Catholic Church Endowment Society Inc.

Special Purpose Consolidated Financial Report

For the year ended 31 December 2018

Special Purpose Consolidated Financial Report for the Financial Year Ended 31 December 2018

Chairman's Report

The Catholic Church Endowment Society Inc. (Association) recorded a loss of $7.9 million for the year ended 31 December 2018. The principal reasons for the loss are expenses recognised for the National Redress and Abuse Scheme of $6.1 million and a decrease in the market value of equity investments of $4.1 million. These significant items were offset by an insurance recovery of $1.2 million. There was no change in the estimated fair value of investment properties at 31 December 2018. The Association recorded an underlying profit of $1.5 million (2017: Loss of $0.1 million) after excluding the significant items. The improvement in the underlying profit is principally due to improved returns from equity investments and greater interest income from higher loan balances. A reconciliation of the recorded loss to the underlying profit is set out below:

	2018	2017
	$	$
Total comprehensive income/(loss) for the year	(7,918,096)	12,656,833
Loss on Derivative Liabilities	441,280	175,834
Insurance recovery	(1,229,960)	-
Gain on Investment Properties at fair value	-	(11,840,000)
Net value (gain)/loss on Equity Investments	4,148,696	(1,118,214)
National Redress and Abuse Provision recognised	6,101,553	-
Total underlying comprehensive income for the year	**1,543,473**	**(125,547)**

Agencies of the Association have contributed as follows:

- The Diocesan Centre supports the operations of parishes, schools and the Archbishop's office. Fiscal restraint has contributed towards employment savings, whilst Archdiocesan Policy has been effective in controlling legal and professional fees during 2018. The Diocesan Centre also incorporates the Archdiocese of Adelaide's treasury function (the Catholic Development Fund, CDF). The CDF maintains appropriate capital reserves in accordance with its prudential policies whilst delivering sustained investment returns in a falling interest rate environment. The final operating result for the Diocesan Centre is a gain of $3.4 million (2017: $0.6 million loss).
- Catholic Education Office income from grants and levies has increased, assisting to further provide services to the education sector within the Archdiocese of Adelaide. The Catholic Education Office produced a surplus of $0.5 million for 2018 (2017: $0.8 million surplus).
- The Diocesan Presbytery Fund's loss of $0.4 million (2017: $0.1 million loss) results from income remaining constant whilst costs to support the aging clergy in the Diocese continue to rise.
- Catholic Diocesan Charities Appeal receives donations to continue the support of the charitable works in the Archdiocese of Adelaide. Distributions from the Appeal are consistent with that of previous years.
- Ecumenical Endeavours Pty Ltd is consolidated into these financial statements from 2017. It operates an investment property valued at $3.0 million collecting rental income from a commercial tenant, supporting the pastoral work of the Seaford Ecumenical Mission. The Association is now a majority shareholder of Ecumenical Endeavours Pty Ltd.
- The Net Assets of CCES Inc. have decreased compared with 2017. Cash and Cash Equivalents have increased slightly and investments Due from Other Financial Institutions have declined to $71 million. Loans and Advances have increased to $113 million and Equity Investments have increased due to increasing investments with external fund managers. Deposits liability held by the CDF has increased to $350 million. Borrowings have declined to $10 million and Provisions have increased with the inclusion of the National Redress and Abuse provision.

I wish to thank the Diocesan Finance Council (DFC) and staff for their stewardship over the past year.

Hon Greg Crafter, AO
Chairman
Diocesan Finance Council
Catholic Archdiocese of Adelaide

Finance Council Report to Members

In accordance with Section 35(5) of the Associations Incorporation Act 1985, the Diocesan Finance Council (the Council) of the Catholic Church Endowment Society Inc. (Association) hereby states that during the year ended 31 December 2018:

a)

i) no officer of the Association;

ii) no firm of which an officer is a member; and

iii) no body corporate in which an officer has a substantial financial interest;

has received or become entitled to receive a benefit as a result of a contract between the officer, firm or body corporate and the Association.

b) No officer of the Association has received directly or indirectly from the Association any payment or benefit of a pecuniary value.

This statement is made in accordance with a resolution of the Council and is signed for and on behalf of the Council by:

Chairman

Apostolic Administrator

Adelaide, 13 May 2019

Independent Auditor's Report

To the members of Catholic Church Endowment Society Inc

Opinion

We have audited the ***Financial Report***, of the Catholic Church Endowment Society Inc (the Association).

In our opinion, the accompanying ***Financial Report*** of the ***Association*** presents fairly, in all material respects the ***Group's*** financial position as at 31 December 2018 and of its financial performance and its cash flows for the year ended on that date:

(i) *in accordance with Division 60 of the Australian Charities and Not-for-profits Commission (ACNC) Act 2012, and the Associations Incorporation Act 1985;* and

(ii) *in compliance with Australian Accounting Standards and the Division 60 of Australian Charities and Not-for-profits Commission Regulation 2013.*

The ***Financial Report*** comprises:

(i) Consolidated statement of financial position as at 31 December 2018;

(ii) Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;

(iii) Notes including a summary of significant accounting policies; and

(iv) Finance Council declaration of the Association.

The ***Group*** consists of the Association and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 the Association and the Group in accordance with the auditor independence requirements of the ACNC Act 2012 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 fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – basis of preparation and restriction on use

We draw attention to Note 2 to the Financial Report, which describes the basis of preparation.

The Financial Report has been prepared for the purpose of fulfilling the Finance Council members' financial reporting responsibilities under the *ACNC Act 2012* and the *Associations Incorporations Act* 1985. As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose.

Our report is intended solely for the members of the Association and ACNC and should not be used by any other party. We disclaim any assumption of responsibility for any reliance on this Auditor's Report, or on the Financial Report to which it relates to any person other than the members of the Association and ACNC. Our opinion is not modified in respect of this matter.

Other information

Other Information is financial and non-financial information in the Association's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Chairman's Report and the Finance Council's Report to Members. The Finance Council members are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Chairman's Report and the Finance Council's Report to Members.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Finance Council members for the Financial Report

The Finance Council members are responsible for:

(i) Preparing a fairly presented Financial Report in accordance with *Australian Accounting Standards*, and the ACNC;

(ii) Preparing the Financial Report in accordance with the *Associations Incorporations Act* 1985;

(iii) Determining that the basis of preparation described in Note 2 to the Financial Report is appropriate to meet the requirements of the ACNC, and the Associations Incorporations Act 1985. The basis of preparation is also appropriate to meet the needs of the members;

(iv) Implementing necessary internal control to enable the preparation of a Financial Report that is presented fairly and is free from material misstatement, whether due to fraud or error; and

(v) Assessing the Group's and Association's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

(i) to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

(ii) 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 Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

KPMG

We also:

(i) 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;

(ii) 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 registered Association's internal control;

(iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Finance Council members;

(iv) Conclude on the appropriateness of the Finance Council members' 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 registered Association's and the Group'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 registered Association and the Group to cease to continue as a going concern; and

(v) 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.

