

LONG SERVICE LEAVE BOARD

INTRODUCTION

The Board of the Anglican Church of Australia Long Service Leave Fund (the Fund) presents its report for the period 1 January 2017 to 31 December 2021. The report is made in accordance with section 16 (2) of the Long Service Leave Canon 2010.

The audited Annual Financial Reports as at 31 December 2017, 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 are included in this report as Annexure 2, Annexure 3, Annexure 4, Annexure 5 and Annexure 6.

PURPOSE

The Fund was established to provide a benefit to participants to help meet the costs of long service leave. Participants may include members of clergy and lay ministers/chaplains and theological lecturers of participating dioceses or participating organisations.

The Fund continues to:

- receive monies in respect of:
 - contributions from participating dioceses and organisations; and
 - earnings on the Fund's investments.
- make payments in respect of:
 - long service leave benefits paid to participating dioceses and organisations; and
 - administrative expenses and professional fees.

A brief snapshot of Fund statistics is as below:

	31 December 2017	31 December 2018	31 December 2019	31 December 2020	31 December 2021
Number of participants	1,724 active 395 "in limbo"	1,711 active 442 "in limbo"	1,698 active 464 "in limbo"	1,685 active 489 "in limbo"	1,653 active 544 "in limbo"
Notional annual stipend	\$72,439	\$72,964	\$74,399	\$75,822	\$76,134
Contribution Amount	\$1,524	\$1,536	\$1,560	\$1,596	\$1,596
Sabbatical Allowance	\$50,707	\$58,371	\$59,519	\$60,657	\$60,907

Note: Fund participants who are not active, and are not accruing LSL benefits, are said to be "in limbo". They retain their entitlement to any accrued benefit LSL benefit and may return to an active participant state in the future.

SUBSTANTIVE ISSUES DURING THE PERIOD**Change in Accrual Rate**

At the Seventeenth Session of General Synod in September 2017, the General Synod accepted a revision of the Long Service Leave Canon as recommended by the Long Service Leave Board, and the accrual rate was re-established at 1.0 week of long service leave for each completed year of service. This enabled the Long Service Leave Board to provide a restoration of the Sabbatical Allowance to 80% and this was accepted by Standing Committee in December 2017 and took effect from 1 January 2018.

COVID-19 Pandemic

At the time of writing, the COVID-19 pandemic is continuing to have a major impact on the life and activities of Australians. Marked changes in investment values, people movement and patterns of leave taken began in March 2020 and monitoring and responding to changing investment values and leave activities were the principle focus of Board meetings during 2020 and 2021.

After significant value reductions in investment values in March and April 2020 the Board prepared contingency measures to ensure that the Fund was financially sound throughout the period. Fortunately, these measures proved unnecessary as investment values recovered well and the reduction in leave taken helped to maintain a strong position.

In November 2021 the Board was able to advise the Standing Committee that:

In the past eighteen months the Anglican Long Service Leave Fund's ("the Fund") investments have regained the notional loss reported in April 2020. While investment values remain generally positive, the Board remains concerned that volatility related to the ongoing economic impact of the COVID-19 pandemic suggest that there is a need to continue careful observation for some months to come.

Fund assets have increased from \$42.6 million in Dec 2019 to \$50.0 million in December 2021, the Fund continues to have a positive 'buffer' between assets and total liabilities of \$12.1million (163% of the Past Service Liability).

The Fund is managing the leave without having to draw significant additional funds from the Investment Portfolio (600k in December 2021). Given the present uncertainties the Fund is forecasting lower leave rates until the second half of 2022 and is confident that cash reserves will be available for leave whenever it is taken.

	2021 \$m	2020 \$m	2019 \$m
Cost of Leave Taken	\$3.063	\$2.372	\$4.544
Contributions Made	\$2.675	\$2.558	\$2.574

Change in Investment Management

Following the reappointment of investment managers Pental (see note on Board reviews below) the Board engaged with Pental to find ways to reduce fees while remaining in control of the type and nature of investments. In mid-2020, Pental informed the Board that it was now able to offer ethically screened investment funds. It was confirmed that it was possible to meet all of the Fund's investment prohibitions (weapons, alcohol, gaming, etc.).

The Board considered that utilising Investment funds would yield a number of benefits for the Long Service Leave Fund. It would be possible to reduce fees, participate in a wider pool of investments, while ensuring that if necessary large sums of cash could be made available within three days.

In the second half of 2020, the Long Service Leave Fund investment portfolio was transitioned into Pental's Sustainable Investment Funds, at no cost to the Long Service Leave Fund.

BOARD REVIEWS DURING THE PERIOD

The Long Service Leave Board has undertaken a number of governance and management reviews to ensure the ongoing health of the Fund, and that it continues to operate efficiently and effectively in delivering this long-term benefit to Fund participants, Dioceses and participating organisations.

Board Effectiveness Review

In recent years, the results of Court cases and Royal Commissions have demonstrated the need for Boards (including subsidiary boards) to attend to their governance arrangements - both formal and informal.

In 2018, the Long Service Leave Board undertook a formal review of its effectiveness as a Board. The review, undertaken by Tempo Strategies, was to enable Board members to focus on areas for improvement and to ensure that their practice is consistent with contemporary understandings of good governance. The Board has adopted a Charter which sets out the role, structure, responsibilities, operations culture and practices of the Board of the Anglican Long Service Leave Fund.

Investment Manager Review

In 2019, the Long Service Leave Board resolved to review the Investment Manager and investment options of the Fund. The Board initiated a full tender process which was managed by the Fund's Asset Consultant (McGing Advisory and Actuarial) which resulted in submissions from nine investment management firms that were eventually shortlisted to three. The three shortlisted investment management firms were requested to present their proposed solutions to the Board and evaluated on a number of criteria including investment performance/returns, fees, reporting and their commitment to ethical investment.

After a very detailed and comprehensive assessment of requirements, the Board have re-appointed Pandal Group Ltd as Investment Manager for the Fund, and agreed:

- a revised investment portfolio to meet the performance objectives of the Fund and provide diversification benefits,
- a dynamic and strategic asset allocation model,
- a reduction in fees and to minimise transaction costs,
- to maintain investments in sustainable and ethical Funds,
- to continue to improve reporting on performance, market and ethical investments.

Administration Review

In 2019, the Long Service Leave Board also undertook a review of the administration services provided by the General Synod Office, to provide clarity on the cost effectiveness and efficiency of the services provided, the clarity of contracted services levels agreed, and to identify opportunities for improvement. The Long Service Leave Board appointed Grant Thornton Australia Ltd to undertake this review. This review included an online customer satisfaction survey that was sent to all Diocesan Fund Administration contacts nationally, as well as one-on-one interviews with Board members and the Diocese Fund Administration contacts for the 5 Metropolitan Dioceses and the Diocese of Canberra/Goulburn.

The key finding of the review was that whilst stakeholders were satisfied with the current quality of services, there was broad consensus that efficiency and quality could be improved by the greater use of technology as currently there is extensive use of manual processes. As a result, the Board have agreed a program of improvement projects to be delivered in stages over the next 2-3 years. The Board also reviewed the management and administration services provided by the General Synod Office and have accepted a proposal by the General Synod Office to continue as the Fund Administrator with a revised fee structure.

During 2021 the Board has investigated new technology options. After an extensive review a software provider has been selected, who specialises in the portable long service leave space. It is anticipated that a contract will be signed in the first part of 2022. The implementation should be completed in late 2022 with a go live date of late 2022.

GOVERNANCE

Long Service Leave Board

The Long Service Leave Board, as constituted under Part II of the Long Service Leave Canon 2010, is responsible for the stewardship of the Fund and its long-term sustainability. The Board meets quarterly throughout the year to receive and to consider various Fund matters including the Fund's administration, the investment of Fund monies, actuarial and other reports, and to consider matters relevant to the Fund's operation.

Clause 3. (2) (d) of the Long Service Leave Canon permits the Board to appoint two members of the Board. Mrs Leeanne Zamagias was appointed in accordance with this provision in November 2019. Mrs Zamagias, then Registrar of the Diocese of the Northern Territory, was appointed for a period of three years, a period spanning the next General Synod. The Board Effectiveness Review had recommended that the Board make use of the provision to assist in

providing continuity of Board membership following General Synod elections. As noted below four of the seven elected members of the Board retire at this General Synod, and although three are eligible for re-election it is likely that only one person will make themselves available.

The members of the Long Service Leave Board (the Board) as at 31 December 2021 were as follows:

	Date of Appointment
Bishop Allan Ewing (House of Bishops)	3 July 2014
Reverend Robert Weekes (House of Clergy)	4 July 2014
Reverend Dr Andrew Ford (House of Clergy)	7 September 2017
Mr Douglas Marr (House of Laity)	7 October 2004
Mr Christopher Nelson (House of Laity)	7 September 2017
Mr Allan Thomson (House of Laity)	26 July 2001
Mrs Leeanne Zamagias (Board Appointment)	29 November 2019
	Date of Resignation
Mr James Flavin (House of Laity)	11 May 2021

The terms of appointment of Bishop Ewing, Reverend Weekes, and Mr Thomson expire at this Eighteenth Session of General Synod. There is a vacancy due to Mr James Flavin's resignation. Reverend Weekes and Mr Thomson are available for re-election.

The Board has established an Audit & Risk Committee to assist with the execution of its functions.

Advisors

The Board has appointed the following advisors:

- Actuary – Mr David O’Keefe FIAA, ALEA Actuarial Consulting Pty Ltd.
The Canon requires the Board to procure the advice of an Actuary for the exercise of all its powers that require actuarial knowledge or judgement
- Asset Consultant – Mr Sean McGing FIAA, McGing Advisory and Actuarial.
The Asset Consultant monitors and advises on the suitability and performance of the Fund's investments, and on risk management issues.
- Investment Manager – Pandal Group Ltd.
The Fund's monies are invested in an investment portfolio comprised of a mix of sustainable assets that is expected to provide a balance of investments across a range of asset classes and to produce a reasonably stable rate of investment earnings in future years.

Administration

The Board engages the services of the General Synod Office of the Anglican Church of Australia to administer the Fund. The General Synod Office is responsible for the day-to-day operation and management of the Fund. The Fund pays an annual administration fee to the General Synod Office for the provision of this service. This fee is reviewed and approved annually by the Board.

FUND OVERVIEW**Notional Stipend**

The Notional Stipend is reviewed annually by the Board. The Standing Committee of General Synod upon advice by the Board approves the rate of the Notional Stipend which is used to determine the contributions to the Fund and the amount paid for long service leave taken.

The Notional Stipend and Contribution Rates for the 2014 to 2021 reporting periods are listed in the table below:

Year	Notional Stipend (\$)	Change (%)	Contributions per Person per Annum (\$)	Change (%)
2014	67,871	-	1,320	-
2015	69,435	2.3	1,460	10.6
2016	71,457	2.9	1,500	2.7
2017	72,439	1.4	1,524	1.6
2018	72,964	0.7	1,536	0.8
2019	74,399	2.0	1,560	1.6
2020	75,822	1.9	1,596	2.3
2021	76,134	0.4	1,596	-
2022	77,922	0.2	1,596	-

The Sabbatical Allowance payable when a participant takes a period of long service leave is determined as a percentage of their entitlement in respect of the leave taken. For the period 1 January 2017 to 31 December 2017, the sabbatical allowance was 70%. Since 1 January 2018, the sabbatical allowance has been maintained at 80%.

Investments

The Fund's investment objective is:

“To achieve a real rate of return over rolling 3 year periods of 3.5% per annum net of external investment management expenses and adjusted for tax effects.”

