voluntary staff member, AFGD applies the following criteria:

- whether a person has volunteered for AFGD or any of its associates on a recurring basis;
- whether a person has in the past been an employee of AFGD or any of its associates and continues to perform work on a voluntary basis;
- whether a person has agreed to perform work for AFGD or any of its associates on a voluntary basis.

### 2. Retail, non-associated clients

Products are promoted to this class of investor in the following ways:

- advertising in the AFGD internal publication, "the North Coast Anglican Newspaper";
- promotional material and brochures;
- direct written correspondence;
- advertising on the AFGD website; and
- word of mouth.

A product is offered to this class of investor after a formal signed application is received by AFGD.

Note: AFGD no longer offers short-term investments to this class of investor.

### 3. Non-associated, non-retail clients

Products for this class of investor are not actively promoted. However, AFGD can be approached by this class of investor as a consequence of its promotion to other classes of investors.

A product is offered to this class of investor after a formal signed application is received by AFGD. Products offered to this class of investor are customised to meet the requirements of each client.

## AUDITED FINANCIAL STATEMENTS

AFGD is a basic religious charity and is currently not required to lodge audited financial statements with the Australian Charities and Not-for-profits Commission (ACNC). AFGD is required to lodge audited financial statements with ASIC within 6 months of each financial year end.

## GUARANTEES OR OBLIGATIONS

No guarantees or obligations of interests by any person apply.

#### ASSET TYPES

AFGD currently holds the following asset classes in Australia:

- **Cash deposits at ADIs.**
- **Interest bearing securities**, Australian Banks and large corporations, rated at investment grade or better. No hybrid securities, except for Australian bank securities containing an APRA mandated capital trigger.
- **Loans advanced to Anglican parishes and Anglican Entities** when they borrow from the Fund to undertake charitable activities within their communities

No assets are held outside of Australia.

#### SPONSOR

There is no sponsor involvement in regard to acceptance of this Identification Statement.


#### CONSENT

AFGD consents to any person, on request to ASIC, examining this Identification Statement and AFGD's application to ASIC to accept this Identification Statement for lodgement.

DATED:

2ND OF MARCH 2017

Signature

  
Blaine Douglas Fitzgerald

Print Name

FUND MANAGER

Capacity

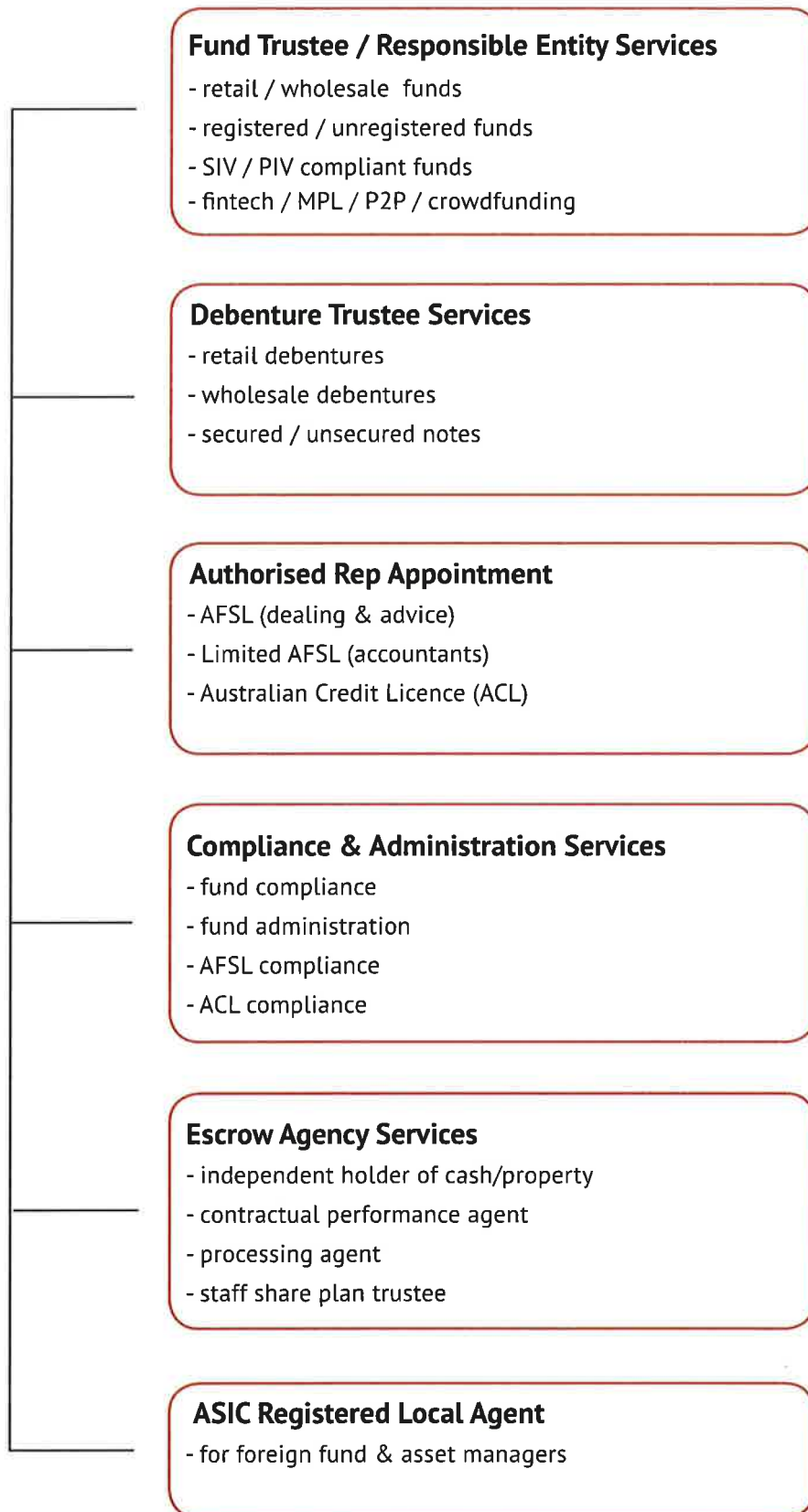


# CORPORATE PROFILE

January 2017

# MSC Services

## Melbourne Securities Corporation



# MSC Corporate Summary

## Established 2012

Holder of:

- Australian Financial Services Licences No. 428289 (AFSL) • Australian Credit Licence No. 428289 (ACL)
- Australian Financial Services Licences No. 480649 (AFSL)

## Specialises in providing the following services:

- Corporate and professional trustee services
- Retail & wholesale managed investment fund (MIS) trustee & responsible entity services
- External AFSL & Australian Credit Licensing and authorised representative appointment
- ASIC registered local agent services for foreign companies
- Significant Investor Visa (SIV), Premium Investor Visa (PIV) & other Australian visa compliant fund licensing
- Fintech, crowdfunding, marketplace lending (MPL) & peer to peer (P2P) platform licensing
- Venture capital fund licensing (VCLP & ESVCLP)
- Collective Investment Vehicles (CIV), Limited Partnership CIV, Common Contractual Fund (CCF) CIV
- Retail & wholesale fund establishment, management & administration services
- Debenture trustee services
- Escrow services
- AFSL and ACL compliance

## Highly trained staff with expertise across:

- Funds management
- Corporate & institutional banking
- Structured finance
- Investment
- Law
- Financial advice
- Compliance
- Accounting

## Significant experience in:

- Capital structure establishment & documentation
- Compliance & satisfying regulatory responsibility
- Operation of a wide range of retail & wholesale funds
- SIV compliant funds & crowdfunding / P2P platforms
- Diversified investment & asset management
- Structured corporate and commercial finance
- Direct property investment & management
- Other financial asset selection & management

## Melbourne Securities Corporation is proud to be associated with the following:

- Member of the Financial Ombudsmen Service (FOS)
- Member of Mortgage & Finance Association of Australia (MFAA)
- Financial Services Council participant (FSC)
- Financial Services Institute of Australasia (FINSIA) - mentor programme
- Member of Fintech Australia - national fintech association
- Compliance Committee Forum participant
- Australian Centre for Financial Studies (ACFS) - participant

# MSC Management

## **MICHAEL FLEMING** Chairman

- 30 years corporate, wholesale & retail trusteeship
- Previous Group Compliance Manager for Equity Trustees
- MBA
- Bachelor of Business (Accounting)
- Bachelor of Laws
- Graduate Diploma in Applied Information Systems
- Graduate Diploma in Legal Practice

## **MATTHEW FLETCHER** Managing Director

- 20 years investment banking & funds management
- MBA (London School of Business & Finance)
- Bachelor of Business (Banking & Finance)
- Grad Dip Applied Finance & Investment
- Diploma Property Development
- Diploma Property Investment & Finance
- Diploma Financial Services (Financial Planning)
- Diploma Financial Services (Finance/Mortgage Broking Mgt)
- Certificate IV in Property Services (Real Estate)
- Accredited Credit Adviser with MFAA
- Senior Fellow of FINSIA
- Member of Australian Institute of Company Directors



## **ANDREW GEORGIU** Director / Chief Financial Officer

- CPA of 30 years
- Immense experience as principal accounting officer of large number of listed public, unlisted private and funds management companies

## **SCOTT LILLINGSTON** Company Secretary / Compliance Manager

- Extensive experience in compliance, investment operations and company secretariat
- Bachelor of Commerce
- Bachelor of Laws (Honours)
- Graduate Diploma in Applied Finance & Investment

# MSC Management

## STEVEN O'CONNELL Compliance Committee

- over 20 years' finance industry experience in life insurance, asset management, custodial services, financial planning & superannuation (consulting, administration and trustee services)
- headed the compliance & risk management functions for several large multi-national asset managers
- headed custodial operations for corporate actions, reconciliations and unlisted trust management.
- Bachelor of Business
- CPA
- Associate of the Australasian Compliance Institute

## GREG HADINGHAM Responsible Manager – Risk Management

- Corporate banker with comprehensive skills in front line account management, credit risk management as well as restructuring of distressed credits
- 18 year career with National Australia Bank in both Australia and the UK, including as Director on the Boards of several of NAB's subsidiary asset finance special purpose vehicles.
- Graduate Diploma in Applied Finance & Investment
- Bachelor of Agricultural Science



## CLIFFORD CLAYTON Compliance Committee

- Former Director of Perpetual Trustees Victoria, MacarthurCook
- Investment Managers, AXA GESP & Coles Group ESP
- 25 years with Perpetual Trustees Group
- Compliance Committees of large variety of AFS Licensed businesses
- Co-founder & host of Compliance Committee Forums in Melbourne, attended by independent compliance committee members, compliance professionals & service providers, with regular presentations by key industry & ASIC representatives
- Associate of the Australasian Compliance Institute
- Senior Associate of FINSIA

## JOHN BAINI Responsible Manager – Structured Finance

- over 17-years' international banking experience
- has lead teams in London and Dubai, in a wide range of front line and risk based roles
- particular expertise in restructuring and turnaround
- led negotiations on behalf of creditors in multiple jurisdictions
- strong technical skills in lending and credit risk
- previously held significant levels of sanctioning authority
- Bachelor of Commerce

# MSC Management

## GERALD VATS

### Responsible Manager – Taxation

- Chartered Accountant specialising in taxation
- previous roles in large global corporations (including big 4 accountancy firm)
- Master of Commerce
- Master of Practising Accounting
- Master of Taxation
- Certificate in Management from Harvard Business School

## BARRY WILLOUGHBY

### Responsible Manager – Property / Mortgage Management

- founder & former Director of Adelaide Finance Agency
- former Director and founder of Readett Simmons & Associates a Mortgage Management business
- 40 years financial services experience commencing as a financial planner with the AMP Society



## BENJAMIN HOLLIER

### Responsible Manager – Financial Advice

- 10 years' financial services experience
- specialist in training and development, sales and investment advisory
- previous roles with Shin Nippon Ernst Young in Tokyo, Allianz and AXA in Paris
- Certified Financial Planner
- Masters of Applied Finance (Wealth Mgt, Corporate Advisory, Investment Management)
- Senior Associate of FINSIA

## PETER SCHEMBRI

### Responsible Manager – Corporate Operations / Compliance

- diverse experience in business management, capital raisings and corporate restructuring
- 30 years' corporate experience in various senior management roles
- 12 years' experience managing property investments around Australia
- MBA (Macquarie University Graduate School of Management)



# MSC Corporate Directory

## **Melbourne Securities Corporation Ltd**

ACN 160 326 545

AFSL No. 428289, ACL No. 428289

## **MSC Advisory Pty Ltd**

ACN 607 459 441

AFSL No. 480649

### **Registered Office:**

Level 2 Professional Chambers

120 Collins Street

Melbourne VIC 3000

Australia

**Phone:** 1300 798 790

+61 3 9639 9000

**Email:** [enquiries@melbournesecurities.com.au](mailto:enquiries@melbournesecurities.com.au)

**Website:** [melbournesecurities.com.au](http://melbournesecurities.com.au)





5 April 2017

Ms Alison Perrott  
Ord Minett  
Level 5, 100 Pirie Street  
Adelaide SA 5000

**By email:** [a.perrott@ords.com.au](mailto:a.perrott@ords.com.au)

Dear Alison

**RE: PROPOSAL – PROFESSIONAL TRUSTEE SERVICES  
CHARITABLE FUNDRAISING**

Thank you for your enquiry and the opportunity to provide information regarding trustee services for charitable fundraising purposes.

This letter also contains background information on Melbourne Securities Corporation Limited (**MSC**).

#### **MELBOURNE SECURITIES CORPORATION LTD**

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MSC specialises in the following services:

- corporate & professional trustee services;
- retail & wholesale managed investment scheme trustee & responsible entity services;
- retail & wholesale debenture trustee services;
- external AFSL & Australian Credit Licensing and authorised representative appointment;
- Significant Investor Visa (**SIV**), Premium Investor Visa (**PIV**) & other Australian visa compliant fund licensing;
- fintech, crowdfunding, marketplace lending (**MPL**) & peer to peer (**P2P**) platform licensing;
- venture capital fund licensing (**VCLP** & **ESVCLP**);
- collective Investment Vehicles (**CIV**), Limited Partnership CIV, Common Contractual Fund (**CCF**) CIV;
- escrow services; and
- AFSL and ACL compliance.

We have extensive experience in:

- capital structure establishment and documentation;
- compliance and satisfying regulatory responsibility;
- the operation of a wide range of retail and wholesale capital structures;
- diversified investment and asset management;
- structured corporate and commercial finance;
- direct property investment and management; and
- other financial asset selection and management.

## **COMPLIANCE**

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### **Licensing**

Melbourne Securities Corporation Limited ACN 160 326 545 is licensed by the Australian Securities & Investments Commission ("**ASIC**") under:

- Australian Financial Services Licence No. 428289 ("**AFSL**"); and
- Australian Credit Licence No. 428289 ("**ACL**").

### **Financial & Insurance Requirements**

The company is required to meet strict financial guidelines as set out in the Corporations Act 2001 and under its AFSL and ACL, including holding adequate professional indemnity insurance, a minimum net tangible assets and it must produce regular cash flow projections to ensure it has the financial resources to meet its obligations on an ongoing basis.

### **Compliance Committee**

A Compliance Committee has been established to monitor compliance and report to the directors of MSC on a regular basis regarding adherence of the company to the Corporations Act and ASIC requirements. If any issues or breaches are not addressed by either the management or the board of MSC, the Compliance Committee is obliged to report directly to ASIC.

### **Audit**

In adherence with Corporations Act requirements, MSC is subject to independent financial audit. It is also subject to independent compliance audit on a minimum annual basis.

## **MSC BOARD & COMPLIANCE COMMITTEE**

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Please refer to Annexure A.