We communicate with the Finance Council members of the registered Association 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.

KPMG

KPMG

Darren Ball

Partner

Adelaide

13 May 2019

Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the Finance Council of Catholic Church Endowment Society Inc

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Darren Ball
Partner

Adelaide

13 May 2019

Finance Council Declaration

In the opinion of the Diocesan Finance Council of the Catholic Church Endowment Society Inc (Association):

a) the Association is not publicly accountable nor a reporting entity;

b) the consolidated financial statements and notes, set out on pages 9 to 36, are in accordance with the Australian Charities and Not-for profits Commission Act 2012 and the Associations Incorporation Act 1985;

c) The Consolidated Financial Statements and notes:

   (i) presents fairly in all material respects of the financial position of the Association as at 31 December 2018 and of its financial performance, as represented by the results of its operations for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Note 2; and

   (ii) complying with Australian Accounting Standards to the extent described in Notes 2, and the Australian Charities and Not-for-profits Commission Regulation 2013;

d) there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable;

e) the Association has complied with its Constitution and Rules; and at the date of this declaration

f) the Association has subsidiaries as detailed in the financial statements at Note 32; and

g) the Association is not a trustee of a trust.

Signed in accordance with a resolution of the Finance Council:

Chairman

Apostolic Administrator

Adelaide, 13 May 2019

Catholic Church Endowment Society Inc.
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2018

	Note	2018 $	2017 $
Income			
Interest Income		11,256,100	8,191,094
Interest Expense		(6,778,515)	(6,794,045)
Net Interest Income	9	4,477,585	1,397,049
Investment Income		12,195,244	11,785,295
Grants from Government		12,178,833	11,335,492
Levies and Fees Income		13,566,563	14,137,188
Unrealised Gain/(Loss) on Investment Properties at fair value		-	11,840,000
Donations		3,601,260	3,580,844
Other Income		3,731,135	2,425,339
Total Income		**49,750,620**	**56,501,207**
Expenses			
Employee Benefits Expense		(26,111,975)	(25,137,199)
Occupancy Expense		(5,870,882)	(5,501,312)
Depreciation Expense		(2,207,487)	(2,134,467)
Equipment Expense		(4,093,085)	(3,707,571)
Communication Expense		(1,192,719)	(1,299,491)
Community and Education Program Expense		(1,813,314)	(1,813,106)
Borrowing Expenses		(839,944)	(776,374)
General Administration Expense		(4,847,781)	(4,417,234)
National Redress and Abuse Expense		(6,101,553)	-
Gain/(Loss) on Derivative Liabilities		(441,280)	(175,834)
Net value (loss)/gain on Equity Investments		(4,148,696)	-
Total Expenses		**(57,668,716)**	**(44,962,588)**
Profit/(Loss) for the year		**(7,918,096)**	**11,538,619**
Other Comprehensive Income / (Loss)			
Net value (loss)/gain on Equity Investments		-	1,118,214
Total Other Comprehensive Income / (Loss)		**-**	**1,118,214**
Total Comprehensive (Loss) / Income for the year		**(7,918,096)**	**12,656,833**
Attributable to Catholic Church Endowment Society Inc		(7,963,953)	12,649,602
Attributable to Non-controlling Interests		45,857	7,231
		(7,918,096)	**12,656,833**

The above statements should be read in conjunction with the accompanying notes

Catholic Church Endowment Society Inc.
Consolidated Statement of Financial Position
as at 31 December 2018

	Note	2018 $	2017 $
Assets			
Cash and Cash Equivalents	25	33,488,438	31,970,232
Due from Other Financial Institutions	10	70,526,928	123,447,558
Equity Investments	11	69,679,136	45,013,540
Investment Properties	12	136,920,000	136,920,000
Property, Plant and Equipment	13	35,858,867	33,604,410
Trade and Other Receivables	14	7,176,603	10,657,673
Loans and Advances	15	113,314,132	75,179,245
Other Intangible Assets	16	-	1,042
Total Assets		**466,964,104**	**456,793,700**
Liabilities			
Deposits	17	350,443,430	312,542,440
Trade and Other Payables	18	6,783,040	6,467,159
Borrowings	19	10,000,000	37,000,000
Derivative Liabilities	20	2,704,963	2,263,683
Provisions	21	11,323,838	4,980,765
Income in Advance		395,365	308,089
Total liabilities		**381,650,636**	**363,562,136**
Net Assets		**85,313,468**	**93,231,564**
Equity			
Retained earnings	22	72,446,561	71,722,531
Reserves	23	12,117,880	20,805,863
Total Parent interest in equity		**84,564,441**	**92,528,394**
Non-controlling Interest in Controlled Entities	24	749,027	703,170
Total Equity		**85,313,468**	**93,231,564**

The above statements should be read in conjunction with the accompanying notes

Catholic Church Endowment Society Inc.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2018

	Non-Controlling Interest	General reserve	Share Investments reserve	Government funding reserve	Catholic charities reserve	Catholic education capital reserve	Retained earnings	Total
	$	$	$	$	$	$	$	$
Balance at 1 January 2017	-	3,149,309	7,501,034	1,492,312	2,424,851	5,509,553	59,801,733	79,878,792
Profit/(Loss) for the year	-	-		-	-	-	11,538,619	11,538,619
Other comprehensive income/(loss) for the year	-	-	1,118,214	-	-	-	-	1,118,214
Total comprehensive income for the year	-	-	**1,118,214**	-	-	-	**11,538,619**	**12,656,833**
Non-controlling Interest	695,939	-	-	-	-	-	-	695,939
Profit attributable to Non-controlling Interests	7,231	-	-	-	-	-	(7,231)	-
Transfer from/(to) retained earnings	-	(238,406)	-	-	(151,004)	-	389,410	-
Balance at 31 December 2017	**703,170**	**2,910,903**	**8,619,248**	**1,492,312**	**2,273,847**	**5,509,553**	**71,722,531**	**93,231,564**
Balance at 1 January 2018	**703,170**	**2,910,903**	**8,619,248**	**1,492,312**	**2,273,847**	**5,509,553**	**71,722,531**	**93,231,564**
Profit/(Loss) for the year	-	-	-		-	-	(7,918,096)	(7,918,096)
Other comprehensive income/(loss) for the year		-	-		-	-		-
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	**(7,918,096)**	**(7,918,096)**
Non-controlling Interest	-	-	-	-	-	-	-	-
Profit attributable to Non-controlling Interests	45,857	-	-	-	-	-	(45,857)	-
Transfer from/(to) retained earnings		196,730	(8,619,248)	-	(265,465)	-	8,687,983	-
Balance at 31 December 2018	**749,027**	**3,107,633**	-	**1,492,312**	**2,008,382**	**5,509,553**	**72,446,561**	**85,313,468**