The Fund's monies are invested in an investment portfolio managed by Pandal Group Limited with oversight provided by McGing Advisory & Actuarial. The Fund's investment portfolio, previously a combination of several asset classes, has been transitioned to a mix of two investment funds, being the Pandal Sustainable Balanced Fund and the Pandal Sustainable Conservative Funds, consistent with the Board's approved solution of a 60% growth and 40% defensive (60/40) balance.

As at 31 December 2021, the mix held to achieve the 60/40 balance is 74% in the Sustainable Balanced Fund and 26% in the Sustainable Conservative Fund.

The asset allocation of the Fund's investments in Pandal's Sustainable Funds at 31 December 2021 was as follows:

	Actual (%)	Benchmark (%)	Actual vs Benchmark (%)
Percentage Invested in Approved Funds			
Pendal Sustainable Balanced Fund	73.6	68.7	5.0
Pendal Sustainable Growth Fund	26.44	31.3	-5.0
Growth Assets Weighted Contribution in Approved Funds			
Pendal Sustainable Balanced Fund	53.17	-	-
Pendal Sustainable Growth Fund	8.59	-	-
Total Growth Assets in ALSLF	61.76	60.0	1.2
Weight Limits for Rebalancing			
Upper limit for Growth		65.0	
Rebalancing upper limit for Growth		62.5	
Rebalancing lower limit for Growth		57.5	
Lower limit for Growth		55.0	

The fair value of and returns on the Fund investments since 2014 were:

Year	Value of Investments (\$'000)	Investment Returns (%)
2014	37,816	11.0
2015	37,938	6.2
2016	38,786	7.0
2017	40,975	8.8
2018	38,472	-0.9
2019	42,656	17.6
2020	44,445	4.9
2021	50,029	15.0

Benefits Paid

The cost of participants' long service leave benefits is met from two sources – contributions paid into the Fund and investment earnings achieved on the Fund's assets.

The contributions received and investment earnings compared to long service leave benefits paid to participants for the 2014 to 2021 reporting periods are summarised below:

Year	Contributions Received (\$'000)	Investment Earnings (\$'000)	Benefits Paid (\$'000)	Cash Surplus / (Deficit) (\$'000)
2014	2,351	2,031	3,800	582
2015	2,570	2,147	3,869	848
2016	2,630	2,000	3,994	636
2017	2,557	2,224	3,980	801
2018	2,614	1,683	4,477	(180)
2019	2,563	1,718	4,544	(263)
2020	2,558	1,602	2,372	1,788
2021	2,675	4,341	3,063	3,953

Note: Cash Surplus is before administration expenses and management fees.

The Fund adopts a long-term investment strategy which means that favourable earnings over the last few years have contributed to the Fund's surplus assets, which manages the risk when there are periods where investment earnings are more volatile or where benefits paid to participants are high.

Valuation

A valuation (for accounting purposes) of the long service leave obligations of the Fund is undertaken each year by the Fund Actuary and represents the estimated value at the end of the reporting period of the future benefits payable that have been accrued by participants up to that date. The valuation is done in accordance with applicable Australian Accounting Standards and is disclosed in the annual report of the Fund.

The value of the Fund (for accounting purposes) is as follows:

	31 Dec 17 (\$'000)	31 Dec 18 (\$'000)	31 Dec 19 (\$'000)	31 Dec 20 (\$'000)	31 Dec 21 (\$'000)
Assets (<i>excl. LSL benefits due and payable</i>)	42,598	39,807	44,231	45,338	51,138
LSL Benefits payable (<i>from the actuarial valuation</i>)	31,473	31,422	34,107	36,156	36,615
Net Assets	11,125	8,385	10,124	9,182	14,523

At each of the reporting dates during the period of this report, the Fund has held assets in excess of the long service leave obligations payable.

The Board has also adopted a program of biennial valuations (more detailed valuations for funding purposes) and quarterly financial updates to monitor the Fund's short-term and long-term solvency and financial strength.

Actuarial Report

A report by the Actuary which provides Fund participants, dioceses and participating organisations additional information on the various matters relevant to the current and future operation of the Fund is available on the General Synod Members GS18 Portal at www.anglican.org.au.

Date of Report: 31 January 2021

Annexure 1: Report on number of active participants

Annexure 2: Annual Financial Report at 31 December 2017

Annexure 3: Annual Financial Report at 31 December 2018

Annexure 4: Annual Financial Report at 31 December 2019

Annexure 5: Annual Financial Report at 31 December 2020

Annexure 6: Annual Financial Report at 31 December 2021

ANNEXURE 1

The table below shows the number of active participants as at the date of this report for all dioceses and participating organisations.

Diocese / Participating Organisation	Number of Full Time Participants	Number of Part Time Participants	Total Number of Participants
Dioceses			
Adelaide	49	12	61
Armidale	35	1	36
Ballarat	10	6	16
Bathurst	18	1	19
Bendigo	23	14	37
Brisbane	102	26	128
Bunbury	18	6	24
Canberra and Goulburn	45	11	56
Gippsland	20	2	22
Grafton	25	9	34
Melbourne	191	67	258
The Murray	14	1	15
Newcastle	57	3	60
North Queensland	17	2	19
Northern Territory	8	4	12
North West Australia	13	4	17
Perth	74	18	92
Riverina	9	4	13
Rockhampton	10	2	12
Sydney	498	62	560
Tasmania	44	13	57
Wangaratta	13	-	13
Willochra	10	1	11
Sub-total	1,303	269	1,572
Participating Organisations			
Anglican Community Services t/as Anglicare	27	3	30
Australian Bush Missions (ABM)	1	-	1
Bush Church Aid (BCA)	6	2	8
CMS NSW	16	1	17
CMS WA	1	-	1
CMS VIC	3		3
Ridley College	6	4	10
Trinity Network of Churches	11	-	11
Total Active Participants	1,374	279	1,653



The Anglican
Church of
Australia

LONG SERVICE LEAVE FUND

ABN 53 579 792 912

ESTABLISHED BY CANON OF GENERAL SYNOD

ANNUAL REPORT
31 December 2017

LONG SERVICE LEAVE FUND BOARD AND DIRECTORS OF TRUSTEE:

Ms L. Beagley (ceased 7 September 2017)
Bishop A.B. Ewing
Mr. J.W. Flavin
The Rev'd Dr A. Ford (appointed 7 September 2017)
Mr D.S. Marr
The Rev'd T.J. Mildenhall (ceased 7 September 2017)
Mr C. Nelson (appointed 7 September 2017)
Mr. A.A.L. Thomson
The Rev'd R.J.C. Weekes

ADMINISTRATION MANAGER:

Ms S. Mayers

FUND ADMINISTRATION MANAGER:

General Synod of the Anglican Church of Australia

INVESTMENT MANAGER:

BT Investment Management Limited
Level 15, 2 Chifley Square
Sydney NSW 2000

AUDITOR:

KPMG
Level 38, Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

ACTUARY:

Mr David O'Keefe
Alea Actuarial Consulting Pty Ltd
Level 10, 50 Clarence Street
Sydney NSW 2000

ASSET CONSULTANT:

Mr Sean McGing
McGing Advisory and Actuarial
Level 13, 160 Queen Street
Melbourne VIC 3000

BANKERS:

Westpac Banking Corporation

TRUSTEE:

Anglican Long Service Leave Fund Limited

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**ABN 53 579 792 912****Contents**

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ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**For the year ended 31 December 2017****Long Service Leave Fund Board report**

The Long Service Leave Fund Board and Directors of Trustee (“the Board”) presents its report together with the financial report of the Anglican Church of Australia Long Service Leave Fund (“the Fund”) for the year ended 31 December 2017 and the independent auditor’s report thereon.

Chairman’s Report

During the year the Board concluded the resolution of a fundamental matter regarding the level of benefits provided by the Fund.

With the implementation of the 2015 Canon the accrual rate for leave increased from 1.0 week per completed year of service to 1.3 weeks. In 2015 the Board received actuarial advice that it would not be possible for the Fund to fund the increase in accrual at the same time as keeping the Sabbatical Allowance at 80% and without significant increase to the contribution required for each beneficiary. During 2016 and 2017 the Board worked with the Standing Committee of General Synod, and subsequently with General Synod to find a way of maintaining a Sabbatical Allowance at a rate of 80%. As an interim measure the Board proposed a staged reduction of Sabbatical Allowance. These proposals were accepted by the Standing Committee and the Allowance moved to 75% in 2016 and then 70% in 2017.

In 2017 General Synod accepted a revision of the Canon recommended by the Board, and the accrual rate was re-established at 1.0 week of service for each completed year of service. This enabled the Board to propose a restoration of the Sabbatical Allowance to 80% and this was accepted by Standing Committee in December 2017, to take effect from 1 January 2018.

These changes have had a significant impact on the calculation of Total Liability presented in the financial statements. The Total Liability of the Fund is a complex calculation which includes estimates of future service and future earnings of every person covered by the Fund. As such it includes an estimate of the timing of leave taken and exits from the Fund.

The change in entitlement to 1.3 weeks resulted in a reduction of the Total Liability as the actuarial assessment assumed that beneficiaries would take leave over a longer period. At 31 December 2014 this reduced the total liability by \$1.527 million as an extraordinary one-off adjustment. The Total Liability was also reduced by the Sabbatical Allowance changes in 2016 and 2017.

At the end of 2017 the calculation of the Total Liability recognizes the restoration of the leave accrual and Sabbatical Allowance rates to those which operated before 2015. This has resulted in an extraordinary, one-off, increase in Total Liability of \$3.131 million. Of this, \$1.789 million relates to the change in timing of benefit payment as the accrual changes from 1.3 weeks to 1.0 weeks, and \$1.342 million relates to the restoration of an 80% Sabbatical Allowance.

The accounts for the year show a deficit of \$2.364 million after deducting the change in valuation related to changes in entitlement of beneficiaries. The accumulated reserves of the Fund had previously benefited from the recalculations of 2014, 2015 and 2016; benefits which are now reversed as the 2017 calculations reflect the current rate of accrual and Sabbatical Allowance returning to those that existed prior to 1 January 2015.

The Board is confident that Total Liability accurately reflects the position of the Fund, and no substantial changes in entitlement or calculation are proposed or anticipated.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**For the year ended 31 December 2017****Long Service Leave Fund Board report (continued)****Investments**

The Fund's investments continued to be managed by BT Financial Group Limited during the year, under the supervision of the Board and in accordance with approved guidelines and strategies.

Notional stipend and contribution levels

Year	Notional Stipend \$	Increase %	Contributions	
			Per Person Per Annum \$	Increase %
2007	43,277	5.03	996	2.47
2008	46,525	7.51	996	0.00
2009	55,581	19.46	1,044	5.00
2010	56,502	1.60	1,044	0.00
2011	59,428	5.17	1,100	5.36
2012	62,102	4.50	1,140	3.65
2013	64,899	4.50	1,188	4.50
2014	67,871	4.58	1,320	11.10
2015	69,435	2.30	1,460	10.60
2016	71,457	2.91	1,500	2.74
2017	72,439	1.37	1,524	1.60
2018	72,964	0.72	1,536	0.78

Principal activities

The principal activities of the Fund during the course of the year were receiving contribution income from participating organisations, making long service leave payments to participating organisations and investing funds with BT Financial Group Limited.

The Anglican Church of Australia Long Service Leave Fund pays an annual fee to the General Synod of the Anglican Church of Australia (Fund administration manager) for the provision of management services.

Operating and financial review

The net loss from ordinary activities for the year 2017 amounted to \$2,363,617 (2016: loss of \$425,099).