## **FURTHER INFORMATION**

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Please refer also to English, Mandarin and Japanese versions of our website at:

[www.melbournesecurities.com.au](http://www.melbournesecurities.com.au)

**TRUSTEE PROPOSAL**

<b>Trust / MIS</b>	<ol style="list-style-type: none"> <li>1. Wholesale MIS (unregistered)</li> <li>2. Registered MIS option (requires ASIC approval)</li> </ol>
<b>Type of Trust</b>	Unlisted, pooled asset, multi-class, unit trust
<b>Fundraiser</b>	<p>Nominated entity, to be optionally appointed an AFSL Authorised Representative (if required) for the purposes of fundraising promotion and management, covering some or all of:</p> <ol style="list-style-type: none"> <li>a) dealing – arranging issue, variation and redemption of interests in the Fund;</li> <li>b) dealing – in the asset classes comprised in the Fund (e.g. financial assets, securities, deposit products etc)</li> <li>c) general advice<sup>#</sup> – to investors in respect of interests in the Fund</li> <li>d) general advice<sup>#</sup> – to the trustee in respect of specific Fund asset classes</li> </ol> <p><i>[# general advice to any <u>retail investors</u> subject to at least once officer of the Fundraiser with base level RG146 training specific to relevant advice authorisations]</i></p>
<b>Trustee / RE</b>	Melbourne Securities Corporation Ltd ( <b>MSC</b> ) AFSL 428289
<b>Trustee Appointment Term</b>	3 years after which time MSC will offer its resignation without penalty (earlier exit possible <u>anytime</u> with 6 months' notice)
<b>Investment Assets</b>	Diversified assets comprising cash & deposit products, securities, bonds, financial assets, direct property etc)
<b>Target Fund Return</b>	TBA, possibly unit class specific
<b>Projected Equity Raising</b>	Open, no minimum
<b>Minimum Investment</b>	TBA
<b>Investment Term</b>	TBA
<b>Suitable Investors</b>	<ol style="list-style-type: none"> <li>1. Sophisticated, wholesale, institutional, qualifying SMSFs + maximum of 20 retail investors p.a. (retail max \$2M p.a.)</li> <li>2. All investor types (unrestricted, following registration)</li> </ol>
<b>Fund Custodian</b>	<ol style="list-style-type: none"> <li>1. MSC</li> <li>2. TBA – external custodian required upon registration</li> </ol>
<b>Investment Manager</b>	Ord Minnett

<b>Fund Administrator</b>	TBA
<b>Fund Financial Auditor</b>	<ol style="list-style-type: none"> <li>1. Optional only, not required</li> <li>2. TBA</li> </ol>
<b>Compliance Plan Auditor</b>	<ol style="list-style-type: none"> <li>1. Not required</li> <li>2. TBA</li> </ol>
<b>Trust Documentation</b>	<p>Required fund documentation:</p> <ol style="list-style-type: none"> <li><u>1. Wholesale Option (unregistered)</u> <ol style="list-style-type: none"> <li>a) Trust Deed (fund constitution)</li> <li>b) Information Memorandum (<b>IM</b>)</li> </ol> </li> <li><u>2. Registered Option</u> <ol style="list-style-type: none"> <li>a) Trust Deed (fund constitution, existing or updated)</li> <li>b) Product Disclosure Statement (<b>PDS</b>)</li> <li>c) Compliance Plan (draft provided by MSC)</li> <li>d) Financial Services Guide (<b>FSG</b>)</li> </ol> </li> </ol> <p><i>The disclosure documents (IM/PDS) can be fully branded in the name of the Fundraiser. The trust documentation must be arranged by the Fundraiser and signed off by external solicitor and tax adviser at their instruction/cost, and is subject to MSC review.</i></p>
<b>Trustee Documentation</b>	<p>Required trustee documentation:</p> <ol style="list-style-type: none"> <li>1. Management Agreement (<b>MA</b>)</li> <li>2. (Optional) Corporate Authorised Rep Agreement (<b>CARA</b>)</li> <li>3. Custodial Agreement (in respect registered option only, draft provided by nominated custodian)</li> </ol> <p><i>MSC will be responsible for production of trustee documentation which will refer to MSC's internal policy documentation including AML&amp;CTF Policy and Authorised Representative Policy. MSC's trustee role and the Fundraiser's appointment as manager of the Trust and AFSL authorised representative will be established and maintained via the MA &amp; CARA, respectively, covering all key officers of the Fundraising entity.</i></p>

**Trustee Fee**
1. Wholesale Fund (unregistered)

Engagement fee of \$25,000<sup>#</sup> (plus GST) – payable \$10,000 up front (includes structuring assistance, preparation of licensee documentation & review of fund documentation) and the balance upon execution of MA.

Ongoing trustee fee calculated as a percentage of month ending aggregate funds (investor capital only) under management (**FUM**), with reference to the following scale:

FUM	RATE (p.a.)
\$0 - \$50M	0.10%
\$50M - \$100M	0.05%
\$100M - \$150M	0.04%
\$150M+	0.03%

paid quarterly in arrears (plus GST), with the first quarter commencing from the earlier of issue of the first units in the fund or 6 months from settlement (minimum \$24,000 p.a. plus GST).

2. Registered Option

Registration commitment fee \$10,000 (plus GST) payable upon Fund Manager commitment to register the Fund (includes MSC input and review of registered Fund documentation and managing & arranging ASIC registration).

Registration success fee of \$10,000 (plus GST) payable upon successful registration of the Fund.

Revised ongoing trustee fee post registration calculated as a percentage of month ending aggregate funds (investor capital only) under management (**FUM**), with reference to the following scale:

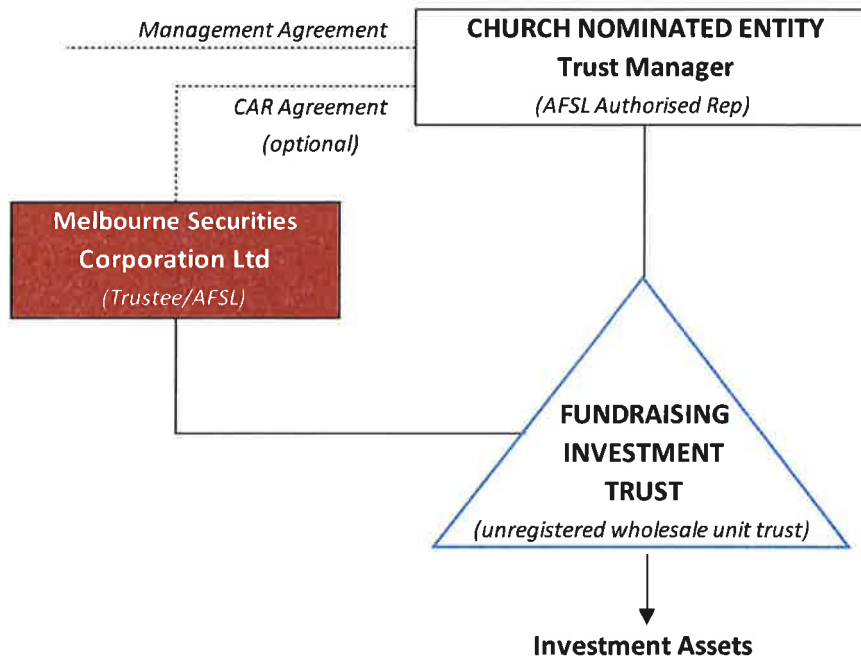
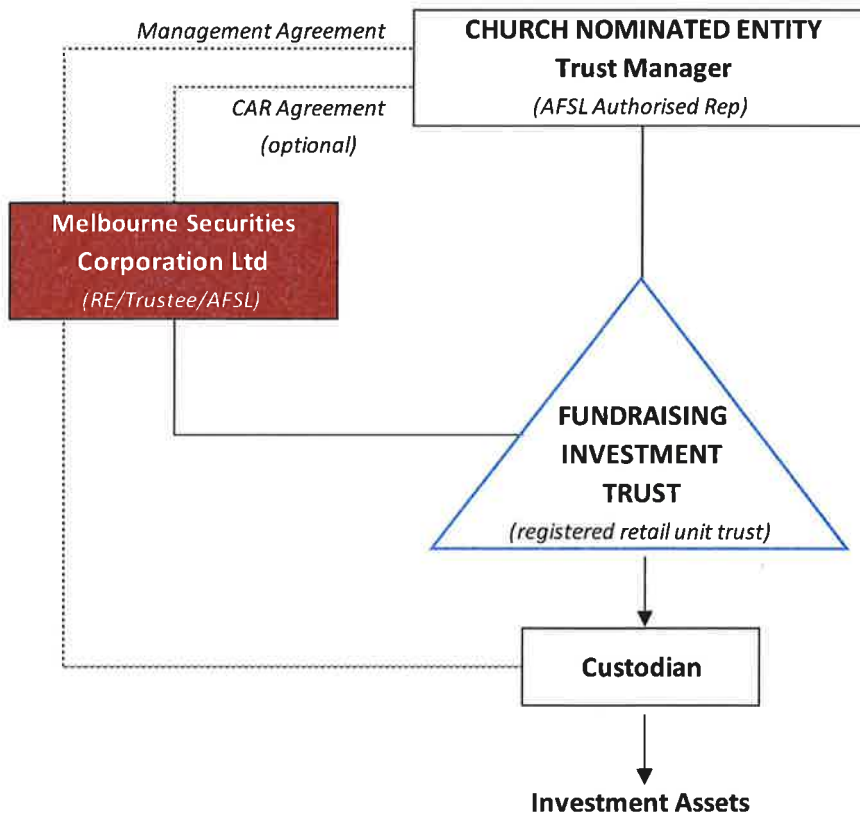
FUM	RATE (p.a.)
\$0 - \$50M	0.15%
\$50M - \$100M	0.08%
\$100M - \$150M	0.06%
\$150M+	0.04%

paid quarterly in arrears (plus GST), with the first quarter commencing from registration (minimum \$36,000 p.a. plus GST).

*[# Please note that the engagement fees quoted assume acceptance of our standard agreements. Extensive changes sought to our standard MA which requires MSC legal review will incur additional charges and are unlikely to be accepted.]*

**STRUCTURE DIAGRAMS**


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**Wholesale Fundraising Trust (Unregistered)**

**Retail Fundraising Trust (Registered)**


## PROPOSAL RATIONALE

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This structure is designed to ensure:

- wholesale (unregistered) and registered trust options;
- control of day-to-day Trust operation and management by the Church;
- MSC trustee role operationally under instruction from you;
- ownership of investor relationships and all Trust IP under terms of the Management Agreement remains with the Church;
- flexibility in licensee appointment term with ability to terminate licence agreement with notice;
- offer of resignation by the Trustee after 3 years to put control of structure back to the Church, at which time the Church can terminate, extend, renegotiate, replace etc

**Note: the structure proposed is subject to legal & taxation advice.**

## TRUSTEE ROLE

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In exercising its powers and duties, the trustee must:

- act honestly and in the best interests of investors at all times;
- exercise a reasonable degree of care and diligence;
- treat each class of unitholders equally and fairly;
- not make use of information obtained to gain an improper advantage or cause detriment to unitholders;
- comply with the Trust's constitution and all applicable laws;
- ensure Trust property is separated from the property of other entities; and
- assume ultimate regulatory responsibility, including dealing with breaches, any complaints by investors and enquiries by the regulator.

As trustee, MSC will assume ultimate responsibility for legal issue, variation and redemption of units in the Trust.

As the AFSL holder, MSC will also assume ultimate regulatory responsibility for legally compliant operation of the Trust and will be the principal point of contact for any regulatory aspect of fund operation.

In addition, MSC will provide the following services:

- guidance and input to preparation of trust documentation and variations;
- assistance with preparation of investor communication including regular reporting and trust/investment updates;
- assistance with financial audit (in need, optional only); and
- assistance with compliance audit (in need, optional only).



## ACCEPTANCE

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The acceptance of this offer represents a commitment by the relevant party to proceed on the terms presented. MSC's ability to provide its services is subject to MSC satisfaction as to legal and tax compliant establishment and operation of the Trust.

Your principal MSC contacts will be:

**Matt Fletcher**  
Ph. 03 9639 2900

**Scott Lillingston**  
03 9639 3200

**James Spencer**  
Ph. 03 9639 6600

We are delighted to provide this proposal and we are excited at the opportunity to work with you.

Please note the proposal will expire 30 days from the date of issue.

Sincerely



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**Matthew Fletcher**  
Managing Director  
Melbourne Securities Corporation Ltd

## PROPOSAL ACCEPTANCE

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This proposal is accepted by:

**Signed:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title:** \_\_\_\_\_  
**Fundraiser:** \_\_\_\_\_

## **ANNEXURE A – BOARD & COMPLIANCE COMMITTEE**

### **MSC BOARD**

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#### **Michael Fleming** Chairman

Michael Fleming brings 30 years' experience in corporate trustee, internal audit, legal and accounting. His previous roles include as Group Compliance Manager for Equity Trustees covering compliance, risk management, in-house legal counsel and as secretary to the board and management committees. Other roles include corporate trust accountancy for AXA Trustees and contract positions for Avanteos and Ausbil Investment Management. Michael has significant technical knowledge of securities law including ASIC and APRA regulations, as well as commercial development and application of governance, compliance and risk management frameworks, controls and procedures. He has extensive experience acting as a corporate trustee and in the management of litigation and dispute resolution. Michael holds a Bachelor degree in Business (Accounting), a Bachelor of Laws and a Graduate Diploma of Legal Practice.

#### **Matthew Fletcher** Managing Director

Matt Fletcher is an experienced financial services professional with a comprehensive background in commercial/corporate property finance and funds management. His previous roles have included senior management positions with Lloyds Banking Group, National Australia Bank (London) and St. George Bank. Matt has served as Managing Director and Key Person of several Australian Financial Services & Australian Credit Licenced businesses and has been actively involved in all facets of retail and wholesale funds management, overseeing product design, advice, distribution, investment selection and management, compliance and strategic corporate management. Matt holds an MBA from the London School of Business & Finance, a Bachelor of Business (Banking & Finance), a Post Graduate Diploma in Applied Finance & Investment and a Diploma in Financial Services (Financial Planning). Matt is a Senior Fellow of Financial Services Institute of Australasia and a Member of Australian Institute of Company Directors.

#### **Andrew Georgiou** Director

Andrew Georgiou is a Certified Practising Accountant and has been a member of Australian Society of Accountants for over 30 years. Prior to serving as the principal accounting officer of the Company, Andrew had performed similar roles for a large number of private and ASX-listed companies, including several Australian Financial Services licensed businesses. He has a wide range of corporate and accounting experience, having been involved in a variety of industries including previous roles with Port Phillip Mills wool processing, Toll Transport and West Coast Railway.

#### **Scott Lillingston** Company Secretary & Compliance Manager

Scott Lillingston has extensive experience in the investment management industry focussing on the areas of compliance, investment operations and company secretariat. His previous roles have included positions at Acorn Capital and Antares Capital Partners (formerly known as Portfolio Partners and then Aviva Investors) where he worked for 13 years. Scott was

responsible for Compliance at Acorn Capital and has held various other roles with responsibility for Compliance, Investment Operations and Company Secretariat at Antares Capital. He had also worked at County Investment Management as a Compliance Officer and an Investment Clerk. Scott holds a Bachelor of Commerce and a Bachelor of Laws (Honours) both from Deakin University as well as a Graduate Diploma in Applied Finance and Investment.

## **MSC COMPLIANCE COMMITTEE & COMPLIANCE OFFICERS**

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### **Steven O'Connell** Compliance Committee Chair

Steven O'Connell has over 25 years extensive finance industry experience in life insurance, asset management, custodial services, financial planning and superannuation (consulting, administration and trustee services). He has headed the compliance and risk management functions for several large multi-national asset managers. Steven had held company secretary roles for a number of asset managers, headed custodial operations for corporate actions, reconciliations and unlisted trust management and was a key person in the eventual sale of Mellon Australia's superannuation and administration consulting businesses in 2005. He is an experienced director of asset management and finance companies and currently holds roles in Compliance Committees and as Responsible Manager for several leading asset management firms. Steven holds a Bachelor of Business, CPA and AACI accreditation.