The above statements should be read in conjunction with the accompanying notes

Catholic Church Endowment Society Inc.
Consolidated Statement of Cash Flows
for the year ended 31 December 2018

	2018	2017
Operating Activities	**$**	**$**
Receipts from Customers	29,313,742	25,398,044
Donations and Other Receipts	7,332,395	5,648,900
Interest Received	11,256,100	8,191,094
Interest Paid	(5,737,111)	(5,470,802)
Payments to Suppliers, Employees and Others	(43,591,263)	(42,552,833)
	(1,426,137)	**(8,785,597)**
Net (increase)/decrease in Loans and Advances	(38,134,887)	15,554,762
Net increase/(decrease) in Deposits	37,900,990	971,122
Net (increase)/decrease in Amounts Due from other Financial Institutions	52,920,630	12,148,980
	52,686,733	**28,674,864**
Net Cash Flows from Operating Activities	**51,260,596**	**19,889,267**
Investing Activities		
Net (increase)/decrease in Equity Investments	(28,814,292)	(33,432,804)
Proceeds from Sale of Fixed Assets	1,062,260	1,380,214
Payments for Fixed Assets	(5,304,254)	(4,670,529)
Dividends Received from Investments	409,917	419,599
Proceeds from Investment Properties	11,785,327	11,365,696
Borrowing Costs	(839,944)	(776,374)
Purchase of Shares in Controlled Entities	-	(695,937)
Interest Paid on Borrowings related Investments	(1,041,404)	(1,323,243)
Net Cash Flows from Investing Activities	**(22,742,390)**	**(27,733,378)**
Cash Flows from Financing Activities		
Drawdown/(Repayments) of Borrowings	(27,000,000)	27,000,000
Net Cash Flows from Financing Activities	**(27,000,000)**	**27,000,000**
Net Increase/(Decrease) in Cash Held	**1,518,206**	**19,155,889**
Cash at the beginning of the Year	31,970,232	12,814,343
Cash at the end of the Year	**33,488,438**	**31,970,232**

The above statements should be read in conjunction with the accompanying notes

1 General Information

The Catholic Church Endowment Society Inc. (Association) is an entity incorporated under the Associations Incorporation Act 1985 and operating in South Australia.

The Association's registered office and its principal places of business are as follows:

Registered Office:

39 Wakefield Street, Adelaide 5000
(08) 8210 8210

Principal Place of Business for:

Catholic Church Endowment Society Inc.
Catholic Development Fund - Adelaide
Catholic Diocesan Charities Appeal

Catholic Education Office
Catholic Church Early Years Inc.
116 George Street, Thebarton 5031

Ecumenical Endeavours Pty Ltd
Grand Boulevard, Seaford 5169

2 Summary of Accounting Policies

Financial Reporting Framework

The Association is not a reporting entity because in the opinion of the Finance Council (Council) there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the Council's reporting requirements under the Associations Incorporation Act 1985.

Statement of compliance

The special purpose consolidated financial report has been prepared in accordance with the requirements of the Associations Incorporation Act 1985 and the Australian Charities and Not-for-profits Commission Act 2012 and the recognition, measurement and classification aspects of all applicable Australian Accounting Standards (AAS) adopted by the Australian Accounting Standards Board (AASB).

The special purpose consolidated financial statements include only the disclosure requirements of the following AASBs and those disclosures considered necessary by the Council to meet the needs of users:

AASB 101 *Presentation of Financial Statements*

AASB 107 *Statement of Cash Flows*

AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

AASB 1048 *Interpretation and Application of Standards*

AABS 1054 *Australian Additional Disclosures.*

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

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the following items:

- Equity Investments measured at fair value through profit and loss;
- Investment Properties measured at fair value through profit and loss; and
- Derivative Liabilities measured at fair value through profit and loss.

Cost is based on the fair values of the consideration given in exchange for assets. Unless otherwise indicated, all amounts are presented in Australian dollars.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Association's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of the Association's accounting policies that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 11: Equity Investments – determining the fair value of Equity Investments at 31 December 2018.

Note 12: Investment Properties – assessing the fair value of Investment Properties at 31 December 2018.

Note 20: Derivative Liabilities – assessing the value of the Derivative Liabilities at 31 December 2018.

Note 21: Provisions – determining the value of the National Redress Provision.

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

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash with other financial institutions excluding term investments with an original maturity of greater than 3 months.

(b) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories:

Loans and Advances

Loans and advances are made to Parishes, Diocesan Schools, Religious Order Schools and Catholic Organisations in accordance with the prudential policy of the Association. These loans are measured at amortised cost less impairment.

Due from Other Financial Institutions

Due from Other Financial Institutions, bills of exchange and debentures are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less impairment, with revenue recognised on an effective interest basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Receivables

Trade receivables and other receivables are recorded at amortised cost less impairment.

Equity Investments

Shares and income securities held by the Association are classified as being Fair Value through Profit and Loss (FVTPL) and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the Profit and Loss Statements. Fair value has been calculated using quoted prices for listed assets and with reference to net assets for unlisted assets.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and religious sites. Depreciation is calculated on a straight line basis so as to write off the net cost over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The estimated useful lives used in the calculation of depreciation for the current and comparative period are as follows:

Buildings	20 – 40 years	Leasehold Improvements	5 – 25 years
Plant and equipment	1 – 10 years	Motor Vehicles	5 years

(d) Impairment of Assets

At each reporting date, the Association reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Where the asset is categorised as a FVOCI asset any impairment loss is recognised in OCI, for other assets the impairment is recognised in the profit or loss immediately.

(e) Investment Property

Property held to earn rentals and/or for capital appreciation is classified as an investment property and, is initially recognised at cost until the project is completed, including transaction costs. Subsequent to completion, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment are included in profit or loss in the period in which they arise.

(f) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(g) Employee benefits

Leave benefits
Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Association in respect of services provided by employees up to reporting date.

(h) Payables

Trade payables and other payable are recognised when the Association becomes obliged to make future payments resulting from the purchase of goods and services.

(i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(1) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(2) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(j) Taxation

The Association is a charitable institution exempt from income tax under the current provisions of Section 23(e) of the Income Tax Assessment Act 1997.