The long service leave liability as at 31 December 2017 (\$31.473m) is 14% greater than was calculated in the prior year (\$27.592m).

This figure represents the estimated value as at 31 December 2017 of the future payment of benefits that have been accrued by participants up to that date.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**For the year ended 31 December 2017****Long Service Leave Fund Board report (continued)****Operating and financial review (continued)**

Item	Financial Impact over the year to 31 December 2017
<ul style="list-style-type: none"> • A change in the level of “forward rate” yield curve assumed in the valuation of the liability which resulted in a slight increase in the LSL liability as at 31 December 2017; • a change in the participants “in limbo” assumptions used in the valuation of the liability which resulted in a decrease in the LSL liability as at 31 December 2017; • an increase in the Sabbatical Allowance from 70% to 80% effective from 1 January 2018 which resulted in an increase in the LSL liability as at 31 December 2017; • a decrease in the entitlement accrual rate resulting from implementation of the LSL (Revision of Entitlement) Canon 2017 which results in an increase in the LSL liability as at 31 December 2017. 	approx. +\$3 million
<ul style="list-style-type: none"> • The payment of LSL benefits to participants during the year which resulted in a reduction in the LSL liability as at 31 December 2017. 	approx. -\$3.9 million

It also changes from year to year to reflect the effect of being valued under the Australian Accounting Standard AASB137. The related increases or decreases in the value of participants' benefits (as a group) result from:

Item	Financial Impact over the year to 31 December 2017
<ul style="list-style-type: none"> • The increase in the Notional Stipend (0.7% per annum) was less than assumed previously (3.0% per annum) resulted in a decrease in the LSL liability as at 31 December 2017. 	approx. -\$0.2 million

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**For the year ended 31 December 2017****Long Service Leave Fund Board report (continued)****Operating and financial review (continued)**

Item	Financial Impact over the year to 31 December 2017
<ul style="list-style-type: none"> • The accrual of further LSL benefit entitlements for participants through the year which resulted in an increase in the LSL liability as at 31 December 2017 • The effect of a variety of factors that generally have only a relatively small financial impact. 	approx. +\$4.9 million

Fund Manager

Ms S. Mayers.

Environmental regulation

The Fund is not subject to any significant environmental regulations under either Commonwealth or State legislation.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Board, to affect significantly the operations of the Fund, the results of its operations, or the state of affairs of the Fund, in future financial years.

Likely developments

It is not envisaged that the activities of the Fund will significantly change in the next financial year.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**For the year ended 31 December 2017****Long Service Leave Fund Board report (continued)****Indemnification and insurance of officers*****Indemnification***

During the financial year the Fund paid \$Nil (2016: \$Nil) in premiums in respect of insurances including Directors' and Officers' liability. As an associated or affiliated body of the General Synod the Fund is covered under the General Synod of the Anglican Church of Australia umbrella insurance policies including the Directors and Officers and Company Liability Insurance Liability Policy.

Since the end of the previous financial year, the Fund has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of the Fund.

Signed in accordance with a resolution of the directors at a duly constituted meeting:

Dated at Sydney this 22nd day of May 2018.



Douglas Marr



Allan Ewing



Independent Auditor's Report

To the Board of The Anglican Church of Australia Long Service Leave Fund

Opinion

We have audited the **Financial Report** of *The Anglican Church of Australia Long Service Leave Fund (the Fund)*.

In our opinion, the accompanying Financial Report presents fairly, in all material respects, the financial position of *The Anglican Church of Australia Long Service Leave Fund* as at 31 December 2017, and of its financial performance and its cash flows for the year then ended, in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Long Service Leave Canon 2010 (as amended in 2017)*.

The **Financial Report** comprises:

- Statement of financial position as at 31 December 2017
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Long Service Leave Fund Board Declaration

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 Fund in accordance with 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.

Restriction on use and distribution

The Financial Report has been prepared to assist the Trustee Directors of The Anglican Church of Australia Long Service Leave Fund in complying with the financial reporting requirements of the *Long Service Leave Canon 2010 (as amended in 2017)*.

As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the *Trustee Directors* of The Anglican Church of Australia Long Service Leave Fund and its members and should not be used by or distributed to parties other than the *Trustee Directors* of The Anglican Church of Australia Long Service Leave Fund and its members. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial



Report to which it relates, to any person other than the *Trustee Directors* of The Anglican Church of Australia Long Service Leave Fund and its members or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in The Anglican Church Of Australia Long Service Leave Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the *Directors' Long Service Leave Fund Board report*.

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 Trustee Directors for the Financial Report

The Trustee Directors of the Board are responsible for:

- the preparation and fair presentation of the Financial Report in accordance with the Australian Accounting Standards- Reduced Disclosure Requirements and the *Long Service Leave Canon 2010 (as amended in 2017)*.
- implementing necessary internal control to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error
- assessing the Fund'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 Fund 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:

- 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 *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.

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

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink, appearing to be 'Cameron Roan', written over a horizontal line.

Cameron Roan
Partner

Sydney

22 May 2018

Long Service Leave Fund Board declaration

In the opinion of the Board of the Anglican Church of Australia Long Service Leave Fund

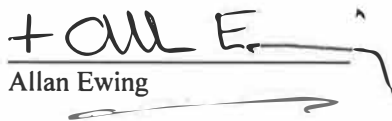
- (a) the Long Service Leave Fund is a reporting entity;
- (b) the financial statements and notes thereto, set out on pages 12 to 32, are drawn up, in accordance with the basis of accounting described in Notes 2 and 3, so as to present fairly the financial position of the Long Service Leave Fund as at 31 December 2017 and its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date; and
- (c) there are reasonable grounds to believe that the Long Service Leave Fund will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 22nd day of May 2018

Signed in accordance with a resolution of the directors at a duly constituted meeting:



Douglas Marr



Allan Ewing

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of profit or loss and other comprehensive income

For the year ended 31 December 2017

	Notes	2017 \$	2016 \$
Revenue			
Contribution revenue	11	2,556,988	2,630,347
Income from investments	9	2,224,293	2,000,269
Gain on sale of investments		525,806	2,540,059
Net change in fair value of financial assets		656,360	(1,962,924)
Expenses			
Administrative expenses	10	(466,182)	(479,262)
Increase in value of long service leave liability	8	<u>(7,860,882)</u>	<u>(5,153,588)</u>
Loss for the period		<u>(2,363,617)</u>	<u>(425,099)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the period		<u><u>(2,363,617)</u></u>	<u><u>(425,099)</u></u>

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 16 to 32.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of financial position

As at 31 December 2017

	Notes	2017 \$	2016 \$
Assets			
Current Assets			
Cash and cash equivalents	4	243,471	237,468
Financial assets at fair value	6	40,974,532	38,786,183
Trade and other receivables	5	<u>1,380,403</u>	<u>1,557,006</u>
Total current assets		<u>42,598,406</u>	<u>40,580,657</u>
Total assets		<u>42,598,406</u>	<u>40,580,657</u>
Liabilities			
Current liabilities			
Trade and other payables	7	65,352	66,849
Financial liabilities at fair value	6	556,742	54,880
Long service leave benefits	8	<u>4,318,000</u>	<u>4,145,000</u>
Total current liabilities		<u>4,940,094</u>	<u>4,266,729</u>
Non-current liabilities			
Long service leave benefits	8	<u>27,155,072</u>	<u>23,447,071</u>
Total non-current liabilities		<u>27,155,072</u>	<u>23,447,071</u>
Total liabilities		<u>32,095,166</u>	<u>27,713,800</u>
Net assets		<u>10,503,240</u>	<u>12,866,857</u>
Accumulated funds		<u>10,503,240</u>	<u>12,866,857</u>
Total accumulated funds		<u>10,503,240</u>	<u>12,866,857</u>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 16 to 32.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of changes in equity

For the year ended 31 December 2017

	Accumulated Funds	Total
	\$	\$
Balance at 1 January 2016	13,291,956	13,291,956
Total comprehensive income for the period		
Net loss for the period	(425,099)	(425,099)
Balance at 31 December 2016	<u>12,866,857</u>	<u>12,866,857</u>
Balance at 1 January 2017	<u>12,866,857</u>	<u>12,866,857</u>
Total comprehensive income for the period		
Net loss for the period	(2,363,617)	(2,363,617)
Balance at 31 December 2017	<u>10,503,240</u>	<u>10,503,240</u>

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 16 to 32.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of cash flows

For the year ended 31 December 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Cash receipts in the course of operations		3,493,568	2,175,907
Cash payments in the course of operations		<u>(4,442,980)</u>	<u>(4,472,094)</u>
Cash used in operations		(949,412)	(2,296,187)
Distributions from investments		<u>1,601,253</u>	<u>2,577,086</u>
Net cash from operating activities	13	<u>651,841</u>	<u>280,899</u>
Cash flows from investing activities			
Payments for purchase of investments		(7,757,815)	(31,527,430)
Proceeds from sale of investments		<u>7,111,977</u>	<u>31,310,965</u>
Net cash used in investing activities		<u>(645,838)</u>	<u>(216,465)</u>
Net increase in cash held		6,003	64,434
Cash at the beginning of the financial year		<u>237,468</u>	<u>173,034</u>
Cash at the end of the financial year	4	<u>243,471</u>	<u>237,468</u>

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 16 to 32.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements

For the year ended 31 December 2017

1 Reporting entity

The financial report reflects the operations of the Anglican Church of Australia Long Service Leave Fund (the "Fund"), which is a not-for-profit entity and was established by a Canon of the General Synod of the Anglican Church of Australia on 1 January 1969. The address of the Fund is Suite 4, Level 5, 189 Kent Street, Sydney, NSW 2000.

2 Basis of preparation

(a) Statement of compliance

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Long Service Leave Canon 2017.

The financial report was authorised for issue by the Board on 22 May 2018.

(b) Basis of measurement

The financial report has been prepared on the basis of historical costs except where stated otherwise.

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Fund's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying 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.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

2 Basis of preparation (continued)

(e) Comparative information

Comparatives are reclassified where necessary to conform to the current year presentation.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Revenue

Contribution Income

Contributions from participating dioceses and church organisations are recognised on an accruals basis. Contributions due but not received at balance date have been incorporated into the financial statements and are included in the statement of financial position under trade and other receivables as “contributions due”.

Investment income

(i) *Interest income*

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(ii) *Dividend income*

Dividend and distribution income is recognised at the date the securities are quoted ex-dividend and ex-distribution.

In some cases, the Fund may receive or choose to receive dividends/distributions in the form of additional shares/units rather than cash. In such cases the Fund recognises the dividend/distribution income for the amount of the cash dividend/distribution alternative with the corresponding debit treated as an additional investment.

(iii) *Franking Credits*

Franking credits are recognised on an accrual basis.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

3 Significant accounting policies (continued)

(b) Financial instruments

(i) Classification

The Fund designates all its financial investments into the “fair value through profit or loss” category.

The financial assets and financial liabilities at fair value through profit or loss comprise financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. These include investments in domestic equities and units in unlisted managed investment schemes.

The fair value through profit or loss classification is in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. The fair value through profit or loss classification is available for the majority of the financial assets and financial liabilities held by the Fund as the Fund’s performance is evaluated on a fair value basis and information about the Fund is provided on that basis to the directors of the Trustee.

Financial assets that are classified as receivables and measured at amortised cost include cash and cash equivalents, balances due from brokers and accounts receivable.

Financial liabilities at amortised cost include balances due to brokers and accounts payable.

(ii) Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. Financial assets are recognised using trade date accounting.