### **Clifford Clayton** Compliance Committee

Cliff Clayton is a former Director of Perpetual Trustees Victoria, MacarthurCook Investment Managers, AXA GESP and Coles Group ESP. During a 25 year executive career with the Perpetual Trustees Group, Cliff acquired substantial experience in all aspects of funds management operation and compliance. He has subsequently applied this to the Compliance Committees of a large variety of Australian Financial Services Licensed businesses. Cliff is a co-founder and host of the Compliance Committee Forums seminars in Melbourne, attended by independent compliance committee members, compliance professionals and service providers, with regular presentations by key industry and ASIC representatives. He is an Associate of the Australasian Compliance Institute and a Senior Associate of the Financial Services Institute of Australasia.

### **James Spencer** Compliance Manager

James has experience in both legal & compliance roles across the financial services industry, with a specific focus on investment and regulatory compliance. His previous roles have included positions within the investment department at AustralianSuper, with funds manager Antares Capital Partners (formerly known as Portfolio Partners and then Aviva Investors) and Barclays Capital Investment Bank in the UK. He holds a LLB Bachelor of Laws (Honours) gained in the UK.

# ORD MINNETT

13 April 2017

Mr B Fitzgerald  
Fund Manager  
Anglican Funds Grafton Diocese  
50 Victoria Street  
GRAFTON NSW 2460

Via email: [fundmanager@afgd.com.au](mailto:fundmanager@afgd.com.au)

Dear Blaine,

## **Australian Financial Services Licence (AFSL) & Managed Investment Scheme (MIS) Options to be considered**

Further to our ongoing discussions regarding ASIC Class Order CO 02/184 and the need for Anglican Funds Grafton Diocese (AFGD) to obtain an AFSL if it wishes to continue receiving funds from retail non-associated investors, please find following a brief on the options currently available and recommendation for consideration and review. Please note that Ord Minnett and your adviser Alison Perrott are not legal advisers but do have a good understanding of this landscape. This brief is provided to further enhance the practical understanding of the options available to AFGD but we recommend seeking independent legal advice regarding it's own position.

### **Background**

The AFGD has historically operated a development fund taking deposits from Parishioners and Diocesan Entities and utilising the funds to lend to organisations within the Diocese for multiple purposes with the goal of enhancing the Diocese operations overall. Surpluses raised from this activity have been utilised within the Diocese for it's extensive charitable works. ASIC Class Order 02/184 in 2016 now requires that AFGD must have an appropriate AFSL if it wishes to receive funds from retail non-associated investors. The general exemption and grace period end date is 31 December 2017 and AFGD are still in negotiations with ASIC around it's compliance with this exemption due to identification statement lodgement difficulties.

In late January 2017 Ord Minnett launched a search for a solution to the requirements of it's current development fund clients, and has now found an external provider of AFSL, Trustee and Responsible Entity services specific to the requirements of AFGD and is pleased to have introduced Melbourne Securities Corporation Limited (MSC) and the firm's Managing Director, Mr Matthew Fletcher to AFGD. As has been mentioned previously to you, the AFSL requirements for "issuers" of product such as the business AFGD conducts is more complicated than a standard "advice" AFSL that financial planners must adhere to, plus ASIC requires significant asset and balance sheet minimums for client fund security within the product setup.

There are a number of possibilities and options available and following is a work through of each and a summary to date.

#### **Ord Minnett Limited**

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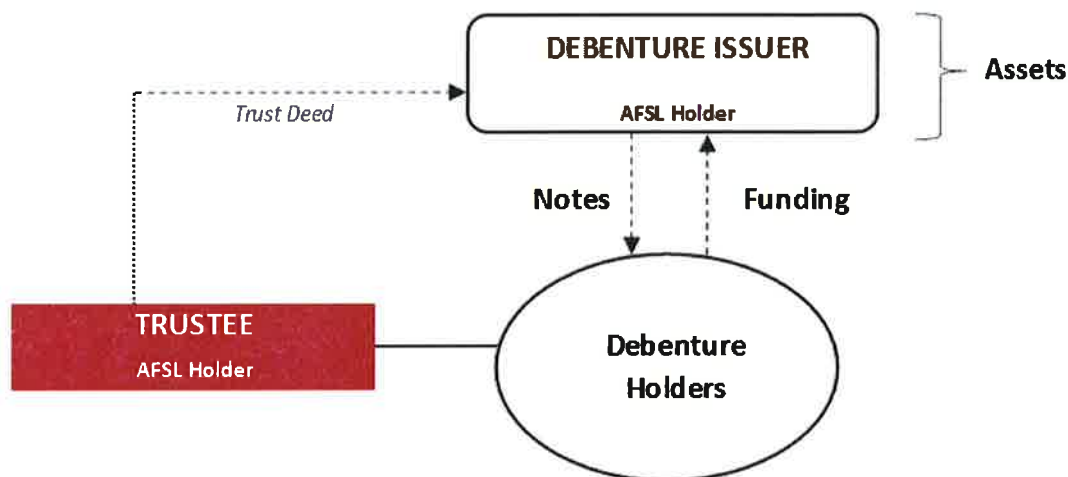
**A Market Participant of Australian Stock Exchange Limited – Licensed Securities Dealer**

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## Product Options

AFGD can seek to either issue debentures or units in a unit trust (managed investment scheme via a “fund”) to satisfy investor demand for interest on deposits (now to be called investments). A separate “Trust Deed” is set up for the function of issuing investment product, and this is done to protect and isolate investor funds from the firms managing the fund, ensuring asset backing. MSC provided a presentation “MSC – Apr 2017 (Charity & Schools) which highlights the variance in debentures versus MIS and requirements and I have extracted some flow charts as follows:

### 1. Retail Debentures



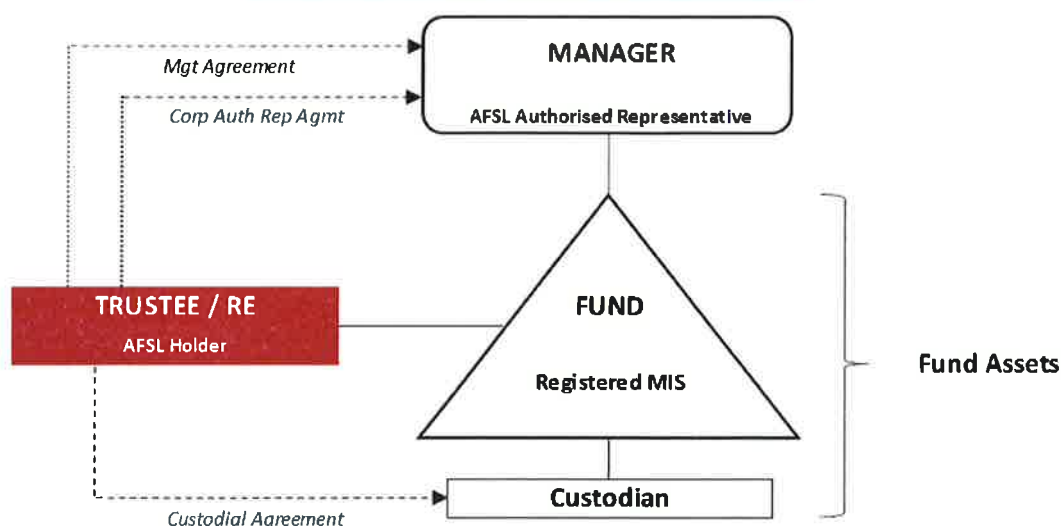
Source: MSC Corporation

As the flow chart highlights the structure is simple, however debenture issuers have had mixed relations with ASIC and as AFGD Board members may be aware, a number of mortgage funds issuing debentures have failed in recent times (most recently Angus Securities in South Australia). ASIC currently imposes heavy restrictions on debenture issuers and must concurrently hold an AFSL (general advice authority in respect of securities to enable promotion to investors) and as can be seen from the picture above an AFSL to issue product is still required and very onerous asset backing requirements as the assets are still held at manager or issuer level. AFGD will find issuing debentures to retail investors uneconomic in the current environment.

### 2. MIS

A managed investment scheme is created when a fund manager (AFGD) raises funds from other people (parishioners), these funds are pooled for a common purpose to produce financial benefits (invested for return) or rights of ownership (units). The investors do not have day to day control. Schemes can comprise a number of investable assets such as:

- Financial Securities (cash, fixed income, shares, managed funds, listed property trusts)
- Mortgages (Loans)
- Real Property (Directly owned)
- Service strata schemes
- Primary Production (agriculture and viticulture for example)
- Film & Time Share Schemes



Source: MSC Corporation

An MIS structure means AFGD can outsource both its responsible entity (RE) requirements and advice licencing thus removing the need for an AFSL and any balance sheet requirements as these are put back on the Trustee.

MSC would act as the Trustee/RE, issue an “authority” to AFGD staff members to provide “general” product advice to investors and the investment structure would run through a registered managed investment scheme (registered meaning a product disclosure statement is lodged with ASIC plus the schemes details). The third piece of the flow chart is “custodian”. AFGD already utilises a custodian and this will not change how the fund operates, just the name in which the assets are held would be updated to reflect the Trust Deed.

### Comparing debentures and MIS:

	Debentures	Fund
Fixed income products?	Yes	Yes
Issuer?	Manager	Fund
AFSL?	Yes	Trustee only
Custodian?	Yes	Yes
Manager NTA?	8% of RWA 20% of RWA (development)	Nil
Trustee NTA?	Base + \$250K per issuer	Base + 0.5% of FUM 10% of annual revenue 20% of quarterly outflows
Manager reporting?	Quarterly (statutory)	Quarterly (non-statutory)
Manager audit?	Yes	No (fund & trustee only)
Compliance plan audit?	No	Yes
Manager risk?	Balance sheet	Contractual

Source: MSC Corporation

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The table above highlights that the MIS is the only real viable option at this stage, this is based on previous research into the compliance costs around applying for and operating an AFSL. Of course if ASIC was to change the rules, this could be an alternative path in the future.

## Pricing

MSC have provided preliminary pricing to provide the following services in the document "Proposal – Professional Trustee Services Charitable" as well as in correspondence with me over the last few weeks:

- Trustee Services
- Responsible Entity Services
- Management Agreement
- Product Issuance Licensing
  - Compliance Audit
  - Professional Indemnity Insurance (largest cost)
  - ASIC Lodgements
  - Membership to Financial Ombudsman Service & Complaints resolution process
- Corporate Authorised Representative Agreement (CAR) – to allow staff to provide general advice
- Compliance Plan

The fees for this are as follows:

FUM (\$)	Rate (%pa)
0 - 50M	0.15%
50 - 100M	0.08%
100 - 150M	0.06%
150M +	0.04%

The pricing is progressive, whereby the first \$50 million is charged at 0.15% the next \$50 million at 0.08% and so on.

What will need to be completed by AFGD is as follows:

- Product Disclosure Document (PDS) - Ord Minnett can provide a draft plus legal sign off
- Financial Services Guide (FSG) - Ord Minnett can provide a draft, plus legal sign off
- Fund Administration (as current)
- Fund Audit (current expense)
- Compliance (RG146) education of staff

## MIS Options

The options within the managed investment scheme operation for AFGD are now as follows;

Option	MIS Trust Type	Investor Type	FUM (\$)	FUM Fee (\$)	Min Fee (\$ pa)	Fee (\$ pa)	Trustee Fee as % FUM	Up Front Set Up Fee (\$)
1	AFGD only	Retail	10,100,000	15,150	36,000	36,000	0.356%	20,000
2	AFGD only	All	53,430,612	77,744	36,000	77,744	0.146%	20,000
3	Shared Anglican Unit Trust	Retail	10,100,000	-	12,000	12,000	0.119%	TBA

Custodian fees are applicable but already paid for so we have not included for the purposes of this discussion. Trustees/AFGD would remain as "owners/managers" to receive a dividend from operations each year – tax and accounting advice will need to be sought here.

## **Option 1. Stand alone MIS – retail only:**

Remove the Retail portion of the AFGD book and transfer to an MIS trust structure.

Benefits of this option:

- Full compliance with ASIC requirements;
- Retains retail portion of book and existing investors;
- Full control of investment types, product and structure;
- Ability to add hybrid securities to universe, thus increasing net interest margin which can be attained from funds circa 1.25%. Thus helping offset extra fees;
- Growth potential;
- Fee is considerably less than setting up own AFSL;
- Professional approach; and
- Not subject to capital adequacy requirements (DFAG) and liquidity provisions are at the control of AFGD, eg: redemption rules can be at call, 31 day notice, 60 day notice etc.

The downside of this option are as follows;

- By removing the retail portion of the book, loan funding may be reduced or impacted negatively;
- Running 2 separate books could add pressure to current administration time frames and requirements;
- Message to Diocese is somewhat mixed – different rules and fund structure for different people within the Parish – inconsistent and thus possibly confusing; and
- Minimum fee of \$36,000 pa, equates to 0.356% pa, plus setup.

## **Option 2. Stand alone MIS – all investors (retail and wholesale):**

Transfer the entire book and operations to an MIS.

Benefits of this option:

- Full compliance with ASIC requirements;
- Retains retail portion of book and existing investors;
- Full control of investment types, product and structure;
- Ability to add other securities such as hybrids to the investment universe, thus increasing net interest margin which can be attained from funds circa 1.25%. Thus helping offset extra fees;
- Growth potential;
- Professional approach;
- Not subject to capital adequacy requirements (DFAG) and liquidity provisions are at the control of AFGD, eg: redemption rules can be at call, 31 day notice, 60 day notice etc;
- Fee is still considerably less than setting up own AFSL;
- All investors treated the same (consistent message); and
- Loan funding capacity retained and maximised.

The downside of this option are as follows;

- Increase in fee to \$77,744 pa equating to 0.146% pa as it is charged on the entire book of \$53 million, plus setup;
- Possible increase in audit fee.

## **Option 3. Shared Anglican Unit Trust (retail only):**

Remove the Retail portion of the AFGD book and transfer to an MIS trust structure in one specific class of "AFGD" units. This structure is preliminary and MSC are still working with ASIC to get approval to streamline this type of sharing arrangement, but, they have received verbal assurance of its appropriateness. This shared MIS would mean other groups can join issuing there own individual class of units under the same trust structure, but each class of units is separated for investor protection.



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Benefits of this option:

- Full compliance with ASIC requirements;
- Retains retail portion of book and existing investors;
- Some control of investment type, product and structure at outset;
- Ability to add hybrid securities to universe, thus increasing net interest margin which can be attained from funds circa 1%. Thus easily offsetting extra fees;
- Fee is considerably less than setting up own AFSL;
- Growth potential;
- Professional approach; and
- Not subject to capital adequacy requirements (DFAG) and liquidity provisions are at the control of AFGD, eg: redemption rules can be at call, 31 day notice, 60 day notice etc.
- Fee is quite low at a preliminary \$12,000 pa plus setup.

The downside of this option are as follows;

- By removing the retail portion of the book, loan funding may be reduced or impacted negatively;
- Message to Diocese is somewhat mixed – different rules and fund structure for different people within the Parish – inconsistent and thus possibly confusing;
- Running 2 separate books could add pressure to current administration time frames and requirements;
- A great deal of thought will need to go into the construction of this type of MIS, once set up the Trust Deed will be cumbersome to update;
- Risk of default by other “sharers” brings reputational risk to AFGD;
- Not full control around product issuance which is limited and options will be less; and
- Very early stages with ASIC approval for this option.

The up front costs of this option are unknown at this stage but I cannot imagine they will be any more than the \$20,000 quoted for options 1 and 2.

Please note that with any option, Ord Minnett’s services are easily transferrable to the MIS structure. Also, Ord Minnett fees are only applicable to the market securities advised on, all loans are not subject to an investment management fee but may be subject to a 0.02% custodial fee (TBA).

Also please note that the increase in net interest margin to offset fees could be achieved by investing a portion of the funds in hybrid securities (or loans) at a higher yield, as stated circa 1.25% higher. For example:

Funds Invested (\$)	Higher return	Increase in return (\$)
1,000,000	1.25%	12,500
2,000,000	1.25%	25,000
3,000,000	1.25%	37,500
5,000,000	1.25%	62,500
7,000,000	1.25%	87,500

The appropriate mix of hybrid securities of course would need to be ascertained as the investment mandate and product offering is developed. Please appreciate that most managed income funds invest in hybrids to gain the extra interest margin.