(k) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Interest expense is recognised using the effective interest rate method.

Subsequent to initial recognition, borrowings are measured at amortised cost. Borrowing costs are expensed directly to profit and loss.

(l) Deposits

Deposits are recorded at the gross value outstanding to the customer. Interest expense is recognised on an accrual basis.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services – revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Grants – income is recognised when the Association receives the grant or has a right to receive the grant or contractual milestones have occurred. Where grants are not fully expended during the year and there is an obligation to provide services after the financial year, this is recognised in the balance sheet as income in advance.

Interest – revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Donations – income is recognised when monies are received by the Association.

Rental Income - recognised on a straight line basis over the term of the lease.

(n) Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(o) Intangible Assets

Intangible Assets relates to software costs which have been capitalised and amortised over a 5 year period.

(p) Derivative financial instruments

The Association enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of recognition in profit or loss depends on the nature of the hedging relationship.

The Association has no derivatives designated as hedges as at 31 December 2018.

(q) Consolidation

The consolidated financial statements incorporate the financial statements of the Association and entities controlled by the Association and its subsidiaries. Control is achieved when the Association:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Association reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3 Changes in accounting policy

Except for the changes below, the Association has consistently applied the accounting policies set out in Note 2 to all periods presented in these consolidated financial statements.

The Association has initially applied AASB 9 from 1 January 2018. A number of other new standards are also effective from 1 January 2019. Comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement.* There has been an adjustment to the Retained Earnings at 1 January 2018 as a result of adopting AASB 9.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit and Loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the AASB 139 categories of held to maturity, loans and receivables and available for sale. AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities.

The adoption of AASB 9 has effected the Association's accounting policies. Previously the Association recognised the movement in the fair value of Equity Investments in Other Comprehensive Income, under AASB 9, the Association has classified Equity Investments as FVTPL. The movement in fair value to 31 December 2019 for Equity Investments is recognised in the Profit and Loss statement with the opening balance of the Share Investment Reserve reclassified to Retained Earnings. All other accounting policies relating to financial assets and liabilities have remained unchanged.

The following table and the accompanying notes explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Association's financial assets as at 1 January 2018. There has been no material change in the valuation of the financial assets under AASB 9.

	Original Classification under AASB 139	New Classification under AASB 9	Original Carrying amount under AASB 139	New Carrying amount under AASB 9
			$	$
Due from Other Financial Institutions	Held to maturity	Amortised cost	70,526,928	70,526,928
Equity Investments	Available for Sale	FVTPL - equity instrument	69,679,136	69,679,136
Trade and Other Receivables	loans and receivables	Amortised cost	7,176,603	7,176,603
Cash and Cash equivalents	Cash	Amortised cost	33,488,438	33,488,438
Loans and Advances	loans and receivables	Amortised cost	113,314,132	113,314,132
			294,185,237	294,185,237

(a) Due from Other Financial Institutions

Due from Other financial institutions previously classified as Held to Maturity under AASB 139 are held by the Association under a business model whereby the Association intends to hold until maturity. These investments comprise of principal and interest only cash flows. The Association's business model does not include the trading of these investments. These assets have been classified as Amortised cost under AASB 9.

(b) Equity Investments

Equity investments previously categorised as Available for Sale assets under AASB 139 represent investments the Association intends to hold for long term purposes. The cash flows include entitlements to profit share through dividends or trust distributions. The Association has categorised these investments under AASB 9 as FVTPL. Under AASB 9, the accumulated fair value reserve related to these investments has been reclassified to Retained Earnings, with the current year fair value movement recognised in the Profit and loss Statement.

The fair value of income securities, listed shares, units in trusts and overseas equities has been determined with reference to the quoted market prices. The fair value of unlisted shares is determined with reference to the respective entity's net assets. Any impairment of these assets will be reflected through the Profit and Loss, as will any subsequent reversal of previous impairment.

(c) Trade and other receivables

Trade and other receivables were classified as loans and receivables under AASB 139 and are now classified as Amortised cost. No impairment has been recognised for trade and other receivables.

(d) Loans and Advances

Loans and Advances are classified as Amortised cost under AASB 9. The Association is the main provider of Loans and Advances to non-laity entities of the Catholic Archdiocese of Adelaide. The lending terms are set by the Association with regard to other Diocese rates, commercial market rates and the cost of funds to the Association. There is no external market for loans to Diocesan entities with the Association able to set the price of both Loans and Deposits. No impairment is included in the valuation of these Loans and Advances as the Association controls the collection of loan repayments and has the ability to implement action for financially challenged borrowers. The cash flows from Loans and Advances comprise of interest and principal only.

Impairment of Financial Assets

AASB 9 replaces the 'incurred loss' model under AASB 139 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. The Association has determined there is no material change to the assessment of impairment losses under AASB 9 as there remains no material impairment to the Loans and Advances of the Association under the 'expected credit loss' model.

4 New Standards not yet adopted

A number of new standards, amendments to standards are effective for annual periods beginning 1 January 2019, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Association as set out below. Management has not assessed the impact of these standards on the Association. The Finance Council does not plan to early adopt these standards.

(a) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 118 Revenue and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement.

(b) AASB 1058 Income for Not-for-profit Entities

AASB 1058 replaces the income recognition requirements relating to private sector and majority of public sector not-for-profit (NFP) entities in AASB 1004 Contributions. AASB 1058 simplifies the income recognition requirements applicable to NFP entities and is applied in conjunction with AASB 15. AASB 1058 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

(c) AASB 16 Leases

AASB 16 removes the lease classification test for lessees and requires all leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees. The standard does allow for exemptions for short term leases and leases of low value items. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time.