Financial assets and financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the statement of comprehensive income.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, any directly attributable transaction costs. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement (continued)

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

(iv) Fair value measurements principles

The fair value of financial instruments is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid price, whilst financial liabilities are priced at current asking price.

If a quoted market price is not available on a recognised stock exchange or from a broker / dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Investments in other unlisted managed investment schemes are recorded at the exit price as reported by the managers of such schemes.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the reporting date taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties.

(v) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

(v) Derecognition (continued)

The Fund uses the weighted average method to determine realised gains and losses on derecognition of financial assets not at fair value.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(c) Goods and services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(e) Trade and other Receivables

Trade and other receivables are measured at their amortised cost less impairment losses.

(f) Trade and other Payables

Trade and other payables are measured at amortised cost. Trade accounts payable are normally settled within 30 days.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

3 Significant accounting policies (continued)

(g) Provisions

A provision is recognised in the statement of financial position when the Fund has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(h) Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised for financial assets measured at amortised cost.

(i) Investments

A financial instrument is classified as at fair value through the profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through the profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's investment strategy. Financial instruments at fair value through the profit or loss are measured at fair value, and changes therein are recognised in the statement of profit or loss and other comprehensive income.

(j) Long service leave benefits

The Fund's obligation to participating organisations in respect of long service leave benefits payable is a provision. The value of the long service leave benefits is calculated by estimating the date each clergy will take their leave along with the estimated payment amount; that benefit is discounted to determine its present value. The calculation is performed by a qualified actuary. Changes in the value of the long service leave benefits are recognised through the statement of profit or loss and other comprehensive income.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

3 Significant accounting policies (continued)

(k) Income tax

Under the provisions of the Income Tax Assessment Act 1997, the Fund is exempt from income tax.

(l) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Fund.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

	2017	2016
	\$	\$
4 Cash and cash equivalents		
Cash at bank	243,471	237,468
	<u>243,471</u>	<u>237,468</u>
	2017	2016
	\$	\$
5 Trade and other receivables		
Current		
Accrued income	459,526	357,352
Contributions due	620,759	519,896
Securities sold but not yet settled	-	220,992
Recoverable GST receivable	893	1,891
Franking credit refunds due	95,263	256,984
Prepaid expense	(2,174)	2,406
BT bank account	206,136	197,485
	<u>1,380,403</u>	<u>1,557,006</u>

None of the above receivables are interest bearing.

6 Financial assets and liabilities at fair value through profit or loss

All investments are held by BT in either direct equities or in unit trust and are designated as financial assets or liabilities at fair value through profit or loss.

	2017	2016
	\$	\$
Financial assets		
Current		
Units in cash trust	3,933,349	5,580,670
Australian fixed interest	8,598,888	9,444,831
International fixed interest	2,556,978	2,266,524
Australian real estate	3,990,041	3,943,994
Australian shares	14,603,782	11,689,469
International shares	7,291,494	5,860,695
	<u>40,974,532</u>	<u>38,786,183</u>
Financial liabilities		
Current		
Foreign exchange forward contracts	<u>556,742</u>	<u>54,880</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

	2017	2016
	\$	\$
7 Trade and other payables		
Actuarial review	14,820	-
Audit fee	48,500	47,000
Sundry creditors	2,032	19,849
	<u>65,352</u>	<u>66,849</u>

8 Liability for long service leave benefits payable

An actuarial review to assess the adequacy of Fund's assets to meet accrued and vested liabilities is performed every year in accordance with the requirements of the Australian Accounting Standards Board. The December 2017 review was undertaken by Mr David O'Keefe of Alea Actuarial Consulting Pty Limited.

The Actuary used a method which estimates the date(s) at which each individual participant will take leave (after allowing for the probabilities of exit from the Fund for various causes) and the amounts of those payments. After allowing for future increases in Notional Stipend, the estimated payments are then discounted back to the present day at a rate of interest set by the AASB (that rate is currently considerably less than the expected earning rate on the Fund's assets).

The key assumptions applied by the Actuary are:

Financial Assumptions:	2017	2016
Discount Rate Applied	"Forward" rates	"Forward" rates
Notional Stipend Growth Rate	3.0%	3.0%

In the current year the discount rate applied in the calculation of the long service leave liability was the "forward" discount rates. AASB137 requires that the discount rate to be used in valuing LSL benefit liabilities shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The change in rates utilises the entire "yield curve" in valuing the Fund's LSL benefit liabilities.

Annual Forward Discount Rates as at 31 December 2017 (% per annum)

Year	Forward Discount Rate (per annum)
1	1.7%
5	3.0%
10	3.1%
15	3.8%
20	4.4%

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

8 Liability for long service leave benefits payable (continued)

The Notional Stipend growth rate was based on a consideration of:

- historic growth in the Notional Stipend;
- historic Average Weekly Earnings rates; and
- expectations of the Church and other Australian reporting entities regarding future salary increases.

As at 31 December 2017 the salary growth rate was determined to be 3.0% per annum.

Demographic Assumptions:

All participants are expected to retire on or before their 80th birthday.

A sample of the rates of exit from the Fund used for active participants are as follows:

Rates of exit from the Fund assumed (%)

Summary of rates used:

<i>Age range in years</i>	<i>Males - rate for lower end of range</i>	<i>Males - rate for upper end of range</i>	<i>Females - rate for lower end of range</i>	<i>Females - rate for upper end of range</i>
25 to 30	4.1	3.7	19.0	12.0
31 to 35	3.7	3.3	11.6	8.3
36 to 40	3.3	2.9	7.4	2.5
41 to 45	2.9	2.9	2.5	2.5
46 to 50	2.9	2.9	2.5	2.5
51 to 55	2.9	2.9	2.9	2.9
56 to 60	2.9	5.9	2.9	5.9
61 to 65	6.3	15.1	6.3	15.1
66 to 70+	19.7	39.3	19.7	39.3

Leave taken in service

The following rates of the taking of leave whilst remaining in service (weeks per annum) were used.

Rates of leave taken in service assumed (weeks per annum)

<i>Age</i>	<i>Male</i>	<i>Female</i>
Under 40	0.43	0.50
40-44	1.17	1.08
45-49	0.81	1.44
50-54	0.90	1.17
55-59	0.99	1.26
60-64	1.53	1.53
65-69	2.52	1.71
70 and over	2.80	3.50

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

8 Liability for long service leave benefits payable (continued)

Sensitivity Analysis:

We have considered the sensitivity of our calculation of the LSL liability as at 31 December 2017 by progressively adjusting some of the assumptions to recalculate the amount of the liability under each scenario.

The results of these sensitivity calculations, in terms of the change in the calculated LSL liability as at 31 December 2017, are set out below:

Sensitivity results

	<i>Change</i> <i>\$'000</i>	<i>Change</i> <i>%</i>
Total LSL liability as at 31 December 2017	31,473	
<i>Sensitivity analysis - change in the net liability due to:</i>		
Notional Stipend increase - 0.5% higher	1,064	3.4%
Notional Stipend increase - 0.5% lower	(1,009)	(3.2%)
Discount rate - 0.5% higher	(991)	(3.2%)
Discount rate - 0.5% lower	1,056	3.4%
Rates of exit - 15% higher	(1,218)	(3.9%)
Rates of exit - 15% lower	1,360	4.3%
Rate of leave taken - 10% higher	955	3.0%
Rate of leave taken - 10% lower	(1,322)	(4.2%)

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

8 Liability for long service leave benefits payable (continued)

	Notes	2017 \$	2016 \$
Liability for past service as at 1 January		27,592,071	26,432,071
Less: Leave paid	12	(2,505,262)	(2,436,758)
Less: sabbatical allowance paid	12	(1,474,619)	(1,556,830)
Increase in value of past service liability		7,860,882	5,153,588
Liability for past service at 31 December		<u>31,473,072</u>	<u>27,592,071</u>
Liability is split between amounts expected to be settled:			
No more than twelve months after the reporting period		4,318,000	4,145,000
More than twelve months after the reporting period		27,155,072	23,447,071
Liability for past service at 31 December		<u>31,473,072</u>	<u>27,592,071</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

	2017	2016
	\$	\$
9 Income from investments		
Interest income from operating bank account	2,280	1,528
Franking credit income	228,328	85,694
Dividends	86,866	126,117
Australian fixed interest	103,975	376,232
International fixed interest	30,948	158,305
Australian real estate	215,845	154,101
Australian shares	1,337,486	785,219
International shares	204,082	288,937
Derivatives – FEC Gains	14,483	24,136
	<u>2,224,293</u>	<u>2,000,269</u>
	2017	2016
	\$	\$
10 Administrative expenses		
Administration expenses	316	47
Audit Fees	48,500	47,000
Actuarial valuation	27,306	16,486
Bank charges	129	104
Computer Software	2,120	-
Consultants Fees	14,630	20,255
Legal Expenses	-	6,527
Management fee – General Synod Office	359,040	349,935
BT Investments Management fees	(405)	25,212
Storage costs	5,585	5,462
Board and committee expenses	346	594
Traveling expenses - Board Members	8,615	7,640
	<u>466,182</u>	<u>479,262</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

11 Contributions from participating organisations

	2017	2016
	\$	\$
Adelaide	99,687	101,372
Armidale	61,400	78,310
Ballarat	30,185	29,372
Bathurst	29,535	26,970
Bendigo	37,569	39,465
Brisbane	215,552	232,077
Bunbury	38,443	38,384
Canberra & Goulburn	103,593	106,445
Gippsland	44,614	47,364
Grafton	45,538	47,498
Melbourne	371,643	367,139
The Murray	17,454	15,684
Newcastle	106,209	105,959
North Queensland	29,639	31,700
Northern Territory	12,062	10,771
North West Australia	31,668	32,669
Perth	158,569	163,704
Riverina	16,390	13,562
Rockhampton	17,007	18,393
Sydney	909,403	939,903
Tasmania	57,986	58,727
Wangaratta	25,480	28,500
Willochra	15,291	19,909
Sub Total – Dioceses	<u>2,474,917</u>	<u>2,553,877</u>
ABM Missionaries	3,048	3,000
Bush Church Aid	13,060	11,250
CMS NSW	28,535	17,459
CMS WA	1,040	1,500
Ridley College	17,602	13,271
Trinity Network of Churches	18,786	29,990
	<u>2,556,988</u>	<u>2,630,347</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

12 Entitlements paid through participating organisations

	Leave		Sabbatical Allowance	
	2017	2016	2017	2016
	\$	\$	\$	\$
Adelaide	29,778	25,047	14,587	13,346
Armidale	14,689	38,704	9,634	17,457
Ballarat	60,820	17,864	35,981	13,361
Bathurst	13,158	19,630	-	13,361
Bendigo	43,608	26,109	26,404	19,528
Brisbane	293,381	194,125	163,229	126,910
Bunbury	67,506	48,415	39,256	33,918
Canberra & Goulburn	181,209	77,514	128,038	53,446
Gippsland	37,404	19,663	17,547	12,334
Grafton	30,647	59,329	21,394	43,168
Melbourne	323,782	431,556	200,469	251,476
The Murray	-	32,199	-	17,473
Newcastle	113,047	142,611	48,312	92,550
North Queensland	85,272	31,311	51,835	-
Northern Territory	-	14,365	-	6,167
North West Australia	70,588	21,987	46,203	16,445
Perth	214,641	271,914	87,858	174,166
Riverina	48,178	13,008	31,119	9,250
Rockhampton	6,965	13,742	4,862	10,278
Sydney	677,685	807,046	435,538	557,759
Tasmania	51,960	25,627	29,174	10,088
Wangaratta	72,906	43,334	36,388	30,834
Willochra	11,616	8,245	6,807	6,167
Sub Total – Dioceses	<u>2,448,840</u>	<u>2,383,345</u>	<u>1,434,635</u>	<u>1,529,482</u>
Bush Church Aid	9,751	-	6,807	-
CMS NSW	12,538	23,044	8,753	5,139
CMS WA	8,917	-	4,862	-
Ridley College	-	6,871	-	5,139
Trinity Network of Churches	25,216	23,498	19,562	17,070
	<u>2,505,262</u>	<u>2,436,758</u>	<u>1,474,619</u>	<u>1,556,830</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