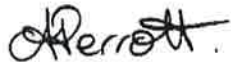
One last consideration is the tax consequences imputation credits in the trust structure. Trusts do not pay tax, the imputation credits are passed on to the investor and a notice will need to be provided to each investor annually regarding this.

I trust this summary assists with the Boards decision making process. Albeit at this stage we are still in strategy mode, AFGD now have far clearer options, and very professional real choices to be made concerning the future of AFGD. Ord Minnett cannot provide a recommendation here as all 3 options provide the immediate relief to become licensed for retail investors and we can work with any option. That said, our opinion is that Option 2 provides a long term streamlined approach to the AFGD business, allowing everyone within the Diocese to be treated the same, consistent product offering, administration and documentation.

I look forward to continuing this journey with you, and as mentioned we have confirmed our meeting with MSC in Coffs Harbour on May 1, 2017.

Let me know if you have any queries at all or would like to discuss this further, and I look forward to your thoughts.

Yours sincerely,



Alison Perrott  
Senior Adviser, Investments & Portfolio Strategy

## What could a AFGD MIS look like in Practice??

AFGD can create an MIS from either just Retail non-associated funds or it's entire book and with multiple unit structures or just 1 (Shared Anglican Unit Trust). Following is how one unit structure may look – where all investors are pooled together. If AFGD are looking to have differing classes of investment styles these will require separate units.

### **ANGLICAN FUNDS GRAFTON DIOCESE INCOME FUND (AFGDIF)**

- AFGDIF provides investors with a **target rate of return** from financial securities and a pool of loans secured by registered first mortgages. AFGDIF is a pooled investment scheme, which means that an investor's funds are spread over the whole securities/mortgage book; i.e. the member has exposure to the whole scheme, not a specific mortgage or security. Investors share in the income generated from the Fund in proportion to their investment. The Fund is unitised, meaning an investor is issued with units in the Fund with a face value of \$1.00 per unit.
  - AFGDIF would not warrant delivering a fixed rate of return, but pay regular [monthly or quarterly] distributions based on a target rate of interest. This gives investors an approximate idea of return, without locking AFGDIF in, this is very useful in time of low rates of return that we are currently experiencing. [Bonus interest can be paid to specific unit holders].
  - AFGDIF would aim to provide investors with income in line with the target rate by investing in a wide range of loans secured by registered first mortgages primarily comprising residential and commercial land and buildings within the Diocese of Grafton, NSW and interest rate securities listed on the ASX or in the unlisted Australian bond market, cash and deposit products from ADI's and Banks. Preference will be given to a Diocesan loan over a financial security to enable AFGDIF to continue it's charitable works. There is no predetermined liquidity reserve but AFGDIF aims to retain at least 10% to meet cash requirements.
  - AFGDIF distributes income to investors. It does not pay interest. Income is paid to investors by direct credit to the investor's nominated bank account [monthly/quarterly]. Income distributions are not guaranteed.
  - Given the nature of the Fund, liquidity is limited. Investors will ordinarily be given the opportunity to withdraw their funds at [Choices here for example]:
    - 31 days notice
    - 90 days notice
    - the end of each 12 month period of investment. [You could also add]
- The ability of AFGDIF to fund the withdrawal in full within 30 days is based on the total amount of all withdrawals requested during each month compared to the total amount of cash held. Withdrawal requests may take up to 12 months to process. Please refer to the PDS for more details on "cash management" and "withdrawal" policies.
- AFGDIF will provide a [quarterly] investor update.

If AFGD were to utilise an MIS structure specifically for the retail non-associated portion of the Fund, mortgages would need to be considered carefully so as not to impair liquidity.



**BOARD MEETING DATE:**

20/04/2017

**No 10 Matters for Noting**

**Item: b**

**Title: Financial Reports**

**No of Pages. incl Header** 41

Anglican Funds Grafton Diocese  
 Level 1 - 50 Victoria Street  
 Grafton 2460  
 NSW

## Month and YTD Budget Variance

March 2017

	Mar	Mar	Mar	YTD	YTD	YTD	YTD	Reason
	Actual	Budget	Variance	Actual	Budget	Variance	Variance %	
<b>4-0000</b>								
Income								
Interest Recd - Investments	28,171	23,917	4,254	72,057	85,813	(13,756)	-16%	Reduced return on cash when compared with budget
Interest Recd - Borrowers	80,588	109,349	(28,762)	250,014	317,465	(67,451)	-21%	Debt position overstated due to BDC delay
Sundry Income - Other Asset classes and Serv	24,074	51,906	(27,832)	93,949	106,463	(12,514)	-12%	Ord Minnett contains realised loss for month of March
Total Income	132,832	185,172	(52,340)	416,020	509,741	(93,721)	-18%	Overall position down on anticipated budget position
Total Cost Of Sales	84,984	103,523	18,539	244,708	309,228	64,520	21%	Savings achieved in interest paid investors offsets above position.
Gross Profit	47,848	81,649	(33,801)	171,312	200,513	(29,201)	-15%	Tracking below target
<b>6-0000</b>								
Expenses								
Total Employee Benefits	21,189	23,598	2,409	63,891	69,994	6,103	9%	
Total Professional Fees	3,648	1,313	(2,335)	6,291	5,939	(352)	-6%	
Total Banking Costs	13,954	15,100	1,146	39,754	43,300	3,546	8%	
Total Insurance Costs	1,078	1,454	376	3,155	4,362	1,207	28%	
Total General Operations Costs	2,030	8,535	6,505	6,266	20,930	14,664	70%	
Total Expenses	41,899	50,000	8,101	119,356	144,525	25,169	17%	
Total Net Profit	5,949	31,649	(25,700)	51,956	55,988	(4,032)	-7%	Overall savings have assisted position.
Distribution to Diocese	14,600	14,600	-	43,800	43,800	-		
Net Profit/(Loss) after distribution	-8,651	17,049	(25,700)	8,156	12,188	(4,032)	-151%	

Anglican Funds Graffton Diocese  
Level 1 - 50 Victoria Street  
Griffith 2460  
NSW

**Profit & Loss Statement**  
January 2017 through December 2017

	Jan	Feb	Mar	YTD	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Forecast	Budget	Variance
<b>4-0000</b>																
Income																
Interest Recd - Investments	18,379	25,507	29,171	72,057	16,274	14,948	11,030	18,124	14,387	13,200	18,685	16,274	14,014	208,993	222,748	(13,755)
Interest Recd - Borrowers	96,801	72,626	80,588	250,014	105,822	109,349	109,349	109,349	109,349	105,822	109,349	105,822	109,349	1,220,048	1,287,500	(67,462)
Sundry Income - Other Asset classes and Ser	34,228	35,647	24,074	93,949	36,986	38,219	50,673	38,219	38,219	51,906	38,219	36,986	51,906	475,284	487,796	(12,512)
Total Income	149,408	133,780	132,832	416,020	159,082	162,516	167,525	165,693	161,956	170,928	166,253	159,082	175,269	1,904,326	1,998,044	(93,718)
Cost Of Sales																
Total Interest Paid to Investors	83,955	75,769	84,984	244,708	92,219	93,127	86,141	96,809	92,478	88,656	97,459	92,219	92,045	1,075,861	1,140,381	64,520
<b>5-0000</b>																
Gross Profit	65,453	58,011	47,848	171,312	66,863	69,389	81,384	68,884	69,478	82,272	68,795	66,863	83,225	828,465	857,663	(29,198)
Expenses																
Total Employee Benefits	21,181	21,522	21,189	63,891	23,198	23,198	23,198	23,198	23,198	23,598	23,198	23,198	23,598	273,875	279,979	6,104
Total Professional fees	1,322	1,322	3,648	6,291	1,313	1,313	1,313	1,313	1,313	2,313	1,313	1,313	2,313	21,108	20,756	(352)
Total Banking and Indus Costs	12,816	12,883	13,954	39,754	15,100	15,100	15,100	15,100	15,100	15,100	20,100	15,100	15,100	180,854	184,200	3,346
Total Insurance costs	1,078	999	1,078	3,155	1,454	1,454	1,454	1,454	1,454	1,454	1,454	534	534	14,399	15,806	1,207
Total General Operations costs	956	3,280	2,030	6,266	4,135	4,135	5,060	4,135	4,135	4,535	4,360	4,135	3,735	45,031	59,695	14,664
Total Expenses	37,453	40,005	41,899	119,356	45,200	45,200	47,000	46,125	45,200	47,000	50,425	44,280	45,280	535,067	560,236	25,169
<b>6-0000</b>																
Total Net Profit	28,001	18,006	5,949	51,956	21,663	24,189	34,384	22,759	24,278	35,272	18,369	22,563	37,945	293,399	297,427	(4,029)
Distribution to Diocese																
Total Other Expenses	14,600	14,600	14,600	43,800	14,600	14,600	14,600	14,600	14,600	14,600	14,600	14,600	14,400	175,000	175,000	-
<b>9-0000</b>																
Net Profit/(Loss) after distribution	13,401	3,406	-8,651	8,156	7,063	9,589	19,784	8,159	9,678	20,672	3,769	7,963	23,545	118,398	122,427	(4,029)

**Anglican Funds Grafton Diocese**

Level 1 - 50 Victoria Street  
 Grafton 2460  
 NSW

**Balance Sheet [Multi-Period]**

January 2017 To March 2017

<b>Account No.</b>	<b>Account Name</b>	<b>January</b>	<b>February</b>	<b>March</b>
	<b>Current Assets</b>	986,475	991,055	1,789,743
		14,529,134	12,148,855	14,584,947
	<b>Investors - Interest Bearing Securities</b>	7,572,198	8,823,214	9,033,926
		76,994	100,143	74,656
	<b>Fixed Assets Current</b>	4,690	4,558	4,426
	<b>Loan Assets</b>	17,728,677	17,874,476	17,217,851
		0	0	0
	<b>Total Assets</b>	<b>40,898,168</b>	<b>39,942,302</b>	<b>42,705,549</b>
	<b>Liabilities</b>			
	<b>Current Liabilities</b>	33,790	25,443	28,993
		130	256	375
		254,158	270,416	311,771
	<b>Sundry Liabilities</b>	11,561	12,174	13,974
	<b>Investor Funds Fin Liab Current</b>	5,354,355	4,459,793	5,662,947
		32,051,491	31,962,340	33,486,735
	<b>Other Long Term Liabilities</b>	1,905,859	1,921,649	1,923,922
	<b>Total Liabilities</b>	<b>39,611,345</b>	<b>38,652,072</b>	<b>41,428,717</b>
	<b>Net Assets</b>	<b>1,286,824</b>	<b>1,290,230</b>	<b>1,276,832</b>
	<b>Total Equity</b>	<b>1,286,824</b>	<b>1,290,230</b>	<b>1,276,832</b>



**Anglican Funds Grafton Diocese**  
Level 1 - 50 Victoria Street  
Grafton 2460  
NSW

## Month and YTD Budget Variance

March 2017

	March Actual	March Budget	March Variance	YTD Actual	YTD Budget	YTD Variance
<b>Income</b>						
4-0000						
4-1010	-	23,917	(23,917)	-	85,813	(85,813)
4-1010	-	-	-	-	-	-
4-1011	-	-	-	-	-	-
4-1012	356	-	356	1,030	-	1,030
4-1012	-	-	-	-	-	-
4-1013	12,075	-	12,075	30,004	-	30,004
4-1014	2,044	-	2,044	5,604	-	5,604
4-1014	-	-	-	-	-	-
4-1015	3,567	-	3,567	9,283	-	9,283
4-1016	3,376	-	3,376	6,534	-	6,534
4-1017	6,752	-	6,752	19,603	-	19,603
<b>Interest Recd - Investments</b>	<b>28,171</b>	<b>23,917</b>	<b>4,254</b>	<b>72,057</b>	<b>85,813</b>	<b>(13,756)</b>
4-1020	8,573	109,349	(100,777)	39,796	317,465	(277,669)
4-1021	25,221	-	25,221	72,083	-	72,083
4-1022	46,794	-	46,794	138,135	-	138,135
<b>Interest Recd - Borrowers</b>	<b>80,588</b>	<b>109,349</b>	<b>(28,762)</b>	<b>250,014</b>	<b>317,465</b>	<b>(67,451)</b>
4-1053	-	-	-	-	-	-
4-1055	78,257	32,010	46,247	78,257	74,146	4,111
4-1056	(45,965)	6,210	(52,175)	18,629	18,630	(2)
4-1057	(15,375)	-	(15,375)	(15,375)	-	(15,375)
4-2100	7,125	13,687	(6,562)	7,125	13,687	(6,562)
4-3000	32	-	32	5,314	-	5,314
<b>Sundry Income - Other Asset classes and Ser</b>	<b>24,074</b>	<b>51,906</b>	<b>(27,832)</b>	<b>93,949</b>	<b>106,463</b>	<b>(12,514)</b>
<b>Total Income</b>	<b>132,832</b>	<b>185,172</b>	<b>(52,340)</b>	<b>416,020</b>	<b>509,741</b>	<b>(93,721)</b>
5-0000	-	-	-	-	-	-
5-2100	84,984	103,523	(18,539)	244,708	309,228	(64,520)
<b>Total Cost Of Sales</b>	<b>84,984</b>	<b>103,523</b>	<b>18,539</b>	<b>244,708</b>	<b>309,228</b>	<b>64,520</b>
<b>Gross Profit</b>	<b>47,848</b>	<b>81,649</b>	<b>(33,801)</b>	<b>171,312</b>	<b>200,513</b>	<b>(29,201)</b>
<b>Expenses</b>						
6-0000						
6-1100	1,246	-	(1,246)	3,508	-	(3,508)
6-1200	-	1,167	1,167	-	3,501	3,501
6-1300	17,022	18,750	(1,728)	51,607	56,250	(4,643)

6-1500	6-1500	Superannuation	1,617	1,781	164	4,851	5,343	492
6-1600	6-1600	Staff Training	-	400	400	-	400	400
6-1700	6-1700	Fund Manager Vehicle	1,303	1,500	197	3,925	4,500	575
		<b>Total Employee Benefits</b>	<b>21,189</b>	<b>23,598</b>	<b>2,409</b>	<b>63,891</b>	<b>69,994</b>	<b>6,103</b>
6-4300	6-4300	Audit Fees	1,313	1,313	1	3,938	3,939	2
6-4360	6-4360	Legal Fees	2,335	-	(2,335)	2,353	2,000	(353)
6-4410	6-4410	Consultancy Fees	-	-	-	-	-	-
		<b>Total Professional fees</b>	<b>3,648</b>	<b>1,313</b>	<b>(2,335)</b>	<b>6,291</b>	<b>5,939</b>	<b>(352)</b>
6-4400	6-4400	WBC Bank Charges	490	650	160	1,392	1,950	558
6-4402	6-4402	Indue Fees	107	-	(107)	247	-	(247)
6-4412	6-4412	Donations	-	-	-	-	-	-
6-4440	6-4440	WBC Line of Credit Charges	948	950	2	2,524	2,850	326
6-4442	6-4442	Ord Minnett Brokerage/Advice	3,117	4,000	883	8,381	10,000	1,619
6-4450	6-4450	AFSA Service Agreement Fees	9,292	9,500	208	27,210	28,500	1,290
		<b>Total Banking Costs</b>	<b>13,954</b>	<b>15,100</b>	<b>1,146</b>	<b>39,754</b>	<b>43,300</b>	<b>3,546</b>
6-4510	6-4510	Insurance - Workers Comp	254	534	280	762	1,602	841
6-4530	6-4530	Insurance - General	824	920	96	2,393	2,760	367
		<b>Total insurance costs</b>	<b>1,078</b>	<b>1,454</b>	<b>376</b>	<b>3,155</b>	<b>4,362</b>	<b>1,207</b>
6-4200	6-4200	Advertising	-	200	200	337	600	263
6-4425	6-4425	Depreciation Expense	132	200	68	264	600	336
6-4600	6-4600	Meeting Expenses	169	140	(29)	169	420	251
6-4610	6-4610	Marketing	-	400	400	-	1,200	1,200
6-4700	6-4700	Postage	122	175	53	273	1,450	1,177
6-4800	6-4800	Printing & Stationery	906	1,000	94	1,548	3,000	1,452
6-4850	6-4850	Recruitment Expenses	-	-	-	-	-	-
6-4900	6-4900	Rent/Victoria Street	433	600	167	1,300	1,800	500
6-5000	6-5000	PC Repairs & Maintenance	-	400	400	81	400	319
6-5100	6-5100	Telephone	211	220	9	631	660	29
6-5200	6-5200	Travel & Accommodation - Board	-	800	800	832	1,600	768
6-5300	6-5300	Travel & Accommodation - AFGD	57	400	343	646	1,200	554
6-5310	6-5310	AFGD Staff Expenses Other	-	-	-	-	-	-
6-4910	6-4910	Office Fitout	-	4,000	4,000	186	8,000	7,814
		<b>Total General Operations costs</b>	<b>2,030</b>	<b>8,535</b>	<b>6,505</b>	<b>6,266</b>	<b>20,930</b>	<b>14,664</b>
		<b>Total Expenses</b>	<b>41,899</b>	<b>50,000</b>	<b>8,101</b>	<b>119,356</b>	<b>144,525</b>	<b>25,169</b>
		<b>Operating Profit</b>	<b>5,949</b>	<b>31,649</b>	<b>(25,700)</b>	<b>51,956</b>	<b>55,988</b>	<b>(4,032)</b>
9-0000	9-0000	Other Expenses	-	-	-	-	-	-
9-2200	9-2200	Contribution to Diocese	14,600	14,600	-	43,800	43,800	-
		<b>Total Other Expenses</b>	<b>14,600</b>	<b>14,600</b>	<b>-</b>	<b>43,800</b>	<b>43,800</b>	<b>-</b>
		<b>Net Profit/(Loss) after distribution</b>	<b>(8,651)</b>	<b>17,049</b>	<b>(25,700)</b>	<b>8,156</b>	<b>12,188</b>	<b>(4,032)</b>