5 Segment Note Income Statement

	CCES		CEO		DPF		Charities		Seminary Fund		Ecumenical Endeavours		CCEY		Eliminations		Total	
	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000
Income																		
Interest Income	11,359	8,203	60	51	63	71	48	55	20	21	2	1	1	-	(296)	(210)	11,256	8,192
Interest Expense	(6,972)	(6,992)	(83)	(12)	-	-	-	-	-	-	-	-	(20)	-	296	210	(6,779)	(6,794)
Net Interest Income	4,387	1,211	(23)	39	63	71	48	55	20	21	2	1	(19)	-	-	-	4,478	1,398
Investment Income	12,026	11,695	-	-	-	-	-	-	-	-	185	106	-	-	(16)	(16)	12,195	11,785
Grants from Government	131	139	12,048	11,197	-	-	-	-	-	-	-	-	-	-	-	-	12,179	11,336
Levies and Fees Income	3,555	2,815	10,241	11,047	719	699	-	-	-	-	-	-	-	-	(948)	(424)	13,567	14,137
Unrealised Gain/(Loss) on Investment																		
Properties at fair value	-	11,840		-		-		-		-	-	-	-	-		-	-	11,840
Donations	277	27	-	-	2,959	3,167	359	379	6	7	-	-	-	-	-	-	3,601	3,580
Other Income	3,036	1,954	1,057	568	2	42	-	-	-	-	12	-	-	-	(376)	(139)	3,731	2,425
Total Income	**23,412**	**29,681**	**23,323**	**22,851**	**3,743**	**3,979**	**407**	**434**	**26**	**28**	**199**	**107**	**(19)**	**-**	**(1,340)**	**(579)**	**49,751**	**56,501**
Expenses																		
Employee Benefits Expense	(8,974)	(8,198)	(14,929)	(14,451)	(2,917)	(2,885)	(103)	(100)	-	-	-	-	(63)	-	874	497	(26,112)	(25,137)
Occupancy Expense	(4,667)	(4,419)	(1,141)	(1,074)	(105)	(92)	-	-	-	-	(15)	-	(6)	-	63	84	(5,871)	(5,501)
Depreciation Expense	(691)	(769)	(1,045)	(880)	(471)	(473)	-	(12)	-	-	-	-	-	-	-	-	(2,207)	(2,134)
Equipment Expense	(437)	(331)	(2,989)	(2,757)	(639)	(632)	-	-	-	-	(12)	(23)	(16)	-	-	35	(4,093)	(3,708)
Communication Expense	(749)	(847)	(332)	(359)	(53)	(51)	(36)	(43)	-	-	-	-	(23)	-	-	-	(1,193)	(1,300)
Community and Education Program Expense	(150)	(150)	(1,217)	(1,218)	-	-	(492)	(491)	-	-	-	-	-	-	46	46	(1,813)	(1,813)
Borrowing Expenses	(840)	(776)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(840)	(776)
General Administration Expense	(3,543)	(3,030)	(1,202)	(1,257)	56	48	(19)	(12)	(273)	(21)	(33)	(63)	(191)	-	357	(83)	(4,848)	(4,418)
National Redress and Abuse Expense	(6,102)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,102)	-
Gain/(Loss) on Derivative Liabilities	(441)	(176)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(441)	(176)
Net value (loss)/gain on Equity Investments	(4,149)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,149)	-
Total Expenses	**(30,743)**	**(18,696)**	**(22,855)**	**(21,996)**	**(4,129)**	**(4,085)**	**(650)**	**(658)**	**(273)**	**(21)**	**(60)**	**(86)**	**(299)**	**-**	**1,340**	**579**	**(57,669)**	**(44,963)**
Profit/(Loss) for the year	**(7,331)**	**10,985**	**468**	**855**	**(386)**	**(106)**	**(243)**	**(224)**	**(247)**	**7**	**139**	**21**	**(318)**	**-**	**0**	**-**	**(7,918)**	**11,538**

6 Segment Note Balance Sheet

	CCES		CEO		DPF		Charities		Seminary Fund		Ecumenical Endeavours		CCEY		Eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Assets																		
Cash and Cash Equivalents	33,491	31,970	7,192	4,963	2,164	2,263	2,072	2,315	1,294	1,386	211	115	317	-	(13,253)	(11,042)	33,488	31,970
Due from Other Financial Institutions	70,527	123,448	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70,527	123,448
Equity Investments	69,679	45,014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69,679	45,014
Investment Properties	133,840	133,840	-	-	-	-	-	-	-	-	3,080	3,080	-	-	-	-	136,920	136,920
Property, Plant and Equipment	25,756	26,174	6,001	5,335	1,976	2,095	-	-	-	-	30	-	2,096	-	-	-	35,859	33,604
Trade and Other Receivables	3,155	6,522	3,816	3,791	881	840	1	1	-	93	1	7	75	-	(752)	(597)	7,177	10,657
Loans and Advances	120,182	77,490	-	-	-	-	-	-	-	-	-	-	-	-	(6,868)	(2,311)	113,314	75,179
Other Intangible Assets	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Total Assets	**456,630**	**444,459**	**17,009**	**14,089**	**5,021**	**5,198**	**2,073**	**2,316**	**1,294**	**1,479**	**3,322**	**3,202**	**2,488**	**-**	**(20,873)**	**(13,950)**	**466,964**	**456,793**
Liabilities																		
Deposits	363,696	323,585	4,870	2,311	-	-	-	-	-	-	-	-	2,070	-	(20,192)	(13,354)	350,444	312,542
Trade and Other Payables	795	1,037	3,728	4,156	974	777	-	-	155	-	1,075	1,092	737	-	(681)	(596)	6,783	6,466
Borrowings	10,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000	37,000
Derivative Liabilities	2,705	2,264	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,705	2,264
Provisions	7,912	1,813	3,345	3,111	67	57	-	-	-	-	-	-	-	-	-	-	11,324	4,981
Income in Advance	-	-	395	308	-	-	-	-	-	-	-	-	-	-	-	-	395	308
Total liabilities	**385,108**	**365,699**	**12,338**	**9,886**	**1,041**	**834**	**-**	**-**	**155**	**-**	**1,075**	**1,092**	**2,807**	**-**	**(20,873)**	**(13,950)**	**381,651**	**363,561**
Net Assets	**71,522**	**78,760**	**4,671**	**4,203**	**3,980**	**4,364**	**2,073**	**2,316**	**1,139**	**1,479**	**2,247**	**2,110**	**(319)**	**-**	**-**	**-**	**85,313**	**93,232**
Equity																		
Retained earnings	61,413	60,228	4,671	4,203	3,980	4,364	65	42	1,139	1,479	1,498	1,407	(319)	-	-	-	72,447	71,723
Reserves	10,109	18,532	-	-	-	-	2,008	2,274	-	-	-	-	-	-	-	-	12,117	20,806
Non-controlling Interest	-	-	-	-	-	-	-	-	-	-	749	703	-	-	-	-	749	703
Total Equity	**71,522**	**78,760**	**4,671**	**4,203**	**3,980**	**4,364**	**2,073**	**2,316**	**1,139**	**1,479**	**2,247**	**2,110**	**(319)**	**-**	**-**	**-**	**85,313**	**93,232**

7 Profit for the Year

	2018 $	2017 $
Includes the following items of income and expense:		
Profit/(Loss) on disposal of property, plant and equipment	**218,908**	**341,402**

8 Remuneration of Auditors

	2018 $	2017 $
Audit Services performed by KPMG	141,750	117,330
Other Non-Audit Services performed by KPMG	-	25,000
Audit Services for Controlled entities performed by Other Auditors	1,000	2,000
	142,750	**144,330**