	2017	2016
	\$	\$
13 Reconciliation of cash flows from operating activities		
Cash flows from operating activities		
Net deficit for the period	(2,363,617)	(425,099)
Gain on sale of investments	(525,806)	(2,540,059)
Change in fair value of financial assets	(656,360)	2,017,804
Change in fair value of financial liabilities	(500,305)	(54,880)
Change in value of defined benefit liabilities	7,860,882	5,153,588
Net cash provided by operating activities before changes in assets and liabilities	3,814,794	4,151,354
Change in trade and other receivables	308,962	116,949
Change in other assets	4,579	5,427
Change in trade and other payables	503,387	757
Change in provisions and employee benefits	(3,979,881)	(3,993,588)
Net cash provided by operating activities	651,841	280,899

14 Related Parties

Directors of the trustee

The names of persons who were directors of the trustee of the Fund at any time during the financial year are as follows:

Ms L. Beagley (ceased 7 September 2017)
 Bishop A.B Ewing
 Mr. J.W. Flavin
 The Rev'd Andrew Ford (appointed 7 September 2017)
 Mr D.S. Marr
 The Venerable T.J. Mildenhall (ceased 7 September 2017)
 Mr Christopher Nelson (appointed 7 September 2017)
 Mr. A.A.L Thomson
 The Rev'd R.J.C Weekes

Remuneration and benefits

No Directors have received or are due to receive any emolument as a trustee of the Fund.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2017

14 Related Parties (continued)

Transactions with related parties

The Fund received contributions from participating organisations, which are Anglican Church of Australia dioceses and related parties. For details of these contributions refer to Note 11.

The Fund also made entitlement payments to participating organisations in accordance with the Trust Deed. For details of these payments refer to Note 12.

The Fund also made management fee payments to the General Synod of the Anglican Church of Australia. For details of these payments refer to Note 10.

Outstanding balances

Contributions from participating organisations are paid in arrears on a quarterly basis. The December 2017 quarter contributions were not due until 14 January 2018. For details of amounts receivable refer to note 5.

15 Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Fund, the results of its operations, or the state of affairs of the Fund, in future financial years.



The Anglican
Church of
Australia

LONG SERVICE LEAVE FUND

ABN 53 579 792 912

ESTABLISHED BY CANON OF GENERAL SYNOD

ANNUAL REPORT
31 December 2018

LONG SERVICE LEAVE FUND BOARD AND DIRECTORS OF TRUSTEE:

Bishop A.B. Ewing
Mr J.W. Flavin
The Rev'd A. Ford
Mr D.S. Marr
Mr C.H. Nelson
Mr A.A.L. Thomson
The Rev'd R.J.C. Weekes

ADMINISTRATION MANAGER:

Ms S. Mayers

FUND ADMINISTRATION MANAGER:

General Synod of the Anglican Church of Australia

INVESTMENT MANAGER:

Pendal Group Limited
(Formerly known as BT Investment Management Limited)
Level 15, 2 Chifley Square
Sydney NSW 2000

AUDITOR:

KPMG
Level 38, Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

ACTUARY:

Mr David O'Keefe
Alea Actuarial Consulting Pty Ltd
Level 10, 50 Clarence Street
Sydney NSW 2000

ASSET CONSULTANT:

Mr Sean McGing
McGing Advisory and Actuarial
Level 13, 160 Queen Street
Melbourne VIC 3000

BANKERS:

Westpac Banking Corporation

TRUSTEE:

Anglican Long Service Leave Fund Limited

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**ABN 53 579 792 912****Contents**

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Statement of profit or loss and other comprehensive income	12
Statement of financial position	13
Statement of changes in equity	14
Statement of cash flows	15
Notes to the financial statements	16

Registered office and principal place of business is:
Suite 4, Level 5, 189 Kent Street, Sydney, NSW 2000

Telephone: 02 8267 2700

Facsimile: 02 8267 2727

Email: longservice@anglican.org.au

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**For the year ended 31 December 2018****Long Service Leave Fund Board report**

The Long Service Leave Fund Board and Directors of Trustee ("the Board") presents its report together with the financial report of the Anglican Church of Australia Long Service Leave Fund ("the Fund") for the year ended 31 December 2018 and the independent auditor's report thereon.

Key Concerns

During the year the Fund received \$2.614 million from contributing members, and paid \$4.477 million to fund long service leave. The Fund is able to provide this benefit by utilising investment income and a real increase in the value of investments.

The results for the year ended 31 December 2018 show a loss for the year of \$2.665 million this follows a loss of \$2.364 million in the year ended 31 December 2017. As the combined deficit for the two years is more than \$5 million, an explanation of some aspects of the Fund's results will be helpful.

The Fund has an investment strategy which has as an objective long-term increase in real terms of 3.5% each year. This strategy is one of managed risk, with an expectation of short term losses in two of every seven years. However, as the purpose of the Fund is to provide long service leave payments for many years ahead short term losses are not a major concern, provided the long term return on investments is above the 3.5% target rate.

In 2018 investments experienced a short term reduction in value during the final quarter of the year, resulting in a negative change in the fair value of the financial assets of \$2,433,763. Fortunately, at the time of writing, all of this negative change has now been eliminated as the stock markets have regained their lost value.

In 2017 the Board reported on the financial impact of a fundamental change in the level of benefits provided by the Fund. As explained in that Report, the deficit of \$2.364 million was generated when beneficiary entitlements reverted to those in effect prior to the implementation of the 2015 Canon. This had the effect of reversing any increases in reserves in the years ended 31 December 2014, 2015 and 2016.

The Board continues to be confident that the Total Liability accurately reflects the position of the Fund, and no substantial changes in entitlement or contribution are proposed or anticipated.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

For the year ended 31 December 2018

Investments

The Fund's investments continued to be managed by Pental Group Limited (Formerly known as BT Investment Management Limited) during the year, under the supervision of the Board, and in accordance with approved guidelines and strategies.

Notional stipend and contribution levels

Year	Notional Stipend \$	Increase %	Contributions	
			Per Person Per Annum \$	Increase %
2007	43,277	5.03	996	2.47
2008	46,525	7.51	996	0.00
2009	55,581	19.46	1,044	5.00
2010	56,502	1.60	1,044	0.00
2011	59,428	5.17	1,100	5.36
2012	62,102	4.50	1,140	3.65
2013	64,899	4.50	1,188	4.50
2014	67,871	4.58	1,320	11.10
2015	69,435	2.30	1,460	10.60
2016	71,457	2.91	1,500	2.74
2017	72,439	1.37	1,524	1.60
2018	72,964	0.72	1,536	0.78
2019	74,399	1.97	1,560	1.56

Principal activities

The principal activities of the Fund during the course of the year were receiving contribution income from participating organisations, making long service leave payments to participating organisations and investing funds with Pental Group Limited.

The Anglican Church of Australia Long Service Leave Fund pays an annual fee to the General Synod of the Anglican Church of Australia (Fund administration manager) for the provision of management services.

Operating and financial review

The net loss from ordinary activities for the year 2018 amounted to \$2,665,076 (2017: loss of \$2,363,617). This loss included a loss recognised on the fair value of financial assets of \$2,433,763 due to the return of more volatile conditions in global equity markets during the quarter ended 31 December 2018.

The long service leave liability as at 31 December 2018 (\$31.422m) is estimated to be approximately 0.2% less than was calculated in the prior year (\$31.473m). This change reflects a number of matters, including:

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**For the year ended 31 December 2018****Long Service Leave Fund Board report (continued)****Operating and financial review (continued)**

Item	Financial Impact over the year to 31 December 2018
<ul style="list-style-type: none"> • a change in the level of "forward rate" yield curve assumed in the valuation of the liability which resulted in an increase in the LSL liability as at 31 December 2018; • the accrual of further LSL benefit entitlements for participants during the year which resulted in an increase in the LSL liability as at 31 December 2018; • the time effect of the valuation methodology – i.e. generally participants are one (1) year older as at 31 December 2018, and so one (1) year closer to the time when a benefit may be paid – i.e. there is less of a discount applicable to such future benefits. This resulted in an increase in the LSL liability as at 31 December 2018. • a refinement of the valuation model adopting a slightly less conservative approach to the timing of future expected increases in Notional Stipend which resulted in a reduction in the LSL liability as at 31 December 2018. 	approx. +\$4.4 million
<ul style="list-style-type: none"> • payment of LSL benefits to participants during the year (including the Sabbatical Allowance where appropriate) which resulted in a reduction in the LSL liability as at 31 December 2018. 	approx. -\$4.4 million

It also changes from year to year to reflect the effect of being valued under the Australian Accounting Standard AASB137. The related increases or decreases in the value of participants' benefits (as a group) result from:

Item	Financial Impact over the year to 31 December 2018
<ul style="list-style-type: none"> • The increase in the Notional Stipend (2.0% per annum) which was less than assumed previously (3.0% per annum) resulted in a decrease in the LSL liability as at 31 December 2018. 	approx. +\$0.05 million

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**For the year ended 31 December 2018****Long Service Leave Fund Board report (continued)****Operating and financial review (continued)****Fund Manager**

Ms S. Mayers.

Environmental regulation

The Fund is not subject to any significant environmental regulations under either Commonwealth or State legislation.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Board, to affect significantly the operations of the Fund, the results of its operations, or the state of affairs of the Fund, in future financial years. The 3 months to March 2019 has seen an improvement in the global equity markets since its low in December 2018. As at 31 March 2019 the valuation of the Fund's investments since 31 December 2018 has increased from \$38,471,593 to \$42,032,995, effectively offsetting the loss recognised on the fair value of financial assets for 2018.

Likely developments

It is not envisaged that the activities of the Fund will significantly change in the next financial year.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

For the year ended 31 December 2018

Long Service Leave Fund Board report (continued)

Indemnification and insurance of officers

Indemnification

During the financial year the Fund paid \$Nil (2017: \$Nil) in premiums in respect of insurances including Directors' and Officers' liability. As an associated or affiliated body of the General Synod the Fund is covered under the General Synod of the Anglican Church of Australia umbrella insurance policies including the Directors and Officers and Company Liability Insurance Liability Policy.

Since the end of the previous financial year, the Fund has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of the Fund.

Signed in accordance with a resolution of the directors at a duly constituted meeting:

Dated at Sydney this *7th* day of *May* 2019.



Douglas Marr



Allan Ewing



Independent Auditor's Report

To the Board of The Anglican Church of Australia Long Service Leave Fund

Opinion

We have audited the **Financial Report** of *The Anglican Church of Australia Long Service Leave Fund (the Fund)*.

In our opinion, the accompanying Financial Report presents fairly, in all material respects, the financial position of *The Anglican Church of Australia Long Service Leave Fund* as at 31 December 2018, and of its financial performance and its cash flows for the year then ended, in accordance with *Australian Accounting Standards -Reduced Disclosure Requirements* and the *Long Service Leave Canon 2010* (as amended in 2017).

The **Financial Report** comprises:

- Statement of financial position as at 31 December 2018
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Long Service Leave Fund Board Declaration

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 Fund in accordance with 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.