**Anglican Funds Grafton Diocese**

Level 1 - 50 Victoria Street  
Grafton 2460  
NSW

**Balance Sheet [Multi-Period]**

January 2017 To March 2017

Account No.	Account Name	January	February	March
<b>Current Assets</b>				
1-1105	WBC 032537 247819 Operating Ac	27,061	8,775	19,767
1-3130	WBC Term Invested Funds	900,000	900,000	900,000
1-3146	Ord Minnett-List Cash Account	51,381	74,248	868,976
1-3147	Ord Minnett-Global Cash Trust	8,033	8,033	1,000
	<b>Current Assets</b>	<b>986,475</b>	<b>991,055</b>	<b>1,789,743</b>
1-1110	WBC 032537 120455 Client Chq	159,144	220,054	131,462
1-1130	AFSA Float SAV00000202	1,074,884	362,538	309,211
1-1137	Daily Txns Unproc'd in Phoenix	-51,472	-125,553	-43,007
1-1160	WBC 032537 163017 Cash Managem	107,099	202,018	197,126
1-1165	Melb DIF 30 day term	7,000,000	5,250,000	7,750,000
1-3111	AMP Term Investment	1,500,000	1,500,000	1,500,000
1-3112	ME Bank Term Investment	1,500,000	1,500,000	1,500,000
1-3113	BOQ Term Investment	3,000,000	3,000,000	3,000,000
1-3120	AFSA Security Dep SAV00000203	239,479	239,799	240,155
		<b>14,529,134</b>	<b>12,148,855</b>	<b>14,584,947</b>
1-3145	Ord Minnett-Listed Investments	7,572,198	8,823,214	6,477,266
1-3148	Ord Minn-Global Investments	0	0	2,556,660
	<b>Investors - Interest Bearing Securities</b>	<b>7,572,198</b>	<b>8,823,214</b>	<b>9,033,926</b>
1-1170	Accrued Int Receivable Investm	61,960	91,128	67,921
1-1400	Prepaid Insurance	7,259	6,515	5,691
1-1700	Other Prepayments	2,500	2,500	1,044
1-2000	Trade Debtors	5,275	0	0
		<b>76,994</b>	<b>100,143</b>	<b>74,656</b>
1-2710	Furniture & Fixtures Orig Cost	724	724	724
1-2720	Furniture & Fixtures Accum Dep	-724	-724	-724
1-2810	Computer Hardware	28,219	28,219	28,219
1-2820	Acc Depn Computer Hardware	-23,529	-23,661	-23,793
1-2910	Computer Software	60,500	60,500	60,500
1-2920	Acc Depn - Comptr Software	-60,500	-60,500	-60,500
	<b>Fixed Assets Current</b>	<b>4,690</b>	<b>4,558</b>	<b>4,426</b>
<b>Loan Assets</b>				
1-3155	Line of Credit - O/D	1,714,310	1,942,865	1,388,205
1-3160	Loan Advances	5,200,860	5,200,322	5,202,763
1-3170	Loan Advances - P & I	10,813,507	10,731,289	10,626,883
	<b>Loan Assets</b>	<b>17,728,677</b>	<b>17,874,476</b>	<b>17,217,851</b>
1-3199	Financial Assets Current - Adj	-15,104,496	-15,104,496	-15,104,496
1-4110	Financial Assets Non Current	15,104,496	15,104,496	15,104,496
		<b>0</b>	<b>0</b>	<b>0</b>
	<b>Total Assets</b>	<b>40,898,168</b>	<b>39,942,302</b>	<b>42,705,549</b>
<b>Liabilities</b>				

	Current Liabilities			
2-1004	Audit Costs	12,063	13,375	14,688
2-1200	Accounts payable	9,392	133	11,188
2-1915	Accrued Expenses	12,335	11,935	3,117
	<b>Current Liabilities</b>	<b>33,790</b>	<b>25,443</b>	<b>28,993</b>
2-1101	2243130 Access Acc INT PAY	51	96	130
2-1102	2243131 Inst Acc INT PAY	43	85	134
2-1103	2243132 Student Acc INT PAY	0	1	1
2-1104	2243133 Parish Prov INT PAY	35	75	109
		<b>130</b>	<b>256</b>	<b>375</b>
2-1221	2243310 Term 90 Days INT PAY	13,789	21,941	28,657
2-1222	2243320 Term 180 days INT PAY	30,446	44,472	59,464
2-1223	2243330 Term 365 days INT PAY	187,744	198,466	215,957
2-1224	2243340 Negotiable INT PAY	17	31	3
2-1225	235 Fixed Inv - 18 Month INT P	22,163	5,507	7,689
		<b>254,158</b>	<b>270,416</b>	<b>311,771</b>
	Sundry Liabilities			
2-1910	Accrued Annual Leave	6,152	7,168	8,414
2-1911	Accrued Long Service Leave	5,942	5,942	5,942
2-3030	GST from purchases	-534	-936	-382
	<b>Sundry Liabilities</b>	<b>11,561</b>	<b>12,174</b>	<b>13,974</b>
2-1710	2103300 Access Accounts	313,859	289,824	259,304
2-1715	2103310 Institution Access	123,304	129,678	138,561
2-1720	2103320 Student Access	4,531	4,531	4,531
2-1725	2103330 Parish Provider Access	5,322	3,164	5,539
2-1730	2103350 Interest Free Deposits	7,740	5,996	6,830
2-1735	2103370 Chq Acc Parishes	867,059	798,170	827,468
2-1740	2103380 Chq Acc Ministry	1,162,251	988,148	1,079,947
2-1745	2103400 Anglican Affiliates	1,735,462	1,120,744	2,228,529
2-1750	139 Parishes CMA	893,881	869,378	847,418
2-1751	Next Gen Bonus Saver	42,574	43,776	44,313
2-1756	2103420 Clergy Access Account	198,373	206,384	220,506
	<b>Investor Funds Fin Liab Current</b>	<b>5,354,355</b>	<b>4,459,793</b>	<b>5,662,947</b>
2-1755	2183310 Term Inv 90 days	7,466,255	7,372,787	8,395,074
2-1760	2183320 Term Inv 180 days	9,414,580	9,446,351	10,531,980
2-1765	2183330 Term Inv 365 days	15,164,218	15,136,764	14,552,182
2-1770	2183341 Neg Inv Mat bal	6,439	6,439	7,500
		<b>32,051,491</b>	<b>31,962,340</b>	<b>33,486,735</b>
	Other Long Term Liabilities			
2-2310	2183350 Fixed 18 Mths	1,905,635	1,921,425	1,923,698
2-9999	Westpac Unknown transactions	224	224	224
	<b>Other Long Term Liabilities</b>	<b>1,905,859</b>	<b>1,921,649</b>	<b>1,923,922</b>
	<b>Total Liabilities</b>	<b>39,611,345</b>	<b>38,652,072</b>	<b>41,428,717</b>
	<b>Net Assets</b>	<b>1,286,824</b>	<b>1,290,230</b>	<b>1,276,832</b>
	Equity			
3-7000	Revaluation Financial Assets	34,970	34,970	30,224
3-8000	Retained Earnings	1,238,452	1,238,452	1,238,452
3-9000	Current Earnings	13,401	16,807	8,156
	<b>Total Equity</b>	<b>1,286,824</b>	<b>1,290,230</b>	<b>1,276,832</b>





AFGD Dashboard

AFGD Dashboard - as at 31-03-17

Margins & Cost of Funds (COF)				
	31-03-17	28-02-17	Variance	Comment
Loans	5.357%	5.355%	0.00%	Portfolio too heavily weighted in cash
Ord Minnett	4.350%	4.500%	-0.15%	at commencement of year
Cash	2.463%	2.440%	0.02%	Strategy rebalance
<b>Ave Return on assets</b>	<b>4.063%</b>	<b>4.225%</b>	<b>-0.16%</b>	1/ Move more into ORD \$2.5M -
Savings	1.120%	1.065%	0.06%	2/ Customers use of debt will increase as the year
Investment	2.739%	2.748%	-0.01%	progresses.
<b>Ave weighted COF</b>	<b>2.520%</b>	<b>2.550%</b>	<b>-0.03%</b>	
Margin	1.549%	1.675%	-0.13%	Strategic Plan benchmark 1.75% to high of 2.50%

Ord Minnett Portfolio Summary (000's)			Comments
MV	Cost base	Movement	
31-03-17			Portfolio MV is holding.
\$ 9,902.91	\$ 9,888.56	\$ 14.35	Revaluation occurs quarterly -
			31/03/17 to be updated in Balance Sheet
Income			
YTD Actual	Annualised	Gross Yield	Cash flow forecast indicates gross income
\$ 103.81	\$ 415.24	4.20%	to be \$421K. This annualised result will smooth
Cashflow			as year progresses
	\$ 420.70	4.26%	Anticipated Gross yield 4.35%
Fees			
YTD Actual	Annualised	%	Agreement is .40% - tracking to plan
\$ 8.66	\$ 34.64	0.35%	

Capital Adequacy - target is 10%				
	31-03-17	28-02-17	Variation	% below min target
Total Equity	1,276.8	1,290.2	-\$ 13.40	Change in asset allocation and improved profitability
Risk Weighted Assets	20,148.8	20,339.1	-\$ 190.31	has improved position from prior month.
Capital Adequacy	6.34%	6.34%	-0.01%	3.66%

Total Deposits & Lending (\$000's)				Cash & Investments	
	31-03-17	28-02-17	Variation	\$ 000's	
Deposits	\$ 41,073.4	\$ 38,343.6	\$ 2,730	AFSA	549.4
addback				Westpac	1,248.4
re-draw funds	\$ -	\$ -		ORD Minnett	9,902.6
	<u>\$ 41,073.4</u>	<u>\$ 38,343.6</u>		Melb DIF	7,750.0
				BOQ	3,000.0
Lending	\$ 27,980.3	\$ 28,582.0	-\$ 602	ME Bank	1,500.0
addback				AMP	1,500.0
re-draw funds	\$ -	\$ -			25,450.3
	<u>\$ 27,980.3</u>	<u>\$ 28,582.0</u>			% holding
				AFSA	2.16%
				Westpac	4.91%
				ORD Minnett	38.91%
				AMP	5.89%
				Melb DIF	30.45%
Cash/ Investment	\$ 25,450.3	\$ 21,616.6	\$ 3,834	BOQ	11.79%
LOC facilities	\$ 1,600.0	\$ 1,600.0	\$ -	ME Bank	5.89%
Total available	\$ 27,050.3	\$ 23,216.6	\$ 3,834		100.00%
Liquidity Ratio	65.86%	60.55%	5.31%		

P & L Summary - Month in Isolation (\$000's)				
	Actual	Budget for	Variation	Explanation
	31-03-17	31-03-17		
All income	\$ 132.8	\$ 185.1	-\$ 52.3	Income Delays in refinance of BDC has reduced income
Expenses	\$ 126.8	\$ 153.5	-\$ 26.7	Expenses Realised loss Ord \$16K impacted
Net profit	\$ 6.0	\$ 31.6	-\$ 25.6	Expenses Savings achieved interest paid
Contrib Diocese	\$ 14.6	\$ 14.6	\$ -	investors and general
Balance after Dist	-\$ 8.6	\$ 17.0	-\$ 25.6	operating expenses.

P & L Summary - YTD (\$000's)				
	Actual as at	Budget as at	Variation	Explanation
	31-03-17	31-03-17		
All income	\$ 416.0	\$ 509.7	-\$ 93.7	Income Delays in refinance of BDC has reduced income
Expenses	\$ 364.0	\$ 453.7	-\$ 89.7	Expenses - Savings achieved interest paid
Net profit	\$ 52.0	\$ 56.0	-\$ 4.0	investors and general
Contrib Diocese	\$ 43.8	\$ 43.8	\$ -	operating expenses.
Balance after Dist	\$ 8.2	\$ 12.2	-\$ 4.0	

Capital Adequacy: (Target > 10% of Risk Weighted Assets)				
Assets		Weighting	Asset Value	RWA
Cash (Govt. Securities, A Rated Aust. Banks)		10%	\$ 15,547,720	\$ 1,554,772
Cash (Other Aust. Banks, ADI's)		20%	\$ -	\$ -
Anglican Loans -Unsecured		100%	\$ -	\$ -
Anglican Loans -Secured	\$ 17,217,851	50%	\$ 17,217,851	\$ 8,608,926
Undrawn Anglican Loans -Secured		50%	\$ 10,762,453	\$ 5,381,227
redraw funds available		50%	\$ -	\$ -
External Loans - Secured Commercial property		100%	\$ -	\$ -
Undrawn Ext. Loans - Secured Commercial property		100%	\$ -	\$ -
Equities		400%	\$ -	\$ -
Ord Minnett Subordinated Notes		50%	\$ 9,033,926	\$ 4,516,963
Other Investments		300%	\$ -	\$ -
Ord Cash		10%	\$ 868,662	\$ 86,866
	<b>Total Assets</b>		<b>\$ 53,430,612</b>	<b>\$ 20,148,753</b>
N.B. As Asset Values include undrawn loans, figures won't reconcile with the Balance Sheet.				
<b>Risk Concentration:</b>				
Internal loans (< 30% of Total Assets)				
		<u>Total Assets:</u>	<u>Limit Amount:</u>	
Limit	30%	\$ 53,430,612	\$ 16,029,184	
Loans > 30% of TA			\$ 13,935,788	200% -\$ 2,093,396 \$ -
External loans (< 5% of Total Assets)				
		<u>Total Assets:</u>	<u>Limit Amount:</u>	
Limit	5%	\$ -	\$ -	
Loans > 5% of TA			\$ -	400% \$ - \$ -
			<b>Total Risk Weighted Assets</b>	<b>\$ 20,148,753</b>
			8%	\$ 1,611,900
			+ 2% Buffer	\$ 402,975
			<b>Required Capital 10%</b>	<b>\$ 2,014,875</b>
<b>Equity:</b>				
	<b>2016 draft</b>		<b>Accumulated Funds</b>	<b>\$ 1,238,452</b>
			<b>Asset Reserves</b>	<b>\$ 30,224</b>
			<b>Adjustments</b>	
	<b>Management results</b>		<b>YTD profit after distribution</b>	<b>\$ 8,156</b>
			<b>Total Equity</b>	<b>\$ 1,276,832</b>
			<b>"Surplus" Capital</b>	<b>-\$ 738,043</b>
			<b>Actual Capital Adequacy ratio</b>	<b>6.34%</b>