9 Net Interest Income

The following is the average rate for each major category of interest earning assets and interest bearing liabilities	2018 $	2017 $
Interest Earning Assets		
Interest Income from cash and cash equivalents, cash management funds and term investments	7,710,608	5,161,786
Average Earning rate from cash and cash equivalents, cash management funds and term investments	4.02%	2.57%
Interest Income from loans and advances	3,545,492	3,029,308
Average Earning rate from loans and advances	3.89%	3.95%
Interest Bearing Liabilities		
Interest Paid on deposits	(6,778,515)	(6,794,045)
Average Interest rate paid on deposits	2.04%	2.18%
Net Income	**4,477,585**	**1,397,049**
Net Interest Margin	1.94%	0.77%

10 Due from Other Financial Institutions

	2018 $	2017 $
Term Investment with Other Financial Institutions	70,526,928	123,447,558
Total Term Investment with Other Financial Institutions	**70,526,928**	**123,447,558**

11 Equity Investments

	2018	2017
	$	$
Income Securities at fair value	2,942,349	2,811,409
Overseas Equities at fair value	13,539,109	8,084,096
Listed Shares at fair value	27,325,925	14,903,070
Unlisted Shares at fair value	7,589,425	6,694,425
Units in Trusts at fair value	18,282,328	12,520,540
Total Equity Investments	**69,679,136**	**45,013,540**

12 Investment Properties

	2018	2017
	$	$
Balance at beginning of Year	136,920,000	122,000,000
Additions for the year	-	3,080,000
Net gain/(loss) from fair value adjustment	-	11,840,000
Balance at the end of the year	**136,920,000**	**136,920,000**

Investment properties are measured at fair value based upon an independent valuation performed by Knight Frank in January 2018. The valuation, which conforms to Australian Valuation Standards, was determined by reference to discounted cash flows. The model includes assumptions about the future prices of properties and expectations about future interest rates. Management have performed an assessment and do not believe the value at 31 December 2018 differs materially from this valuation.

The investment property held by the controlled entity Ecumenical Endeavours Pty Ltd is measured at fair value based upon an independent valuation by McGees Property in February 2017. Management have performed an assessment and believe the valuation as at 31 December 2018 does not differ materially to this valuation.

13 Property, Plant and Equipment

	2018 $	2017 $
Land and Buildings		
Land at Cost	7,187,343	7,187,343
Building at Cost	11,561,303	11,561,303
Religious Sites at Cost	9,382,972	9,382,972
Accumulated Depreciation	(3,877,041)	(3,644,060)
	24,254,577	**24,487,558**
Leasehold Improvements		
At cost	1,894,676	1,873,172
Less Depreciation	(1,303,864)	(1,158,894)
	590,812	**714,278**
Plant and equipment		
At cost	8,763,984	7,569,311
Accumulated Depreciation	(5,948,206)	(5,042,977)
	2,815,778	**2,526,334**
Motor Vehicles		
At cost	5,141,926	5,206,965
Accumulated Depreciation	(1,619,224)	(1,431,442)
	3,522,702	**3,775,523**
Work in Progress	**4,674,998**	**2,100,717**
Total Property, Plant and Equipment	**35,858,867**	**33,604,410**

14 Trade and Other Receivables

	2018 $	2017 $
Trade and Other Receivables		
Trade Receivables	782,379	989,776
Allowance for Doubtful Debts	-	(5,541)
	782,379	984,235
Other Receivables	4,060,816	5,385,021
Operating Lease Receivable	-	1,579,191
Long Service Leave Receivable	1,990,352	1,786,817
Accrued Interest Receivable	343,056	922,409
Total Trade and Other Receivables	**7,176,603**	**10,657,673**

15 Loans and Advances

	2018	2017
	$	$
Loans and Advances	113,314,132	75,179,245
By concentration of risk		
Parishes & Trusts	5,781,735	2,632,766
Diocesan Schools	81,872,804	57,167,962
Religious Order Schools	15,695,636	4,054,968
Catholic Organisations	9,963,957	11,323,549
Total Loans and Advances	**113,314,132**	**75,179,245**
By maturity		
Within 12 months	5,791,565	597,444
1-5 years	13,199,197	19,013,855
Over 5 years	94,323,370	55,567,946
Total Loans and Advances	**113,314,132**	**75,179,245**

The Provision for Impairment of Loans is Nil (2017: Nil)

16 Other Intangible Assets

	2018	2017
	$	$
Software at cost	465,355	465,355
Accumulated Depreciation	(465,355)	(464,313)
Total Intangible Assets	**-**	**1,042**

17 Deposits

	2018	2017
	$	$
Deposits at amortised cost	350,443,430	312,542,440
Concentration of Deposits		
Parishes	55,359,039	52,110,243
Diocesan Schools	133,722,813	107,693,382
Religious Order Schools	14,707,251	17,683,764
Catholic Organisations	127,002,407	115,575,369
Parishioners	19,651,920	19,479,682
Total Deposits	**350,443,430**	**312,542,440**
By maturity		
On call	340,702,430	304,571,440
Up to 3 months	2,865,000	1,685,000
3-6 months	1,773,000	415,000
Over 6 months	5,103,000	5,871,000
Total Deposits	**350,443,430**	**312,542,440**

18 Trade and Other Payables

	2018 $	2017 $
Trade and Other Payables		
Trade Payables	2,827,617	3,131,492
Other Payables	1,333,927	1,249,578
Amounts Payable to SA Commission for Catholic Schools Inc.	2,502,012	1,955,265
Accrued Interest Payable	119,484	130,824
Total Trade and Other Payables	**6,783,040**	**6,467,159**

19 Borrowings

	2018 $	2017 $
Unsecured		
Other Loan (Interstate CDF's) at amortised cost	10,000,000	10,000,000
Secured		
Bank Loan (ANZ) at amortised cost (i)	-	20,000,000
Bank Loan (NAB) at amortised cost (ii)	-	7,000,000
	10,000,000	**37,000,000**

Summary of borrowing arrangements

i) Secured by a mortgage over the Association's investment property located at 250 Victoria Square with a carrying value of $131,000,000 with the bank facility maturing in 2025. This facility can be drawn/repaid at any time up to a limit of $70 million.

ii) Secured by mortgage over the Association's deposits. This facility can be drawn/repaid at any time up to a limit of $25 million.