Restriction on use and distribution

The Financial Report has been prepared to assist the Trustee Directors of The Anglican Church of Australia Long Service Leave Fund in complying with the financial reporting requirements of the *Long Service Leave Canon 2010* (as amended in 2017).

As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.



Our report is intended solely for the *Trustee Directors* of The Anglican Church of Australia Long Service Fund and its members and should not be used by or distributed to parties other than the *Trustee Directors* of The Anglican Church of Australia Long Service Leave Fund and its members. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the *Trustee Directors* of The Anglican Church of Australia Long Service Leave Fund and its members or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in The Anglican Church of Australia Long Service Leave Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the *Directors' Long Service Leave Fund Board report*.

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 Trustee Directors for the Financial Report

The Trustee Directors of the Board are responsible for:

- the preparation and fair presentation of the Financial Report in accordance with the Australian Accounting Standards- Reduced Disclosure Requirements and the *Long Service Leave Canon 2010 (as amended in 2017)*.
- implementing necessary internal control to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error
- assessing the Fund'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 Fund 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:

- 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 *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.

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

A handwritten signature in black ink, appearing to read 'Cameron Roan'.

KPMG

A handwritten signature in black ink, appearing to read 'Cameron Roan'.

Cameron Roan
Partner

Sydney

07 May 2019

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

For the year ended 31 December 2018

Long Service Leave Fund Board declaration

In the opinion of the Board of the Anglican Church of Australia Long Service Leave Fund

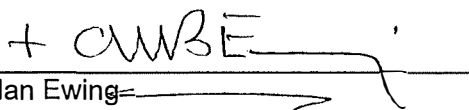
- (a) the Long Service Leave Fund is a reporting entity;
- (b) the financial statements and notes thereto, set out on pages 12 to 38, are drawn up, in accordance with the basis of accounting described in Notes 2 and 3, so as to present fairly the financial position of the Long Service Leave Fund as at 31 December 2018 and its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date; and
- (c) there are reasonable grounds to believe that the Long Service Leave Fund will be able to pay its debts as and when they become due and payable.

Dated at Sydney this *M* day of *May* 2019.

Signed in accordance with a resolution of the directors at a duly constituted meeting:



Douglas Marr



Allan Ewing

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

	Notes	2018 \$	2017 \$
Revenue			
Contribution revenue	11	2,614,249	2,556,988
Income from investments	9	1,683,543	2,224,293
Gain on sale of investments		394,682	525,806
Net change in fair value of financial assets		(2,433,763)	656,360
Expenses			
Administrative expenses	10	(497,287)	(466,182)
Increase in value of long service leave liability	8	<u>(4,426,500)</u>	<u>(7,860,882)</u>
Loss for the period		<u>(2,665,076)</u>	<u>(2,363,617)</u>
Other comprehensive income		-	-
Total comprehensive loss for the period		<u><u>(2,665,076)</u></u>	<u><u>(2,363,617)</u></u>

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 16 to 38.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of financial position

As at 31 December 2018

	Notes	2018 \$	2017 \$
Assets			
Current Assets			
Cash and cash equivalents	4	74,222	243,471
Financial assets at fair value	6	38,471,593	40,974,532
Trade and other receivables	5	<u>1,261,259</u>	<u>1,380,403</u>
Total current assets		<u>39,807,074</u>	<u>42,598,406</u>
Total assets		<u>39,807,074</u>	<u>42,598,406</u>
Liabilities			
Current liabilities			
Trade and other payables	7	72,417	65,352
Financial liabilities at fair value	6	474,423	556,742
Long service leave benefits	8	<u>4,209,000</u>	<u>4,318,000</u>
Total current liabilities		<u>4,755,840</u>	<u>4,940,094</u>
Non-current liabilities			
Long service leave benefits	8	<u>27,213,070</u>	<u>27,155,072</u>
Total non-current liabilities		<u>27,213,070</u>	<u>27,155,072</u>
Total liabilities		<u>31,968,910</u>	<u>32,095,166</u>
Net assets		<u>7,838,164</u>	<u>10,503,240</u>
Accumulated funds		<u>7,838,164</u>	<u>10,503,240</u>
Total accumulated funds		<u>7,838,164</u>	<u>10,503,240</u>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 16 to 38.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of changes in equity

	Accumulated Funds	Total
	\$	\$
Balance at 1 January 2017	12,866,857	13,291,956
Total comprehensive income for the period		
Net loss for the period	(2,363,617)	(425,099)
Balance at 31 December 2017	<u>10,503,240</u>	<u>12,866,857</u>
Balance at 1 January 2018	<u>10,503,240</u>	<u>12,866,857</u>
Total comprehensive income for the period		
Net loss for the period	(2,665,076)	(2,363,617)
Balance at 31 December 2018	<u><u>7,838,164</u></u>	<u><u>10,503,240</u></u>

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 16 to 38.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Statement of cash flows**

For the year ended 31 December 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Cash receipts in the course of operations		3,294,580	3,493,568
Cash payments in the course of operations		<u>(4,966,557)</u>	<u>(4,442,980)</u>
Cash used in operations		(1,671,977)	(949,412)
Distributions from investments		<u>1,068,131</u>	<u>1,601,253</u>
Net cash from operating activities	13	<u>(603,846)</u>	<u>651,841</u>
Cash flows from investing activities			
Payments for purchase of investments		(5,687,531)	(7,757,815)
Proceeds from sale of investments		<u>6,292,612</u>	<u>7,111,977</u>
Net cash from investing activities		<u>605,081</u>	<u>(645,838)</u>
Net increase/(decrease) in cash held		(169,249)	6,003
Cash at the beginning of the financial year		<u>243,471</u>	<u>237,468</u>
Cash at the end of the financial year	4	<u>74,222</u>	<u>243,471</u>

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 16 to 38.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements****For the year ended 31 December 2018****1 Reporting entity**

The financial report reflects the operations of the Anglican Church of Australia Long Service Leave Fund (the "Fund"), which is a not-for-profit entity and was established by a Canon of the General Synod of the Anglican Church of Australia on 1 January 1969. The address of the Fund is Suite 4, Level 5, 189 Kent Street, Sydney, NSW 2000.

2 Basis of preparation**(a) Statement of compliance**

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Long Service Leave Canon 2017.

The financial report was authorised for issue by the Board on *7th May* 2019.

(b) Basis of measurement

The financial report has been prepared on the basis of historical costs except where stated otherwise.

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Fund's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying 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.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

2 Basis of preparation (continued)

(e) Comparative information

Comparatives are reclassified where necessary to conform to the current year presentation.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Revenue

Contribution Income

Contributions from participating dioceses and church organisations are recognised on an accruals basis. Contributions due but not received at balance date have been incorporated into the financial statements and are included in the statement of financial position under trade and other receivables as "contributions due".

Investment income

(i) Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(ii) Dividend income

Dividend and distribution income is recognised at the date the securities are quoted ex-dividend and ex-distribution.

In some cases, the Fund may receive or choose to receive dividends/distributions in the form of additional shares/units rather than cash. In such cases the Fund recognises the dividend/distribution income for the amount of the cash dividend/distribution alternative with the corresponding debit treated as an additional investment.

(iii) Franking Credits

Franking credits are recognised on an accrual basis.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

3 Significant accounting policies (continued)

(b) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Policy applicable for 1 January 2017 to 31 December 2017

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 equivalent to the date that the Company commits itself to either the purchase or sale of 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 "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over 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.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The company does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Financial assets at fair value through profit or loss

Financial assets are classified as "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

Policy applicable for 1 January 2018 to 31 December 2018

AASB 9: Financial Instruments

AASB 9 *Financial Instruments* became effective for periods beginning on 1 January 2018, replacing the existing accounting requirements for financial instruments under AASB 139 *Financial Instruments: Recognition and Measurement*.

Classification

AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

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 or loss (FVTPL). The standard eliminates the existing categories of held to maturity, loans and receivables and available for sale.

The new standard retains the existing requirements for the classification of financial liabilities. Generally, all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss. However, the new standard requires that the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI, while the remaining amount of change in the fair value is presented in profit or loss.

Impairment

AASB 9 applies a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

Under AASB 9, loss allowances will be measured on either of the following issues:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. Any entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting period. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

The entity has applied AASB 9 retrospectively, with no material change to the carrying amount of its financial instruments when measured under the requirements of AASB 9. From a classification perspective, there was no impact to the entity's financial instruments as reflected in the table below.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

The measurement bases of the entity's financial assets and liabilities under AASB 139 and AASB 9 are as follows:

1 January 2018 Asset/Liability	Measurement Category under	Measurement Category under	Carrying amount of
Cash & cash equivalents	Loans & receivables	Financial assets at amortised cost	74,222
Trade & other receivables	Loans & receivables	Financial assets at amortised cost	1,261,259
Trade & other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	72,417
Financial assets at fair value	Financial assets recognised through profit or loss	Financial assets recognised through profit or loss	38,471,593

(i) Impairment of Financial Assets

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

3 Significant accounting policies (continued)

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the entity recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

(ii) Derecognition

Financial assets are derecognised when 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 when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount 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 profit or loss.

(c) Goods and services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(e) Trade and other Receivables

Trade and other receivables are measured at their amortised cost less impairment losses.

(f) Trade and other Payables

Trade and other payables are measured at amortised cost. Trade accounts payable are normally settled within 30 days.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

3 Significant accounting policies (continued)

(g) Provisions

A provision is recognised in the statement of financial position when the Fund has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(h) Investments

A financial instrument is classified as at fair value through the profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through the profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's investment strategy. Financial instruments at fair value through the profit or loss are measured at fair value, and changes therein are recognised in the statement of profit or loss and other comprehensive income.

(i) Long Service Leave Benefits

The Fund's obligation to participating organisations in respect of long service leave benefits payable is a provision. The value of the long service leave benefits is calculated by estimating the date each clergy will take their leave along with the estimated payment amount; that benefit is discounted to determine its present value. The calculation is performed by a qualified actuary. Changes in the value of the long service leave benefits are recognised through the statement of profit or loss and other comprehensive income.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

3 Significant accounting policies (continued)

(j) Income tax

Under the provisions of the Income Tax Assessment Act 1997, the Fund is exempt from income tax.

(k) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Fund.

(l) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet adopted by the entity for the annual reporting period ended 31 December 2018 are outlined in the table below:

Reference	Title	Nature of change	Application date of standard
AASB 15	Revenue from Contracts with Customers	The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The application of this standard to NFPs has been deferred by the AASB, to align with the application of AASB 1058 Income of Not-for-Profit Entities.	1 Jan 2019

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

3 Significant accounting policies (continued)

Reference	Title	Nature of change	Application date of standard
AASB 1058	Income of Not-for-Profit Entities	This Standard is applicable to transactions that do not arise from enforceable contracts with customers involving performance obligations.	1 Jan 2019
AASB 16	Leases	<p><i>Lessee:</i> Operating leases currently held by the company will need to be brought onto the statement of financial position, and the associated assets and liabilities will be recorded.</p> <p><i>Lessor:</i> AASB 16 substantially carries forward the lessor accounting requirements in AAB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.</p>	1 Jan 2019

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

	2018	2017
	\$	\$
4 Cash and cash equivalents		
Cash at bank	74,222	243,471
	<u>74,222</u>	<u>243,471</u>

	2018	2017
	\$	\$
5 Trade and other receivables		
Current		
Accrued income	392,620	459,526
Contributions due	613,838	620,759
Recoverable GST receivable	4,166	893
Franking credit refunds due	61,274	95,263
Prepaid expense	(3,341)	(2,174)
Pendal liquid assets	192,702	206,136
	<u>1,261,259</u>	<u>1,380,403</u>

None of the above receivables is interest bearing.