Liquidity (> 10% of Total Assets):			
Total Assets:			\$ 53,435,170
Minimum Liquidity requirement	10%		\$ 5,343,517
<u>Actual position:</u>			
Cash			\$ 16,416,382
Undrawn Bank OD Facility			\$ 1,600,000
Total Actual Liquidity			\$ 18,016,382
"Surplus" Liquidity			\$ 12,672,865
<b>Actual Liquidity Ratio</b>			<b>33.7%</b>



Depositors in excess of 5% of Liabilities					
			<u>Client</u>	<u>Deposit Amount</u>	<u>% of Liabilities</u>
<b>Total Liabilities</b>	<b>\$ 38,343,559</b>		Corp Trustees	\$ 13,085,654	34%
plus redraw funds			St Cuthberts	\$ 4,590,802	12%
	<b>\$ 38,343,559</b>				0%
					0%
				\$ 17,676,456	46%
External Loan in excess of 5% of Total Assets					
			<u>Borrower</u>	<u>Loan Amount</u>	<u>% of Assets</u>
					0
Internal Loan to any one anglican entity not to exceed 30% of TA					
			<u>Borrower</u>	<u>Loan Amount</u>	<u>% of Assets</u>
			SCAS	\$ 13,935,788	26%
Asset Targets					
				<u>Target</u>	<u>Actual</u>
	Cash		\$ 16,416,382	20%	30.72%
	Ord Hybrids		\$ -	0%	0.00%
	Secured External loans			0%	0.00%
	Secured Anglican loans		\$ 27,980,304	70%	52.36%
	Unsecured Anglican loans		\$ -	0%	0.00%
	Ord Minnett Subordinated Notes		\$ 9,033,926	10%	17%
	Other Investments P&E wd value		\$ 4,558	0%	0.01%
			<b>\$ 53,435,170</b>	<b>100%</b>	<b>100.00%</b>
Maximum % of Cash invested with any one institution, 20% of Total Assets					
			<u>Bank</u>	<u>Inv. Amount</u>	<u>% of Assets</u>
			Melb Dif	\$ 7,750,000	14.5%
					0.0%
Minimum % of Cash investments with maturity dates < 45 days, 12%					
					<u>Actual %</u>
				\$ 12,907,565	78.6%
Floating Rate Note/CDO investments to be "A" rated					
Investments currently below this benchmark;					
			<u>Rating</u>	<u>Maturity Date</u>	<u>Market Value</u>
	Australian Unity Ltd		BBB+	15-12-20	\$ 1,195,738
	Members Equity		BBB+	29-08-19	\$ 1,010,580
	Auswide Credit Union		BBB	12-06-19	\$ 502,380
	(n.b. Westpac credit rating AA-)				\$ 2,708,698
Westpac Covenants:					
				<u>Requirement</u>	<u>Actual</u>
	Tier 1 Capital			\$ 2,014,875	\$ 1,276,832
	Liquid assets with maturity terms < 45 days			\$ 1,969,966	\$ 12,907,565
	Min. liquid assets (Deposits, FRN & CDOs)			\$ 10,687,034	\$ 25,450,308
	of not less than 20% of Total Assets			20%	48%

Asset classes indicative return		31-03-17		
		Interest rate	Balance	Indicative annual income
<b>Loan Portfolio</b>			17,217,851.00	
COM 730	Interest Only	5.735%	5,202,763.14	
COM 730	P&I	5.215%	10,626,883.05	
SAV 138	Exceed Limit	0.000%	-	
SAV 138	Within Limit	5.031%	1,388,204.81	
<b>Diversified Investment Portfolio</b>				
Ord Minnett		4.350%	9,902,588.19	
<b>Cash at Bank</b>				
1-1105	WBC Operating Acc	0.10%	19,766.70	
1-1110	WBC Client Acc	0.10%	131,461.64	
1-1130	AFSA Float	0.00%	309,210.78	
1-1137	Unprocessed Phoenix	0.00%		
1-1160	WBC Cash Mgmt Acc	0.60%	197,125.72	
1-1162	WBC 31 Day	2.65%		
1-1163	WBC 60 Day	2.75%		
1-3120	AFSA Sec Deposit	1.74%	240,155.13	
1-3130	WBC Term Inv	2.50%	100,000.00	
	WBC Term Inv	2.50%	800,000.00	
	ME Bank	2.65%	1,500,000.00	
	BOQ	2.65%	3,000,000.00	
	AMP	2.80%	750,000.00	
	AMP	2.80%	750,000.00	
	Melbourne DIF	2.50%	7,750,000.00	
			15,547,719.97	25,450,308.16
			42,668,159.16	
<b>Loans and investments weighted average</b>			4.069%	1,736,186.27
<b>Loan Portfolio</b>			5.357%	922,411.00
<b>Diversified Investment Portfolio</b>			4.350%	430,762.59
<b>Cash at Bank</b>			2.463%	383,012.68
				1,736,186.27

Loan Book Data		31-Mar-17	Loans	Unsecured	Limits	Unavailable/Not Drawn
COM 730	436032770 Secondary Campus Stage 2	Clarence Valley Anglican School	\$ 1,767,998.60			
COM 730	436040020 Stage 3 Building Loan	Emmanuel Anglican College	\$ 162,254.56			
COM 730	436040021 Stage 4 Building Loan	Emmanuel Anglican College	\$ 1,377,724.93			
COM 730	436040019 Stage 2 Building Loan	Emmanuel Anglican College	\$ 231,840.18			
COM 730	436040056 CTS Pastoral Care & Assistance	Corporate Trustees Grafton	\$ 1,110,454.24			
COM 730	436040136 Stanley St Unit Purchase	M Smedley	\$ 552,489.63			
COM 731	436040069 6 McLean St, Coffs Harbour NSW	Coffs Harbour Anglican Parish	\$ 8,069.06			
COM 731	436034140 Deed Of Gift Loan 2	St Cuthbert's Retirement Living Complex	\$ 1,053,186.31			
COM 731	436034254 Surplus Debit - 2nd Tranche	Clarence Valley Anglican School	\$ 401,923.70			
COM 731	436040050 Server Upgrade Primary & Secon	Clarence Valley Anglican School	\$ 14,546.82			
COM 731	436040052 Refinance of Solar Panel Loan	Clarence Valley Anglican School	\$ 96,211.61			
COM 731	436040129 Administration & Classrooms	Emmanuel Anglican College	\$ 2,492,335.98			
COM 731	436040059 Principal and interest loan	Anglicare North Coast	\$ 399,643.16			
COM 731	436040113 Rectory Loan	South Grafton Anglican Parish	\$ 151,961.28			
COM 731	436040042 Rectory Loan	Wauchope Anglican Parish	\$ 225.32			
COM 731	436040009 Building Loan Stage 2	St Columba Anglican School Council Incor	\$ 70,634.37			
COM 731	436040011 Middle School Stage 4	St Columba Anglican School Council Incor	\$ 679,112.28			
COM 731	436040010 Library Stage 3	St Columba Anglican School Council Incor	\$ 65,466.38			
COM 731	436040012 Stage 5	St Columba Anglican School Council Incor	\$ 301,457.63			
COM 731	436040013 Stage 6	St Columba Anglican School Council Incor	\$ 855,328.02			
COM 731	436040015 Building Loan Stage 7	St Columba Anglican School Council Incor	\$ 776,611.91			
COM 731	436040014 Admin Building Stage 6b 1	St Columba Anglican School Council Incor	\$ 621,341.06			
COM 731	436040077 CCELC Purchase	St Columba Anglican School Council Incor	\$ 2,532,019.74			
COM 731	436040027 Clergy Car Loan	I R Mabey	\$ 7,598.20			
COM 731	436040066 Clergy Car Loan	M Smedley	\$ 22,705.22			
COM 731	436040036 Dorrigo Parish M A Ridge Car L	Dorrigo Anglican Parish - M A Ridge	\$ 8,242.48			
COM 731	436040074 Clergy Car Loan	Diocese of Grafton - S A Macneil	\$ 12,904.39			
COM 731	436040076 Clergy Car Loan	K E McPherson	\$ 16,109.44			
COM 731	436040065 Clergy Car Loan	M B Jones	\$ 1,753.44			
COM 731	436040067 Clergy Car Loan	L M Baldwin	\$ 21,617.37			
COM 731	436040071 Clergy Car Loan	B A Blackbell	\$ 15,878.88			
OD 535	438040007 Annual Insurance Premium Fundi	Anglican Diocese of Grafton	\$ -	\$ 450,000.00	\$	450,000.00
OD 535	438040004 Line of Credit	Clarence Valley Anglican School	\$ 1,186.13	\$	\$	848,813.87
OD 535	438040015 Working Capital & Residual Fun	Emmanuel Anglican College	\$ -	\$	\$	3,100,000.00
OD 535	438040010 Working Capital	Anglicare North Coast	\$ -	\$	\$	200,000.00
OD 535	438040008 Line of Credit	St Columba Anglican School Council Incor	\$ 1,336,360.69	\$	\$	6,163,639.31
OD 535	438040006 Pastoral Care & Assistance Sch	Corporate Trustees Grafton	\$ 50,657.99	\$	\$	49,342.01
Total Loan Book assets			\$ 17,217,851.00	\$ 12,100,000.00	\$	10,762,465.18
Excludes redraw			\$ 27,180,384.18			
Loans only			\$ 15,829,646.13			

**Largest exposure**  
**St Columba Anglican School**  
**includes full OD limit**  
**\$ 13,401,971.39**

**Balance of OD only**  
**\$ 7,238,332.08**

AFGD Loan portfolio as at 31/03/2017 excludes OD's

Appendix CF-3

		Report Date: 31-03-17													
borrower	acct_no	acct_desc	Open Date	Amount Borrowed	Balance \$	Loan Weight %	End Date	Base	Margin	Rate	Yrs to Maturity	Weighted Yrs			
Clarence Valley Anglican School	436032770	Secondary Campus Stage 2	10-05-2005	1,758,979.66	1,758,568.47	11.29%	31-12-2037	7.00	0.70	6.30	20.767	2.35			
Emmanuel Anglican College	436040019	Stage 2 Building Loan	30-04-2013	405,163.30	230,781.22	1.48%	30-04-2021	7.00	1.59	5.41	4.085	0.06			
Emmanuel Anglican College	436040020	Stage 3 Building Loan	30-04-2013	257,533.50	161,513.66	1.04%	30-04-2022	7.00	1.59	5.41	5.085	0.05			
Emmanuel Anglican College	436040021	Stage 4 Building Loan	30-04-2013	1,672,479.06	1,371,432.86	8.81%	30-04-2025	7.00	1.59	5.41	8.088	0.71			
Corporate Trustees Grafton	436040056	CTS Pastoral Care & Assista	28-11-2014	1,600,000.00	1,105,246.24	7.10%	28-05-2017	7.00	1.45	5.55	0.159	0.01			
M Smedley	436040136	Stanley St Unit Purchase	25-01-2017	550,000.00	550,000.00	3.53%	25-01-2047	7.00	1.66	5.34	29.841	1.05			
St Cuthbert's Retirement Living Cor	436034140	Deed Of Gift Loan 2	20-05-2011	2,108,865.05	1,026,080.76	6.59%	31-12-2022	7.00	2.08	4.92	5.756	0.38			
Clarence Valley Anglican School	436034254	Surplus Debit - 2nd Tranche	14-03-2012	1,190,001.32	399,717.39	2.57%	28-03-2037	7.00	0.70	6.30	20.005	0.51			
St Columba Anglican School Council	436040009	Building Loan Stage 2	02-04-2013	804,200.62	52,871.43	0.34%	02-08-2017	7.00	2.27	4.73	0.340	0.00			
St Columba Anglican School Council	436040010	Library Stage 3	02-04-2013	307,605.07	59,397.07	0.38%	02-03-2018	7.00	2.42	4.58	0.921	0.00			
St Columba Anglican School Council	436040011	Middle School Stage 4	02-04-2013	1,003,682.80	668,358.20	4.29%	02-05-2023	7.00	2.02	4.98	6.090	0.26			
St Columba Anglican School Council	436040012	Stage 5	02-04-2013	432,389.82	296,994.37	1.91%	02-11-2023	7.00	2.02	4.98	6.595	0.13			
St Columba Anglican School Council	436040013	Stage 6	02-04-2013	1,209,360.63	843,056.04	5.41%	02-03-2024	7.00	2.02	4.98	6.926	0.37			
St Columba Anglican School Council	436040014	Admin Building Stage 6b.1	02-04-2013	786,598.41	614,612.89	3.95%	02-01-2027	7.00	2.02	4.98	9.764	0.39			
St Columba Anglican School Council	436040015	Building Loan Stage 7	02-04-2013	959,563.76	768,861.58	4.94%	10-12-2027	7.00	2.02	4.98	10.701	0.53			
IR Mabey	436040027	Clergy Car Loan	15-07-2013	25,622.36	7,598.20	0.05%	15-07-2018	7.00	1.70	8.70	1.290	0.00			
Dorrigo Anglican Parish - M A Ridge	436040036	Dorrigo Parish M A Ridge C:	20-01-2014	20,000.00	8,242.48	0.05%	20-01-2019	7.00	1.45	8.45	1.808	0.00			
Wauchope Anglican Parish	436040042	Rectory Loan	09-04-2014	12,525.38	0.93	0.00%	09-04-2017	7.00	1.95	5.05	0.025	0.00			
Clarence Valley Anglican School	436040050	Server Upgrade Primary & S	23-06-2014	65,760.64	12,937.10	0.08%	23-06-2018	7.00	0.30	7.30	1.230	0.00			
Clarence Valley Anglican School	436040052	Refinance of Solar Panel Lo	01-08-2014	146,000.00	93,778.61	0.60%	01-02-2021	7.00	0.30	7.30	3.844	0.02			
Anglicare North Coast	436040059		18-12-2014	1,200,000.00	388,297.64	2.49%	18-12-2026	7.00	1.50	5.50	9.723	0.24			
MB Jones	436040065	Clergy Car Loan	07-08-2015	8,000.00	1,399.22	0.01%	07-08-2017	7.00	1.00	6.00	0.353	0.00			
M Smedley	436040066	Clergy Car Loan	01-10-2015	41,070.86	21,455.87	0.14%	01-10-2018	7.00	1.00	6.00	1.504	0.00			
L M Baldwin	436040067	Clergy Car Loan	18-11-2015	37,346.00	20,484.58	0.13%	18-11-2018	7.00	1.00	6.00	1.636	0.00			
Coffs Harbour Anglican Parish	436040069	6 McLean St, Coffs Harbour	01-12-2015	194,000.00	6,572.41	0.04%	01-12-2031	7.00	1.95	5.05	14.679	0.01			
B A Blackbell	436040071	Clergy Car Loan	15-01-2016	20,000.00	15,491.27	0.10%	15-02-2021	7.00	1.00	6.00	3.882	0.00			
Diocese of Grafton - S A Macneil	436040074	Clergy Car Loan	16-03-2016	24,995.00	11,799.26	0.08%	16-03-2018	7.00	1.00	6.00	0.959	0.00			
K E McPherson	436040076	Clergy Car Loan	30-03-2016	25,000.00	15,525.14	0.10%	30-03-2020	7.00	1.00	6.00	3.000	0.00			
St Columba Anglican School Council	436040077	CCELC Purchase	31-03-2016	3,100,000.00	2,436,819.56	15.65%	31-03-2026	7.00	2.02	4.98	9.005	1.41			
South Grafton Anglican Parish	436040113	Rectory Loan	23-08-2016	157,534.35	151,961.28	0.98%	23-08-2031	7.00	1.95	5.05	14.405	0.14			
Emmanuel Anglican College	436040129	Administration & Classroom	03-01-2017	2,500,000.00	2,471,849.70	15.87%	03-01-2032	7.00	1.44	5.56	14.770	2.34			
				22,624,277.59	15,571,705.43	100.00%				5.389	7.008	10.99	AVERAGE	AVERAGE	WEIGHTED