20 Derivative Liabilities

	2018 $	2017 $
Derivatives that are carried at fair value:		
Interest rate Swap	**2,704,963**	**2,263,683**

21 Provisions

	2018 $	2017 $
National Redress and Abuse Provision	**6,101,553**	**-**
Employee Benefits		
Current	4,916,763	4,604,420
Non-Current	305,522	376,345
Total Employee Benefits	**5,222,285**	**4,980,765**
Total Provisions	**11,323,838**	**4,980,765**

The Royal Commission into Institutional Responses to Child Sexual Abuse issued its final report, which included the Catholic Church, in December 2017. As part of the Australian Government's response to the Royal Commission, a National Redress Scheme for Institutional Child Sexual Abuse, has been established. The Catholic Church in Australia has joined this Scheme through Australian Catholic Redress Limited (ACRL). Management have determined it is probable the Association, as a participant entity of ACRL, will have obligations arising from participating in this Scheme. The provision has been estimated based on historical claims, expected claims and settlements. The maximum claims under the ACRL is $150k for financial compensation and $5k for counselling fees. Management have calculated an estimate of the future liability for the Association that may arise from being a participant entity.

The key assumptions that have the most significant effect on the provision recognised in the financial statements include:

- The number of claims per year;
- The average amount of each claim; and
- The probability of successful claims.

Actual results may differ from these assumptions.

22 Retained Earnings

	2018 $	2017 $
Balance at the beginning of the financial year	71,722,531	59,801,733
Profit/(loss) for the year	(7,918,096)	11,538,619
Profit attributable to Non-controlling Interests	(45,857)	(7,231)
Other comprehensive income	-	-
Transfer (to) / from reserves	8,687,983	389,410
Balance at end of financial year	**72,446,561**	**71,722,531**

23 Reserves

	2018	2017
	$	$
Share Investments	-	8,619,248
Government Funding	1,492,312	1,492,312
General	3,107,633	2,910,903
Catholic Charities	2,008,382	2,273,847
Catholic Education capital	5,509,553	5,509,553
Total Reserves	**12,117,880**	**20,805,863**

Share Investments Reserve
The share investment reserve recognises the revaluation of unlisted shares, listed shares and income securities, and the value of shares bequeathed to the Association. In accordance with the reclassification of equity investments to FVTPL under AASB 9, this reserve has been transferred to Retained Earnings.

Government Funding Reserve
The government funding reserve is equivalent to the value of capital grants contributed by the government for building projects on land owned by the Association and for equipment used, which has been transferred from retained earnings.

General Reserve
The general reserve is equivalent to the value of gifted and trust reserves for special allocations at the discretion of the Archbishop, towards assisting the pastoral objectives of the organisation, which has been transferred from retained earnings.

Catholic Charities Reserve
The catholic charities reserve is equivalent to the value of bequest amounts left to the Archdiocese of Adelaide for charity purposes, which has been transferred from retained earnings.

Catholic Education Capital Reserve
The catholic education capital reserve is funds required in the Archdiocese of Adelaide for building projects in education.

24 Non-controlling Interest

	2018	2017
	$	$
Non-controlling Interest	749,027	703,170
Total Non-controlling interest	**749,027**	**703,170**

The Association's equity interest in Ecumenical Endeavours Pty Ltd is 67% (2017: 67%). The Association has determined it exercises control over Ecumenical Endeavours Pty Ltd and accordingly has recognised this entity in the Consolidated Group. The following table summarises the information relating to the Non-controlling interest in this subsidiary.

	2018	2017
	$	$
NCI percentage (%)	**33%**	**33%**
Current Assets	216,797	122,382
Non-current Assets	3,109,870	3,080,000
Current Liabilities	(7,019)	(20,309)
Non-current Liabilities	(1,072,568)	(1,072,568)
Net Assets	2,247,080	2,109,505
Net Assets attributable to NCI	**749,027**	**703,170**
Revenue	198,233	107,101
Profit	137,575	21,692
Profit allocated to NCI	**45,857**	**7,231**

25 Restricted use of cash balances

	2018	2017
Included in cash and cash equivalents are the following amounts that are restricted:	$	$
Catholic charities legacy funds donated by bequests	2,018,383	2,273,847
Deductible gift recipient funds for Catholic Diocesan Charities Appeal	53,590	41,330
Seminary Legacy Funds donated by bequests	1,294,355	1,386,135

26 Commitments for expenditure

As at 31 December 2018 the Association has no commitments for expenditure.

27. Contingencies

(a) State Government Housing Agreement

The Association has the following housing agreements with the State Government in relation to grants that specifically funded building projects on land owned by the Association.

(1) The Association has an agreement with the Minister of Housing in relation to the capital grants contribution to the building renovations of the Hutt Street Care Centre managed by the Daughters of Charity on land registered to the Association. Under the terms of the agreement, the grant has been made on the basis that the Association continues to run the facility in accordance with its permitted use and for the term of 20 years (to the year 2024). The grant ($907,394) will be repayable to the Minister during this time if the above condition is not met by the Association during the term.

(2) The Association has an agreement with South Australian Community Housing Authority in relation to the capital grants contribution to the construction of Residential Units for the Ain Karim housing project on land at Fitzgerald Avenue, Enfield registered to the Association. Under the terms of the agreement the funding is amortised over a 30-year period after which the Association has complete ownership of the property. If the Association ceases using the property for the purpose of community housing it will have a liability to repay the grant ($584,917) on a proportionate basis.

(b) School Leasing Facilities

The Association has guaranteed leasing facilities for equipment in education of the Archdiocese of Adelaide to the value of $Nil (2017: $208,080). The Association has also been named as the legal entity, but not supplied a guarantee, on leasing facilities for equipment in education to the value of $122,457.

(c) Legal Expenditure

The Association incurs legal fees concerning Archdiocesan operations. An asset may arise being a possible recovery from Catholic Church Insurances upon determination of these matters. A liability may arise from legal matters for which there is no insurance and outcomes are yet to be determined.

(d) Employee Benefit Contingency

The Association engages a number of employees under contracts which include a Right of School Return Clause which requires the Association to provide a position in a school on completion of the contract with the Association. Should no such position be available a liability may arise to the Association. This contingency is estimated at $12 million based on existing contracts at the end of the period. This is not included as a liability to the Association as at balance date as it is expected school positions would exist for these employees.

(e) National Redress Contingency

The Association has agreed to participate in the Catholic entity, Australian Catholic Redress Ltd (ACRL), established to administer the Catholic Church's involvement with the National Redress Scheme. The entity provides for cross financial guarantees amongst participants (legislative requirement), with the advantage of a statutory release across participants within the group. Any cross-indemnity required as members of the ACRL would be limited to 5.5% of any unmet liability.