6 Financial assets and liabilities at fair value through profit or loss

All investments are held by Pendal in either direct equities or in unit trust and are designated as financial assets or liabilities at fair value through profit or loss.

	2018	2017
	\$	\$
Financial assets		
Current		
Units in cash trust	2,963,436	3,933,349
Australian fixed interest	9,880,740	8,598,888
International fixed interest	3,000,847	2,556,978
Australian real estate	3,733,736	3,990,041
Australian shares	13,104,793	14,603,782
International shares	5,788,041	7,291,494
	<u>38,471,593</u>	<u>40,974,532</u>
Financial liabilities		
Current		
Foreign exchange forward contracts	474,423	556,742
	<u>474,423</u>	<u>556,742</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

	2018	2017
	\$	\$
7 Trade and other payables		
Actuarial fees	18,060	14,820
Audit fee	49,955	48,500
Sundry creditors	4,402	2,032
	<u>72,417</u>	<u>65,352</u>
8 Liability for long service leave benefits payable		

An actuarial review to assess the adequacy of Fund's assets to meet accrued and vested liabilities is performed every year in accordance with the requirements of the Australian Accounting Standards Board. The December 2018 review was undertaken by Mr David O'Keefe of Alea Actuarial Consulting Pty Limited.

The Actuary used a method which estimates the date(s) at which each individual participant will take leave (after allowing for the probabilities of exit from the Fund for various causes) and the amounts of those payments. After allowing for future increases in Notional Stipend, the estimated payments are then discounted back to the present day at a rate of interest set by the AASB (that rate is currently considerably less than the expected earning rate on the Fund's assets).

The key assumptions applied by the Actuary are:

Financial Assumptions:	2018	2017
Discount Rate Applied	"Forward" rates	"Forward" rates
Notional Stipend Growth Rate	3.0%	3.0%

In the current year the discount rate applied in the calculation of the long service leave liability was the "forward" discount rates. AASB137 requires that the discount rate to be used in valuing LSL benefit liabilities shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The change in rates utilises the entire "yield curve" in valuing the Fund's LSL benefit liabilities.

Annual Forward Discount Rates as at 31 December 2018 (% per annum)

Year	<i>Forward Discount Rate (per annum)</i>
1	1.7%
5	2.5%
10	2.4%
15	3.4%
20	3.6%

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

8 Liability for long service leave benefits payable (continued)

The Notional Stipend growth rate was based on a consideration of:

- historic growth in the Notional Stipend;
- historic Average Weekly Earnings rates; and
- expectations of the Church and other Australian reporting entities regarding future salary increases.

As at 31 December 2018 the salary growth rate was determined to be 3.0% per annum.

Demographic Assumptions:

All participants are expected to retire on or before their 80th birthday.

A sample of the rates of exit from the Fund used for active participants are as follows:

Rates of exit from the Fund assumed (%)

Summary of rates used:

Age range in years	Males - rate for lower end of range	Males - rate for upper end of range	Females - rate for lower end of range	Females - rate for upper end of range
25 to 30	4.1	3.7	19.0	12.0
31 to 35	3.7	3.3	11.6	8.3
36 to 40	3.3	2.9	7.4	2.5
41 to 45	2.9	2.9	2.5	2.5
46 to 50	2.9	2.9	2.5	2.5
51 to 55	2.9	2.9	2.9	2.9
56 to 60	2.9	5.9	2.9	5.9
61 to 65	6.3	15.1	6.3	15.1
66 to 70+	19.7	39.3	19.7	39.3

Leave taken in service

The following rates of the taking of leave whilst remaining in service (weeks per annum) were used.

Rates of leave taken in service assumed (weeks per annum)

Age	Male	Female
Under 40	0.43	0.50
40-44	1.17	1.08
45-49	0.81	1.44
50-54	0.90	1.17
55-59	0.99	1.26
60-64	1.53	1.53
65-69	2.52	1.71
70 and over	2.80	3.50

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

8 Liability for long service leave benefits payable (continued)

Sensitivity Analysis:

We have considered the sensitivity of our calculation of the LSL liability as at 31 December 2018 by progressively adjusting some of the assumptions to recalculate the amount of the liability under each scenario.

The results of these sensitivity calculations, in terms of the change in the calculated LSL liability as at 31 December 2018, are set out below:

Sensitivity results

	Change	Change
	\$'000	%
Total LSL liability as at 31 December 2018	31,422	
<i>Sensitivity analysis - change in the net liability due to:</i>		
Notional Stipend increase - 0.5% higher	994	3.2%
Notional Stipend increase - 0.5% lower	(941)	(3.0%)
Discount rate - 0.5% higher	(1,018)	(3.2%)
Discount rate - 0.5% lower	1,086	3.5%
Rates of exit - 15% higher	(1,279)	(4.1%)
Rates of exit - 15% lower	1,432	4.6%
Rate of leave taken - 10% higher	904	2.9%
Rate of leave taken - 10% lower	(1,307)	(4.2%)

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

8 Liability for long service leave benefits payable (continued)

	Notes	2018 \$	2017 \$
Liability for past service as at 1 January		31,473,072	27,592,071
Less: Leave paid	12	(2,723,393)	(2,505,262)
Less: sabbatical allowance paid	12	(1,754,108)	(1,474,619)
Increase in value of past service liability		4,426,501	7,860,882
Liability for past service at 31 December		<u>31,422,072</u>	<u>31,473,072</u>
Liability is split between amounts expected to be settled:			
No more than twelve months after the reporting period		4,209,000	4,318,000
More than twelve months after the reporting period		27,213,072	27,155,072
Liability for past service at 31 December		<u>31,422,072</u>	<u>31,473,072</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

	2018	2017
	\$	\$
9 Income from investments		
Interest income from operating bank account	1,574	2,280
Franking credit income	156,188	228,328
Dividends	80,121	86,866
Australian fixed interest	175,251	103,975
International fixed interest	7,366	30,948
Australian real estate	154,530	215,845
Australian shares	682,200	1,337,486
International shares	478,791	204,082
Derivatives – FEC Gains/(Losses)	<u>(52,478)</u>	<u>14,483</u>
	<u>1,683,543</u>	<u>2,224,293</u>

	2018	2017
	\$	\$
10 Administrative expenses		
Administration expenses	48	316
Audit Fees	54,985	48,500
Actuarial valuation	34,777	27,306
Bank charges	168	129
Computer Software	-	2,120
Consultants Fees	32,170	14,630
Legal Expenses	-	-
Management fee – General Synod Office	359,040	359,040
Pendal Group fees	(8,503)	(405)
Printing and Stationary	95	-
Storage costs	6,041	5,585
Board and committee expenses	2,582	346
Traveling expenses - Board Members	<u>15,884</u>	<u>8,615</u>
	<u>497,287</u>	<u>466,182</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

11 Contributions from participating organisations

	2018	2017
	\$	\$
Adelaide	101,001	99,687
Armidale	66,481	61,400
Ballarat	29,275	30,185
Bathurst	27,875	29,535
Bendigo	37,769	37,569
Brisbane	201,303	215,552
Bunbury	39,588	38,443
Canberra & Goulburn	106,782	106,445
Gippsland	39,261	44,614
Grafton	45,243	45,538
Melbourne	372,840	371,643
The Murray	26,282	17,454
Newcastle	100,849	106,209
North Queensland	30,288	29,639
Northern Territory	15,310	12,062
North West Australia	41,480	32,669
Perth	156,355	158,569
Riverina	11,741	16,390
Rockhampton	19,252	17,007
Sydney	922,091	909,403
Tasmania	71,784	57,986
Wangaratta	24,278	25,480
Willochra	13,744	15,291
Sub Total – Dioceses	<u>2,500,872</u>	<u>2,474,917</u>
ABM Missionaries	1,536	3,048
Anglican Community Services-Anglicare	44,461	-
Bush Church Aid	11,460	13,060
CMS NSW	21,626	28,535
CMS WA	1,536	1,040
Ridley College	15,381	17,602
Trinity Network of Churches	17,377	18,786
	<u>2,614,249</u>	<u>2,556,988</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

12 Entitlements paid through participating organisations

	Leave		Sabbatical Allowance	
	2018	2017	2018	2017
	\$	\$	\$	\$
Adelaide	127,908	29,778	64,029	14,587
Armidale	75,820	14,689	58,648	9,634
Ballarat	76,680	60,820	52,790	35,981
Bathurst	57,976	13,158	23,508	-
Bendigo	32,412	43,608	17,911	26,404
Brisbane	266,827	293,381	185,106	163,229
Bunbury	11,340	67,506	3,358	39,256
Canberra & Goulburn	108,552	181,209	70,604	128,038
Gippsland	22,915	37,404	16,968	17,547
Grafton	40,103	30,647	23,729	21,394
Melbourne	356,858	323,782	200,853	200,469
The Murray	23,371	-	16,792	-
Newcastle	179,464	113,047	81,974	48,312
North Queensland	77,281	85,272	57,551	51,835
Northern Territory	15,525	-	12,386	-
North West Australia	9,101	70,588	5,692	46,203
Perth	131,370	214,641	63,662	87,858
Riverina	33,842	48,178	24,628	31,119
Rockhampton	25,728	6,965	17,911	4,862
Sydney	757,382	677,685	546,033	435,538
Tasmania	88,610	51,960	68,761	29,174
Wangaratta	24,676	72,906	16,792	36,388
Willochra	35,047	11,616	25,747	6,807
Sub Total – Dioceses	<u>2,578,788</u>	<u>2,448,840</u>	<u>1,655,433</u>	<u>1,434,635</u>
ABM Missionaries	20,922	-	-	-
Anglican Community Services- Anglicare	26,660	-	21,270	-
Bush Church Aid	21,047	9,751	16,792	6,807
CMS NSW	4,292	12,538	3,424	8,753
CMS WA	-	8,917	-	4,862
Ridley College	49,110	-	39,181	-
Trinity Network of Churches	22,573	25,216	18,009	19,562
	<u>2,723,392</u>	<u>2,505,262</u>	<u>1,754,109</u>	<u>1,474,619</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

	2018 \$	2017 \$
13 Reconciliation of cash flows from operating activities		
Cash flows from operating activities		
Net deficit for the period	(2,665,076)	(2,363,617)
Gain on sale of investments	(394,682)	(525,806)
Change in fair value of financial assets	2,433,763	(656,360)
Change in fair value of financial liabilities	86,788	(500,305)
Change in value of defined benefit liabilities	4,426,500	7,860,882
Net cash provided by operating activities before changes in assets and liabilities	<u>3,887,293</u>	<u>3,814,794</u>
Change in trade and other receivables	63,752	308,962
Change in other assets	1,167	4,579
Change in trade and other payables	(78,556)	503,387
Change in provisions and employee benefits	<u>(4,477,502)</u>	<u>(3,979,881)</u>
Net cash used in operating activities	<u>(603,846)</u>	<u>651,841</u>

14 Related Parties

Directors of the trustee

The names of persons who were directors of the trustee of the Fund at any time during the financial year are as follows:

Bishop A.B. Ewing
 Mr J.W. Flavin
 The Rev'd A. Ford
 Mr D.S. Marr
 Mr C.H. Nelson
 Mr A.A.L. Thomson
 The Rev'd R.J.C. Weekes

Remuneration and benefits

No Directors have received or are due to receive any emolument as a trustee of the Fund.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

14 Related Parties (continued)

Transactions with related parties

The Fund received contributions from participating organisations, which are Anglican Church of Australia dioceses and related parties. For details of these contributions refer to Note 11.