WEIGHTED Average Term to Maturity (years)	10.99
Average Term to Maturity (years)	7.01

AFGD FIXED INVESTMENT RETENTION RATES													
Month	Year of review 2013			Year of review 2014			Year of review 2015			Year of review 2016			
	000'S	Book balance	Value redeemed	%	Book balance	Value redeemed	%	Book balance	Value redeemed	%	Book balance	Value redeemed	%
January	\$ 30,216.5	No Data		1.16%	\$ 29,896.7	\$ 347.3		\$ 30,322.6	\$ 167.1		\$ 32,873.5	\$ 105.1	0.32%
February	\$ 29,989.5	No Data		0.00%	\$ 29,780.7	\$ -		\$ 30,528.8	\$ 318.9	1.04%	\$ 32,807.6	\$ 175.4	0.53%
March	\$ 29,592.5	No Data		0.06%	\$ 29,910.9	\$ 17.2		\$ 30,551.3	\$ 397.8	1.30%	\$ 32,608.8	\$ 17.5	0.05%
April	\$ 29,541.3	\$ 69.0	0.23%	\$ 29,909.5	\$ 62.0	0.21%	\$ 29,931.4	\$ 241.3	0.81%	\$ 33,070.7	\$ 57.1	0.17%	
May	\$ 29,612.0	\$ -	0.00%	\$ 29,074.2	\$ 34.3	0.12%	\$ 30,070.1	\$ 40.7	0.14%	\$ 33,205.6	\$ 29.1	0.09%	
June	\$ 29,274.8	\$ -	0.00%	\$ 28,784.5	\$ 66.4	0.23%	\$ 29,809.4	\$ 141.7	0.48%	\$ 33,294.0	\$ 58.9	0.18%	
July	\$ 29,394.3	\$ -	0.00%	\$ 28,878.5	\$ 36.8	0.13%	\$ 30,225.6	\$ -	0.00%	\$ 33,360.9	\$ 145.7	0.44%	
August	\$ 31,197.9	\$ 182.2	0.58%	\$ 29,034.5	\$ -	0.00%	\$ 30,293.4	\$ 48.1	0.16%	\$ 33,351.5	\$ 157.2	0.47%	
September	\$ 31,315.1	\$ -	0.00%	\$ 29,582.2	\$ 101.6	0.34%	\$ 30,336.9	\$ 197.8	0.65%	\$ 32,984.6	\$ 207.9	0.63%	
October	\$ 30,980.6	\$ 353.5	1.14%	\$ 29,965.5	\$ 179.8	0.60%	\$ 31,787.9	\$ 138.2	0.43%	\$ 32,559.7	\$ 249.8	0.77%	
November	\$ 31,178.7	\$ 309.5	0.99%	\$ 30,146.4	\$ 91.9	0.30%	\$ 32,627.8	\$ 268.4	0.82%	\$ 32,518.3	\$ 217.5	0.67%	
December	\$ 29,721.6	\$ 847.2	2.85%	\$ 30,366.4	\$ 48.8	0.16%	\$ 33,610.1	\$ 60.2	0.18%	\$ 32,968.2	\$ 53.5	0.16%	
Month	Year of review 2017			Year of review 2018			Year of review 2019			Year of review 2020			
000'S	Book balance	Value redeemed	%	Book balance	Value redeemed	%	Book balance	Value redeemed	%	Book balance	Value redeemed	%	
January	\$ 33,957.1	\$ 27.1	0.08%			#DIV/0!			#DIV/0!			#DIV/0!	
February	\$ 33,883.8	\$ 58.5	0.17%			#DIV/0!			#DIV/0!			#DIV/0!	
March	\$ 35,410.4	\$ 722.6	2.04%			#DIV/0!			#DIV/0!			#DIV/0!	
April			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!	
May			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!	
June			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!	
July			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!	
August			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!	
September			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!	
October			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!	
November			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!	
December			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!	

**ANGLICAN FUNDS GRAFTON DIOCESE**  
**ABN 42 489 753 905**

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**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

DRAFT

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**AUDITORS' INDEPENDENCE DECLARATION  
TO THE MEMBERS OF  
ANGLICAN FUNDS GRAFTON DIOCESE**

**ABN 42 489 753 905**

I declare that, to the best of my knowledge and belief, during the financial year to 31 December 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**CROWE HORWATH CENTRAL NORTH**

**Bradley D Bohun**  
**Audit Partner**  
Registered Company Auditor  
24 Queen Street  
GRAFTON NSW 2460

Dated:

DRAFT



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$	2015 \$
Interest income	2	1,850,125	2,002,632
Interest expense		(1,065,224)	(1,189,013)
Net interest income		784,901	813,619
Other revenue	2	6,058	13,132
Depreciation expense		(13,619)	(22,166)
Employee benefits expense		(252,101)	(269,571)
Other expenses		(227,695)	(217,272)
<b>Profit before contribution to related parties</b>		<b>297,544</b>	<b>317,742</b>
Contribution to related parties		(175,000)	(150,000)
<b>Profit attributable to the Corporate Trustees</b>		<b>122,544</b>	<b>167,742</b>
<b>Other comprehensive income:</b>			
Net gain on revaluation of financial assets		6,930	27,033
<b>Total comprehensive income for the year</b>		<b>\$ 129,474</b>	<b>\$ 194,775</b>

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ANGLICAN FUNDS GRAFTON DIOCESE  
 ABN 42 489 753 905

STATEMENT OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2016

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
Cash and cash equivalents	4	2,486,439	7,917,849
Trade and other receivables	5	-	1,243
Other assets	6	2,500	-
Financial assets	7	38,698,020	32,787,528
Property, plant and equipment	8	4,690	13,461
<b>TOTAL ASSETS</b>		<b>41,191,649</b>	<b>40,720,081</b>
<b>LIABILITIES</b>			
Trade and other payables	9	308,296	341,915
Financial liabilities	10	39,599,081	39,226,365
Provisions	11	10,848	7,851
<b>TOTAL LIABILITIES</b>		<b>39,918,225</b>	<b>39,576,131</b>
<b>NET ASSETS</b>		<b>\$ 1,273,424</b>	<b>\$ 1,143,950</b>
<b>EQUITY</b>			
Financial assets revaluation reserve		34,970	28,040
Capital adequacy reserve		1,238,454	1,115,910
<b>TOTAL EQUITY</b>		<b>\$ 1,273,424</b>	<b>\$ 1,143,950</b>

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STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 31 DECEMBER 2016

	Financial Assets Revaluation Reserve \$	Capital Adequacy Reserve \$	Total \$
<b>Balance at 1 January 2015</b>	1,007	948,168	949,175
Profit attributable to Corporate Trustees	-	167,742	167,742
Revaluation increment	27,033	-	27,033
<b>Balance at 31 December 2015</b>	28,040	1,115,910	1,143,950
Profit attributable to Corporate Trustees	-	122,544	122,544
Revaluation increment	6,930	-	6,930
<b>Balance at 31 December 2016</b>	<b>\$ 34,970</b>	<b>\$ 1,238,454</b>	<b>\$ 1,273,424</b>

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STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit from ordinary activities after income tax expense	122,544	167,742
Non cash flows in profit from ordinary activities:		
Depreciation	13,619	22,166
Changes in Assets and Liabilities:		
(Increase)/Decrease in trade and other receivables	1,243	(1,111)
(Increase) in prepayments	(2,500)	-
Decrease in loans and receivables	178,408	2,417,080
(Decrease) in trade payables	(287)	(2,290)
(Decrease) in accrued interest payable	(33,333)	(18,859)
Increase in depositor funds	372,716	3,542,582
Increase/(Decrease) in provisions	2,997	(1,319)
Net cash provided by operating activities	<u>655,407</u>	<u>6,125,991</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net movement in other financial assets	(6,081,969)	(2,839,077)
Purchase of property, plant and equipment	(4,848)	-
Net cash used in investing activities	<u>(6,086,817)</u>	<u>(2,839,077)</u>
Net (decrease)/increase in cash held	(5,431,410)	3,286,914
Cash at the beginning of the financial year	<u>7,917,849</u>	<u>4,630,935</u>
Cash at the end of the financial year	4 <u>\$ 2,486,439</u>	<u>\$ 7,917,849</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

**Note 1: Statement of Significant Accounting Policies**

**Statement of Compliance**

The financial report is a special purpose financial report of the Anglican Funds Grafton Diocese.

The Anglican Funds Grafton Diocese is established as an operation of The Corporate Trustees of the Diocese of Grafton and is governed under the Diocese of Grafton's 'Diocesan Governance Ordinance 2008' (as amended), specifically Chapter 18. The ordinance provides that the Fund shall be under the control of The Corporate Trustees of the Diocese of Grafton who are empowered to delegate the administration and management of the Fund to a Board.

The Anglican Funds Grafton Diocese is not a separately incorporated legal entity and as such operates as a segment of The Corporate Trustees of the Diocese of Grafton.

**Basis of Preparation**

The financial statements are special purpose financial statements that have been prepared in accordance with all Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue by a resolution of the Board on 11 May 2017.

**Accounting Policies**

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

**(a) Income Tax**

The organisation is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

**(b) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**Plant and Equipment**

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining the recoverable amounts.

**Depreciation**

The depreciable amount of all fixed assets are depreciated on straight-line basis over their useful lives to the Fund commencing from the time the asset is held ready for use.

The estimated useful lives are as follows:

Class of Fixed Asset	Effective Useful Life
Plant and Equipment	3 - 10 years
Computer Equipment	3 years
Software	6 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**(c) Financial Instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the entity commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified as 'fair value through profit and loss' in which case transactions costs are expensed to the statement of profit or loss and other comprehensive income immediately.

**Classification and subsequent measurement**

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method;
- less any reduction for impairment.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of profit or loss and other comprehensive income.

*(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

*(ii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the organisation's intention to hold these investment to maturity. They are subsequently measured at amortised cost.

If during the period the organisation sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire category of held-to-maturity investments would be tainted and would be reclassified as available-for-sale.

*(iii) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

*(iv) Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

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**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.

**Impairment**

At the end of each reporting period, the organisation assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the statement of profit or loss and other

**(d) Impairment of Assets**

At the end of each reporting period, the organisation assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Any excess of the asset's carrying value of its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the organisation estimates the receivable amount of the cash-generating unit to which the asset belongs.

**(e) Employee Benefits**

Provision is made for the liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements.

**(f) Provisions**

Provisions are recognised when the Fund has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

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**(g) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

**(h) Revenue**

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

**(i) Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Trustees during the reporting period, which remain unpaid. The balance is recognised as a liability with the amounts normally paid within 30 days of recognition of the liability.

**(j) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(k) Depositor Funds**

Depositor funds are those that are lodged with the Anglican Funds Grafton Diocese by the Diocese, Anglican Parishioners, Ministry Units and related Anglican Institutions.

**(l) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(m) Going Concern**

At 31 December 2016, Anglican Funds Grafton Diocese maturity forecasts identify that the amount of depositor funds maturing within 12 months far exceeds the value of loans and receivables and other assets expected to be realised within the next 12 months. The financial report has been prepared on the basis of the Fund being a going concern. The ability of Anglican Funds Grafton Diocese to continue as a going concern is dependent upon the following key factors:

- continuing liquidity of the Fund. The Board and Management have reviewed the historical trend of depositor funds reinvested with the Fund. The Fund has seen growth in the amount of funds deposited over the past several years resulting from a direction from the Anglican Diocese of Grafton that all transactional banking of Anglican Affiliates (unless otherwise approved) are to be undertaken through Anglican Funds Grafton Diocese. This has seen an improvement in the Funds liquidity ratio.

- continuing support from The Corporate Trustees of the Diocese of Grafton, whom hold net funds on investment at 31 December 2016 of \$9,365,625 (2015: \$10,091,574).

- low levels of non-performing or impaired loans. The Board and Management of Anglican Funds Grafton Diocese have undertaken an assessment of the loans issued to identify any non-performing or impaired loans. Additionally, Management has procedures in place to receive finance reports on a periodic base from borrowers depending upon the level of risk attached to the borrowings. As at 31 December 2016, the fund had not identified any non-performing or impaired loans (2015: \$nil).

- continuing exemptions from APRA and ASIC. Full details of these matters are outlined in Notes 13 and 15.

Should any of the above matters significantly change, there may be inherent uncertainty as to whether Anglican Funds Grafton Diocese would be able to continue as a going concern and realise its assets or extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2016

(n) Critical Accounting Estimates and Judgements

Anglican Funds Grafton Diocese evaluates estimates and judgment to incorporate into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the organisation.

Key estimates — Impairment

The Board assess impairment at each reporting date by evaluating conditions specific to the organisation that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Note	2016 \$	2015 \$
<b>Note 2: Revenue</b>		
Interest income	1,850,125	2,002,632
Other income:		
Dividend income	678	1,246
Other income	5,380	11,886
	<u>\$ 6,058</u>	<u>\$ 13,132</u>
<b>Note 3: Profit Before Income Tax Expense</b>		
Significant expenses		
Computer expenses	112,473	109,434
AFGD Contribution to Diocese of Grafton	175,000	150,000
Finance costs	1,065,224	1,189,013
Salaries and wages	222,381	242,475
<b>Note 4: Cash and Cash Equivalents</b>		
Cash at bank	986,439	500,785
Short term deposits	1,500,000	7,417,064
	<u>\$ 2,486,439</u>	<u>\$ 7,917,849</u>
Short term deposits include a number of on call accounts and term deposits with maturity dates of less than 3 months.		
<b>Note 5: Trade and Other Receivables</b>		
CURRENT		
Other receivables	-	1,243
	<u>\$ -</u>	<u>\$ 1,243</u>
<b>Note 6: Other Assets</b>		
CURRENT		
Prepayments	2,500	-
	<u>\$ 2,500</u>	<u>\$ -</u>

NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$	2015 \$
<b>Note 7: Financial assets</b>			
Available-for-sale financial assets	7 (a)	7,572,198	6,041,903
Held-to-maturity financial assets	7 (b)	5,712,411	1,153,807
Loans and receivables	7 (c)	25,413,411	25,591,818
		<u>38,698,020</u>	<u>32,787,528</u>
Less non-current portion		<u>(15,674,335)</u>	<u>(15,104,496)</u>
		<u>\$ 23,023,685</u>	<u>\$ 17,683,032</u>
<i>Expected to be collected in the next 12 months</i>			
Available-for-sale financial assets		7,572,198	6,041,903
Held-to-maturity financial assets		5,712,411	1,153,807
Loans and receivables		9,739,076	10,487,322
		<u>\$ 23,023,685</u>	<u>\$ 17,683,032</u>
<i>Expected to be collected after 12 months</i>			
Loans and receivables		<u>15,674,335</u>	<u>15,104,496</u>
		<u>\$ 15,674,335</u>	<u>\$ 15,104,496</u>
<b>(a) Available-for-sale financial assets comprise:</b>			
- investments in listed companies		21,720	52,397
- interest bearing securities		7,550,478	5,989,506
		<u>\$ 7,572,198</u>	<u>\$ 6,041,903</u>
Available-for-sale financial assets comprise:			
- investments in various capital options of listed entities. There are no fixed returns or fixed maturity dates attached to these assets; and			
- investments in bonds and floating rate notes of various listed entities. There are fixed maturity dates and floating returns to these assets.			
<b>(b) Held-to-maturity financial assets comprise:</b>			
- fixed rate investments		<u>5,712,411</u>	<u>1,153,807</u>
		<u>\$ 5,712,411</u>	<u>\$ 1,153,807</u>
Held-to-maturity financial assets comprise investments in term deposits with terms greater than 3 months. There are fixed rate returns on these investments.			
<b>(c) Loans and receivables:</b>			
- loans to The Corporate Trustees of the Diocese of Grafton		1,210,265	1,675,870
- loans and receivables		24,203,146	23,915,948
		<u>\$ 25,413,411</u>	<u>\$ 25,591,818</u>

Loans and receivables assets comprise loans from AFGD to other parties including Anglican Diocese of Grafton, Anglican schools, parishes and individuals.