28 Cash flow reconciliation

	2018 $	2017 $
Profit/(loss) for the year	(7,918,096)	11,538,619
Add/Less Non Cash Items and Cash from Investing or Financing Activities:		
(Gain)/loss on derivatives	441,280	175,834
Depreciation and amortisation expense of non-current assets	2,207,487	2,134,467
(Gain)/loss on sale of fixed assets	(218,908)	(341,402)
(Gain)/loss on equity investments	4,148,696	-
Investment income	(12,195,244)	(11,785,295)
Interest paid on borrowings related investments	1,041,404	1,323,243
Borrowing costs	839,944	776,374
Investment property revaluation		(11,840,000)
	(3,735,341)	(19,556,779)
Movements in Assets and Liabilities:		
Decrease/(increase) in receivables	3,481,070	(615,255)
Decrease in associates	-	695,868
(Increase)/decrease in loans and advances	(38,134,887)	15,554,762
Decrease in amounts due from other financial institutions	52,920,630	12,148,980
Increase in payables	315,881	1,144,354
Non-cash Increase in payables due to consolidation of newly controlled entity		(1,092,262)
Non-cash reduction in receivable due to consolidation of newly controlled entity		(596,877)
Increase/(decrease) in provisions	6,343,073	(487,667)
Increase in deposits	37,900,990	971,122
Increase in income in advance	87,276	184,402
	62,914,033	27,907,427
Net Cash Flows from Operating Activities	**51,260,596**	**19,889,267**

29 Fair value of financial instruments

(a) Fair values

The aggregate fair value of financial assets and financial liabilities, both recognised and unrecognised at the reporting date of the Association, are as follows:

	Total carrying amount as per Statements of Financial Position		Aggregate net fair value		Fair value hierarchy
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	
Financial assets					
Due from Other Financial Institutions	70,527	123,448	70,577	123,497	Level 1
Equity Investments	69,679	45,014	69,679	45,014	Level 1 and 3
Loans and Advances	113,314	75,179	113,314	75,179	Level 3
Total	253,521	243,641	253,570	243,690	
Financial liabilities					
Deposits	350,443	312,542	350,443	312,542	Level 3
Derivative Liabilities	2,705	2,264	2,705	2,264	Level 2
Borrowings	10,000	37,000	10,000	37,000	Level 3
Total	363,148	351,806	363,148	351,806	

The following methods and assumptions were used to determine the fair values of financial assets and liabilities:

Due from Other Financial Institutions:
These financial assets represent the Association's liquidity portfolio and are comprised of FRN investments and term deposits held with Australian Domiciled ADIs. Where the FRN investments have a residual maturity of greater than twelve months, the fair value of those investments have been reported at their current market values. The fair values of all other investments are reported at their carrying values, as these investments mature in less than 12 months and the rate of returns is the same as the current market rates for term deposits having substantially the same terms and conditions. Therefore, the carrying amount of these investments is a reasonable estimate of fair value.

Equity Investments:
The fair value of income securities and listed shares are determined with reference to the quoted market prices. The fair value of unlisted shares is determined with reference to the respective entity's net assets.

Loans and Advances:
The Association is the main provider of loans and advances to non-laity entities of the Catholic Archdiocese of Adelaide. The lending terms are set by the Association with regard to other Diocese rates, commercial market rates and the cost of funds to the Association. There is no external market for loans to Diocesan entities with the Association able to set the price on both Loans and Deposits. The carrying value is measured as the net realisable value of Loans and Advances and represents their fair value.

Deposits:
The Association is the only holder of Deposits for non-laity entities of the Catholic Archdiocese of Adelaide. There is no external market for Deposits with the Association able to set the interest rate at its discretion. The fair value is therefore set at the carrying value of all Deposits.

Derivative Liabilities:
The fair value of interest rate swaps are determined with reference to the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Borrowings:
The fair value of borrowings is equal to the carrying value due to the short term nature of each drawdown on the facility being 30 days at variable interest rates.

(b) Fair value hierarchy

The table below analyses the Associations financial instruments carried at fair value.

Different levels have been identified as follows:

- Level 1: Quoted Prices in active markets for identical assets and liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets and liabilities either directly (i.e.: as prices) or indirectly (i.e.: derived from prices)
- Level 3: Inputs for assets and liabilities that are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2018				
Equity Investments				
Income Securities	2,942	-	-	2,942
Listed	27,326	-	-	27,326
Unlisted	-	-	7,589	7,589
Overseas Equities	13,539	-	-	13,539
Units in Unit Trusts	18,282	-	-	18,282
Derivative Liabilities		2,705	-	2,705
2017				
Equity Investments				
Income Securities	2,811	-	-	2,811
Listed	14,903	-	-	14,903
Unlisted	-	-	6,694	6,694
Overseas Equities	8,084			8,084
Units in Unit Trusts	12,521			12,521
Derivative Liabilities	-	2,264	-	2,264

30 Leasing arrangements

Operating leases relate to the investment properties owned by the Association with lease terms of between 5 to 15 years, with an option to extend for a further 5 to 10 years. All operating lease agreements contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The income earned by the Association from its investment properties is shown as investment income and the direct operating expenses arising on the investment properties are included as occupancy expenses in the Statement of Profit or Loss and Other Comprehensive Income.

31 Related Party Disclosures

The Association is a religious structure which is governed by Canon Law and Civil Law as Catholic Church Endowment Society Inc. The Archbishop is the sole member of the Association. Control of government funded agencies of the Archdiocese, for example Centacare and Catholic Schools, is as directed by relevant government bodies, including the Education and Welfare departments of both State and Federal Government. These agencies are therefore not included in the Consolidated Financial Statements of the Association as control over their activities is governed by the funding source.

Canonically, Catholic Parishes of the Diocese are autonomous from the Archdiocese, whilst civilly all assets are owned by the Association as the legal entity. These assets are not recorded within the Consolidated Financial Statements of the Association it has no control over these assets under Canon Law.

Whilst there is no control evident over Catholic Parishes or Schools operating in the Archdiocese, or over the agency Centacare, these are related due to the nature of the religious group. Transactions between these related parties include the following:

- Treasury Functions
- Motor Vehicle Supply
- ICT Services
- Payroll Services
- Property Services
- Parish collections for support of Priests and Archdiocesan operations.

32 Consolidated Entities

The entities currently controlled by the Association and included in the consolidated financial statements are:

- The Catholic Education Office
- The Diocesan Presbytery Fund
- The Catholic Diocesan Charities Appeal
- The Seminary Fund
- Ecumenical Endeavours Pty Ltd
- Catholic Church Early Years Inc.

33 Subsequent Events

Subsequent to balance date, there have been no events which would have a material effect on the Consolidated Entity and the Association's financial statements as at 31 December 2018.