No provision for doubtful debts is considered necessary due to the performing nature of the loan book and the funds prior history of bad debt write-offs.

NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2016

Note	2016 \$	2015 \$
<b>Note 8: Property, Plant &amp; Equipment</b>		
Plant and Equipment (at cost)		
Plant & equipment	28,943	24,095
Less: Accumulated depreciation	<u>(24,253)</u>	<u>(23,982)</u>
	4,690	113
Computer Software	60,500	60,500
Less: Accumulated depreciation	<u>(60,500)</u>	<u>(47,152)</u>
	-	13,348
Total Plant and Equipment	<u>\$ 4,690</u>	<u>\$ 13,461</u>
<b>(a) Movements in carrying amounts</b>		
	<b>Plant and Equipment \$</b>	<b>Total \$</b>
Balance at the beginning of the year	13,461	13,461
Additions	4,848	4,848
Disposals	-	-
Depreciation expense	<u>(13,619)</u>	<u>(13,619)</u>
Carrying amount at the end of the year	<u>\$ 4,690</u>	<u>\$ 4,690</u>
<b>Note 9: Trade and Other Payables</b>		
CURRENT		
Unsecured liabilities;		
Trade and other payables	23,358	23,644
Accrued interest	<u>284,938</u>	<u>318,271</u>
	<u>\$ 308,296</u>	<u>\$ 341,915</u>

All balances are expected to be paid within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

Note	2016 \$	2015 \$
<b>Note 10: Borrowings</b>		
Depositors funds	39,599,081	39,226,365
Total Borrowings	<b>\$ 39,599,081</b>	<b>\$ 39,226,365</b>
<i>Maturing within the next 12 months</i>		
Funds deposited by The Corporate Trustees of the Diocese of Grafton	10,575,890	11,767,444
Other depositors	27,117,556	25,399,222
	<b>\$ 37,693,446</b>	<b>\$ 37,166,666</b>
<i>Maturing after the next 12 months</i>		
Other depositors	1,905,635	2,059,699
	<b>\$ 1,905,635</b>	<b>\$ 2,059,699</b>
(a) Approved standby credit facilities limits		
Westpac Banking Corporation	1,500,000	1,500,000
Anglican Funds South Australia (AFSA)	100,000	100,000
	<b>\$ 1,600,000</b>	<b>\$ 1,600,000</b>
The Westpac Banking Corporation facility is secured by registered first mortgages over freehold land and buildings owned by the Corporate Trustees of the Diocese of Grafton and an \$800,000 term deposit.		
(b) Unused standby credit facilities limits		
Westpac Banking Corporation	1,500,000	1,500,000
Anglican Funds South Australia (AFSA)	100,000	100,000
	<b>\$ 1,600,000</b>	<b>\$ 1,600,000</b>
<b>Note 11: Employee benefits</b>		
Provision for employee benefits	10,848	7,851
	<b>\$ 10,848</b>	<b>\$ 7,851</b>

All amounts are expected to be paid within the next 12 months.

**Provision for employee benefits**

A provision has been recognised for employee entitlements relating to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

**Note 12: Capital and Leasing Commitments**

As at 31 December 2016, the Anglican Funds Grafton Diocese had not engaged in any capital expenditure or leasing commitments.

**Note 13: Events After the End of the Reporting Period**

Following the end of the reporting period, Anglican Funds Grafton Diocese has lodged an identification statement with ASIC on 27 February 2017, in order to comply with the transitional arrangements of *ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813*. Refer Note 16 regarding additional information.

There have been no other matters arising since the End of the Reporting Period which are expected to significantly impact the operations, or the results of the operations, in future financial years.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

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**Note 14: Related Party Transactions**

Transactions between related parties are on commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

**Note 15: APRA/ASIC Regulation**

APRA and ASIC have completed their regulatory reviews into Religious Charitable Development Funds and issued new exemption orders as below:

APRA

APRA issued the *Banking exemption No.1 of 2016 for Religious Charitable Development Funds* on 31 August 2016, effective from 1 January 2017. The Anglican Funds Grafton Diocese (listed as The Corporate Trustees of the Diocese of Grafton - Grafton Diocese Investment Fund) is a part of this determination and therefore has obtained certain exemptions as outlined in the *Banking Exemption No. 1 of 2016*, provided that the conditions within the determination are met. Anglican Funds Grafton Diocese have adjusted operations to fit within the requirements of the determination with minimal impact.

ASIC

ASIC issued the ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813 on 22 September 2016, effective from that date. This Instrument allows for a transitional period until 31 December 2017, provided that it continues to comply with the earlier exemptions under ASIC Class Order 02/184 and takes the necessary steps to comply with the Instrument during the transitional period. Anglican Funds Grafton Diocese intends to comply with the requirements of the Instrument and submitted an identification statement to ASIC on 27 February 2017. Anglican Funds Grafton Diocese is undertaking additional work to comply with the requirements of the Instrument as it awaits correspondence from ASIC in relation to its eligibility to rely upon the Instrument (and its embedded exemptions). In the event that Anglican Funds Grafton Diocese is deemed ineligible by ASIC to rely upon the Instrument (and the association exemptions), an amount in excess of \$10 million of depositor funds will be required to be repaid during the transitional period.

**Note 16: Board Members**

The names of members of the Board of the Anglican Funds Grafton Diocese at any time during, or since the end of, the year were:

The Right Reverend Dr Sarah Macneil  
Mr David John Ford  
Mr Kenneth John Adlington  
Mr Philip Charles Crandon  
Mr Edward Alfred Clarke  
Mr Christopher Philip Nelson  
Mr Terence Lancelot Hunt  
Mr Gary Laurence Boyd

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

Note	2016 \$	2015 \$
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**Note 17: Financial Instruments**

(a) Financial Risk Management

The operations of Anglican Funds Grafton Diocese expose it to a number of financial risks: credit risk, liquidity risk and market risk and interest rate risk. The Board does not consider foreign currency risk to be significant given the financial instruments of the Fund. The entity's financial instruments consist mainly of deposits with banks, short term investments, interest bearing securities, loans receivable and accounts payable and depositor funds.

Interest Rate Risk

The Fund's interest rate risk arises from two significant components of its operations, being loans receivable and depositor funds. The fund also has interest rate risk in relation to its deposits with bank and interest bearing securities.

The Fund has loans receivable at 31 December 2016 of \$25,413,411 (2015: \$25,591,818). These loans receivable are a combination of short term floating rate facilities, interest only facilities and principal and interest facilities. The average years to maturity of loans receivable (excluding short term floating rate facilities) at 31 December 2016 is 6.50 years (2015: 6.77 years).

Depositor funds held at 31 December 2016 totalled \$39,599,081 (2015: \$39,226,365). These depositor funds represent a mix of short term at call floating rate facilities and fixed rate term investments. At 31 December 2016, 95.2% (2015: 94.7%) of funds held on deposit had a maturity date of less than 12 months.

Credit Risk

Credit risk refers to the risk that a borrower will default on its obligations resulting in financial loss to the Fund. The Fund has strict policies in place relating to the collection and analysis of financial information prior to the lending of moneys. The Fund also obtains appropriate securities over loans made and monitors and reviews the operations and financial results of borrowers on a regular basis depending upon the individual borrowers risk assessment.

Liquidity Risk

Liquidity risk management requires the Fund to maintain sufficient liquid assets (mainly cash and cash equivalents) to enable redemptions of depositor funds, drawdown on approved borrowings and pay other operation costs as and when they become due and payable.

The Fund manages its capital requirements by preparing forward looking cash flow reports in relation to its operational, investing and financing activities which are monitored on a monthly basis. Longer term trend analysis is also undertaken to identify future influences upon capital requirements.

Available capital at end of financial year:

Cash and cash equivalents  
Unused finance facilities

2016 \$	2015 \$
2,486,439	7,917,849
1,600,000	1,600,000
<b>\$ 4,086,439</b>	<b>\$ 9,517,849</b>

**ANGLICAN FUNDS GRAFTON DIOCESE**  
**ABN 42 489 753 905**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

(b) Interest Rate Risk

The entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Within 1 year		1 to 5 years		Over 5 years		Non-Interest Bearing		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets:														
Cash and cash equivalents	1.5%	2.3%	2,486,439	1,917,849	-	6,000,000	-	-	-	-	-	-	2,486,439	7,917,849
Trade and other receivables	0.0%	0.0%	-	-	-	-	-	-	-	-	-	1,243	-	1,243
Available-for-sale financial assets	4.2%	2.5%	7,550,478	5,989,506	-	-	-	-	-	-	21,720	52,397	7,572,198	6,041,903
Held-to-maturity financial assets	2.6%	2.7%	-	-	5,712,411	1,153,807	-	-	-	-	-	-	5,712,411	1,153,807
Loans and receivables	5.4%	5.7%	6,485,533	7,869,948	3,253,543	2,617,374	11,399,516	10,469,496	4,274,819	4,635,000	-	-	25,413,411	25,591,818
<b>Total</b>			<b>\$16,522,450</b>	<b>\$15,777,303</b>	<b>\$ 8,965,954</b>	<b>\$ 9,771,181</b>	<b>\$11,399,516</b>	<b>\$10,469,496</b>	<b>\$ 4,274,819</b>	<b>\$ 4,635,000</b>	<b>\$ 21,720</b>	<b>\$ 53,640</b>	<b>\$41,184,459</b>	<b>\$40,706,620</b>
Financial liabilities:														
Trade and other payables	0.0%	0.0%	-	-	-	-	-	-	-	-	-	341,915	308,296	341,915
Depositor funds	2.5%	2.8%	6,630,883	5,614,323	31,062,563	31,550,353	1,905,635	2,059,699	-	-	308,296	2,000	39,599,081	39,226,375
<b>Total</b>			<b>\$ 6,630,883</b>	<b>\$ 5,614,323</b>	<b>\$31,062,563</b>	<b>\$31,550,353</b>	<b>\$ 1,905,635</b>	<b>\$ 2,059,699</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 308,296</b>	<b>\$ 343,915</b>	<b>\$39,907,377</b>	<b>\$39,568,290</b>

(c) Net Fair Values

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.  
 No financial assets or financial liabilities are readily traded on organised markets in standardised form. For other assets and other liabilities the net fair value approximates their carrying value.

**Note 18: Fund Details**

The registered office and principal place of business is:

Anglican Funds Grafton Diocese  
 50 Victoria Street  
 GRAFTON, NSW, 2460

**ANGLICAN FUNDS GRAFTON DIOCESE**  
**ABN 42 489 753 905**

**STATEMENT BY THE FUND MANAGER**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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In my opinion, the accounts present fairly the operations of the Anglican Funds Grafton Diocese for the year ended 31 December 2016 and of the state of affairs as at that date, and are properly drawn up in accordance with the accounting policies as described in Note 1 to the financial statements.

Blaine Fitzgerald  
Fund Manager

Dated:

DRAFT



**STATEMENT BY THE MEMBERS OF THE ANGLICAN FUNDS GRAFTON DIOCESE**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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In the opinion of the members of the Anglican Funds Grafton Diocese, the accompanying financial statements:

- (a) presents fairly the operations of the Anglican Funds Grafton Diocese for the year ended 31 December 2016, and of the state of affairs as at that date and are properly drawn up in accordance with the accounting policies as described in Note 1 to the financial statements; and
- (b) at the date of this statement there are reasonable grounds to believe that the Anglican Funds Grafton Diocese will be able to pay its debts as and when they become due and payable; and
- (c) the activities of the Anglican Funds Grafton Diocese have been undertaken in line with the delegated authority of the Board of Management as per Chapter 18 of the Diocese Governance Ordinance 2008.

Signed in accordance with a resolution at a duly constituted meeting, by:

David Ford  
AFGD Board Chairperson

Edward Clarke  
AFGD Board Member

Dated:

DRAFT

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
ANGLICAN FUNDS GRAFTON DIOCESE**

**ABN 42 489 753 905**

**Opinion**

We have audited the financial report of Anglican Funds Grafton Diocese, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the statement by the members of the Anglican Funds Grafton Diocese.

In our opinion, the accompanying financial report:

- (a) presents fairly the entity's financial position as at 31 December 2016 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements as described in Note 1.

**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 are independent of Anglican Funds Grafton Diocese in accordance with the auditor independence requirements of the Australian Auditing Standards and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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.

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

**Emphasis of Matter – Basis of Accounting**

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the entity's financial reporting responsibilities to Synod. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 1(m) in the financial report, which indicates that the ability to continue as a going concern is dependent upon several key assumptions relating to the continued operations and exemptions of the Anglican Funds Grafton Diocese. As stated in Note 1(m), these events or conditions, along with other matters as set forth in Notes 13 and 15, indicate that a material uncertainty exists that may cast significant doubt on the Diocese's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Members of Anglican Fund Grafton Diocese's responsibilities for the Financial Report**

The members of Anglican Funds Grafton Diocese are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the members and the entity's financial reporting responsibilities to Synod and for such internal control as the members determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
ANGLICAN FUNDS GRAFTON DIOCESE**

**ABN 42 489 753 905**

**Auditor's Responsibilities for the Audit of the Financial Report**

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the members of the Anglican Funds Grafton Diocese regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**CROWE HORWATH CENTRAL NORTH**

**Bradley D Bohun**  
**Audit Partner**  
Registered Company Auditor  
24 Queen Street  
GRAFTON NSW 2460

Dated:

**DISCLAIMER  
TO THE MEMBERS OF  
ANGLICAN FUNDS GRAFTON DIOCESE**

**ABN 42 489 753 905**

The additional financial data presented on page 22 is in accordance with the books and records of the entity which have been subjected to the auditing procedures applied in our statutory audit of the entity for the financial year ended 31 December 2016. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and we give no warranty of accuracy or reliability in respect of the data provided. Neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person (other than Anglican Funds Grafton Diocese) in respect of such data, including any errors or omissions therein however caused.

**CROWE HORWATH CENTRAL NORTH**

**Bradley D Bohun**  
**Audit Partner**  
Registered Company Auditor  
24 Queen Street  
GRAFTON NSW 2460

Dated:

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INCOME AND EXPENDITURE STATEMENT  
 FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 \$	2015 \$
<b>Income</b>		
Dividends received	678	1,246
Interest received	1,850,125	2,002,632
Sundry income	5,380	11,886
<b>Total Income</b>	<b>\$ 1,856,183</b>	<b>\$ 2,015,764</b>
<b>Expenditure</b>		
Advertising	3,660	6,169
Bank charges	18,783	21,264
Computer expenses	112,473	109,434
Depreciation, amortisation and impairment	13,619	22,166
Donations	1,285	1,066
Finance costs	1,065,224	1,189,013
Insurance	8,271	8,531
Management fees	27,751	9,184
Office furniture & equipment	1,500	-
Other employment expenses	7,692	7,294
Postage	2,144	2,113
Printing and stationery	10,046	11,447
Professional fees - auditor's remuneration	18,000	21,003
Professional fees - consultancy fees	5,542	6,445
Provision for annual leave	2,997	(1,315)
Rent	5,200	5,200
Salaries and wages	222,381	242,475
Sundry expenses	2,009	1,155
Superannuation contributions	19,031	21,117
Telephone	1,968	2,366
Training and computer implementation	106	5,535
Travel and accommodation	8,957	6,360
<b>Total Expenditure</b>	<b>1,558,639</b>	<b>1,698,022</b>
<b>Profit before contribution to related parties</b>	<b>297,544</b>	<b>317,742</b>
Contribution to Diocese of Grafton	(175,000)	(150,000)
<b>Profit</b>	<b>\$ 122,544</b>	<b>\$ 167,742</b>