The Fund also made entitlement payments to participating organisations in accordance with the Trust Deed. For details of these payments refer to Note 12.

The Fund also made management fee payments to the General Synod of the Anglican Church of Australia. For details of these payments refer to Note 10.

Outstanding balances

Contributions from participating organisations are paid in arrears on a quarterly basis. The December 2018 quarter contributions were not due until 14 January 2019. For details of amounts receivable refer to note 5.

15 Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Fund, the results of its operations, or the state of affairs of the Fund, in future financial years.

16 Commitments

No material commitments to disclose as at 31st December 2018.

17 Financial risk management

Overview

The Fund's activities expose it to various financial risks: credit risk, liquidity risk and market risk.

This note provides disclosure on the Fund's exposure to financial risks, and the risk management approach applied to manage these risks.

(a) Risk management framework

The Long Service Leave Board has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund does not have any direct investments. The Fund's investments are managed by Pandal Group (previously BT Investment Management) in accordance with the Investment Policy and directions of the Board. The Board seek to manage risk within acceptable limits, and investments re diversified by asset class to achieve the desired balance of risk and timing exposure. The Board reviews risk parameters regularly. The Board are assisted in its risk management and review of investment performance by the

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

Fund's Asset Consultant.

(b) Credit risk

The Fund held cash and cash equivalents at 31 December 2018 of \$74,222 (2017: \$243,471). The cash and cash equivalents are held with an authorised deposit taking institution.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The Fund's approach in managing its liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund manages liquidity risk by monitoring net cash balances, actual and forecast operating cash flows.

(d) Market Risk

(i) Price Risk

The Fund is exposed to changes in market prices that affect the Fund's income or value of its holdings of financial instruments.

(ii) Interest rate risk

The Fund is exposed to variable interest rate risks at the reporting date on the cash and short deposits. The Fund's investments are diversified by asset class which includes an allocation to interest related investments.

(iii) Currency risk

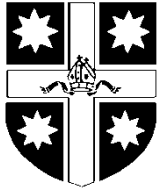
The Fund is not exposed to any significant currency risk. Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's investments are diversified by asset class which includes an allocation to international equities.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2018

The totals for each category of financial instrument is as follows:

	2018	2017
<u>Financial assets</u>		
Cash and cash equivalents	74,222	243,471
Trade and other receivables	1,261,259	1,380,403
<u>Financial assets at fair value</u>		
Units in cash trust	2,963,436	3,933,349
Australian fixed interest	9,880,740	8,598,888
International fixed interest	3,000,847	2,556,978
Australian real estate	3,733,736	3,990,041
Australian shares	13,104,793	14,603,782
International shares	5,788,041	7,291,494
	<hr/> 38,471,593	<hr/> 40,974,532
Total Financial Assets	<hr/> 39,807,074	<hr/> 42,598,406
<u>Financial liabilities</u>		
Trade and other payables	72,417	65,352
Total Financial liabilities	<hr/> 72,417	<hr/> 65,352



The Anglican
Church of
Australia

LONG SERVICE LEAVE FUND

ABN 53 579 792 912

ESTABLISHED BY CANON OF GENERAL SYNOD

ANNUAL REPORT
31 December 2019

LONG SERVICE LEAVE FUND BOARD AND DIRECTORS OF TRUSTEE:

Bishop A.B. Ewing
Mr J.W. Flavin
The Rev'd A. Ford
Mr D.S. Marr
Mr C.P. Nelson
Mr A.A.L. Thomson
The Rev'd R.J.C. Weekes
Mrs L.M. Zamagias (appointed 29/11/2019)

ADMINISTRATION MANAGER:

Ms S. Mayers

FUND ADMINISTRATION MANAGER:

General Synod of the Anglican Church of Australia

AUDIT AND RISK COMMITTEE:

Bishop A.B. Ewing
Mr J.W. Flavin
Mr D.S. Marr

INVESTMENT MANAGER:

Pendal Group Limited
(Formerly known as BT Investment Management Limited)
Level 15, 2 Chifley Square
Sydney NSW 2000

AUDITOR:

KPMG
Level 38, Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

ACTUARY:

Mr David O'Keefe
Alea Actuarial Consulting Pty Ltd
Level 10, 50 Clarence Street
Sydney NSW 2000

ASSET CONSULTANT:

Mr Sean McGing
McGing Advisory and Actuarial
Level 13, 160 Queen Street
Melbourne VIC 3000

BANKERS:

Westpac Banking Corporation

TRUSTEE:

Anglican Long Service Leave Fund Limited

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**ABN 53 579 792 912****Contents**

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Registered office and principal place of business is:
Suite 4, Level 5, 189 Kent Street, Sydney, NSW 2000

Telephone: 02 8267 2700

Facsimile: 02 8267 2727

Email: longservice@anglican.org.au

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**For the year ended 31 December 2019****Directors report****Long Service Leave Fund Board report**

The Long Service Leave Fund Board and Directors of Trustee (“the Board”) presents its report together with the financial report of the Anglican Church of Australia Long Service Leave Fund (“the Fund”) for the year ended 31 December 2019 and the independent auditor’s report thereon.

Key Concerns

During the year the Fund received \$2.574m from contributing members and paid \$4.544m to fund long service leave. The Fund is able to provide this benefit by utilising investment income and a real increase in the value of investments.

The results for the year ended 31 December 2019 show a net gain for the year of \$1.536m. This follows a net loss of \$2.665m in the year ended 31 December 2018.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Long Service Leave Fund Board report (continued)****For the year ended 31 December 2019****Investments**

The Fund's investments continued to be managed by Pandal Group Limited (formerly known as BT Investment Management Limited) during the year, under the supervision of the Board, and in accordance with approved guidelines and strategies.

Notional stipend and contribution levels

Year	Notional Stipend \$	Increase %	Contributions	
			Per Person Per Annum \$	Increase %
2007	43,277	5.03	996	2.47
2008	46,525	7.51	996	0.00
2009	55,581	19.46	1,044	5.00
2010	56,502	1.60	1,044	0.00
2011	59,428	5.17	1,100	5.36
2012	62,102	4.50	1,140	3.65
2013	64,899	4.50	1,188	4.50
2014	67,871	4.58	1,320	11.10
2015	69,435	2.30	1,460	10.60
2016	71,457	2.91	1,500	2.74
2017	72,439	1.37	1,524	1.60
2018	72,964	0.72	1,536	0.78
2019	74,399	1.97	1,560	1.56
2020	75,822	1.90	1,596	2.30

Principal activities

The principal activities of the Fund during the course of the year were receiving contribution income from participating organisations, making long service leave payments to participating organisations and investing funds with Pandal Group Limited.

The Anglican Church of Australia Long Service Leave Fund pays an annual fee to the General Synod of the Anglican Church of Australia (Fund administration manager) for the provision of management services.

Operating and financial review

The net gain from ordinary activities for the year 2019 amounted to \$1,536,505 (2018: loss of \$2,665,076). This gain included a gain recognised on the fair value of financial assets of \$4,169,679 for the year ended 31 December 2019 (2018: loss 2,433,763).

The long service leave liability as at 31 December 2019 (\$34.107m) is estimated to be approximately 8.5% more than was calculated in the prior year (\$31.422m). This change reflects a number of matters, including:

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**For the year ended 31 December 2019****Long Service Leave Fund Board report (continued)****Operating and financial review (continued)**

Item	Financial Impact over the year to 31 December 2019
<ul style="list-style-type: none"> • a change in the level of “forward rate” yield curve assumed in the valuation of the liability which resulted in an increase in the LSL liability as at 31 December 2019; • a change in the demographic assumptions used in the valuation of the liability which resulted in an increase in the LSL liability as at 31 December 2019; • a change in the participants “in limbo” assumptions used in the valuation of the liability which resulted in a slight increase in the LSL liability as at 31 December 2019; • the accrual of further LSL benefit entitlements for participants through the year which resulted in an increase in the LSL liability as at 31 December 2019; 	approx. +\$7.2 million
<ul style="list-style-type: none"> • payment of LSL benefits to participants during the year (including the Sabbatical Allowance where appropriate) which resulted in a reduction in the LSL liability as at 31 December 2019. 	approx. -\$4.5 million

It also changes from year to year to reflect the effect of being valued under the Australian Accounting Standard AASB137. The related increases or decreases in the value of participants' benefits (as a group) result from:

Item	Financial Impact over the year to 31 December 2019
<ul style="list-style-type: none"> • The increase in the Notional Stipend (1.9% in 2019) which was less than assumed previously (3.0% per annum) resulted in a decrease in the LSL liability as at 31 December 2019. 	approx. +\$0.05 million

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**For the year ended 31 December 2019****Long Service Leave Fund Board report (continued)****Operating and financial review (continued)****Fund Manager**

Ms S. Mayers.

Environmental regulation

The Fund is not subject to any significant environmental regulations under either Commonwealth or State legislation.

Events subsequent to balance date

The spread of the COVID-19 in early 2020 has had a material impact on the value of the Fund's investments, with an unrealised decline in value of 9.8 % noted as at the date of the Directors' Report.

Similarly, there is likely to be an impact on the long service leave liability as a result of economic impacts and changes in the pattern of use of long service leave benefits as a result of COVID-19.

In addition, there is also likely to be an impact on the Fund's operations as a result of COVID-19. At the date of signing the Directors' Report, the financial impact could not be quantified accurately, but Directors do not believe it will affect the entity's capacity to remain a going concern for the foreseeable future.

Other than the above development, no other item, transaction or event of a material and unusual nature is likely, in the opinion of the Directors, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Likely developments

It is not envisaged that the activities of the Fund will significantly change in the next financial year.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**For the year ended 31 December 2019****Long Service Leave Fund Board report (continued)****Indemnification and insurance of officers*****Indemnification***

During the financial year the Fund paid \$Nil (2018: \$Nil) in premiums in respect of insurances including Directors' and Officers' liability. As an associated or affiliated body of the General Synod the Fund is covered under the General Synod of the Anglican Church of Australia umbrella insurance policies including the Directors and Officers and Company Liability Insurance Liability Policy.

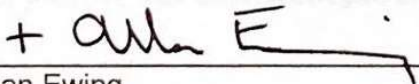
Since the end of the previous financial year, the Fund has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of the Fund.

Signed in accordance with a resolution of the directors at a duly constituted meeting:

Dated at Sydney this 5th day of May 2020.



Douglas Marr



Allan Ewing



Independent Auditor's Report

To the Board of The Anglican Church of Australia Long Service Leave Fund

Opinion

We have audited the **Financial Report** of The Anglican Church of Australia Long Service Leave Fund (the Fund).

In our opinion, the accompanying Financial Report presents fairly the financial position of The *Anglican Church of Australia Long Service Leave Fund* as at 31 December 2019, and of its financial performance and its cash flows for the year then ended, in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Long Service Leave Canon 2010* (as amended in 2017).

The **Financial Report** comprises:

- Statement of financial position as at 31 December 2019
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Long Service Leave Fund Board Declaration

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 Fund in accordance with 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.



Restriction on use and distribution

The Financial Report has been prepared to assist the Trustee Directors of The Anglican Church of Australia Long Service Leave Fund in complying with the financial reporting requirements of the *Long Service Leave Canon 2010* (as amended in 2017).

As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the *Trustee Directors* of The Anglican Church of Australia Long Service Leave Fund and its members and should not be used by or distributed to parties other than the *Trustee Directors* of The Anglican Church of Australia Long Service Leave Fund and its members. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the *Trustee Directors* of The Anglican Church of Australia Long Service Leave Fund or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in The Anglican Church of Australia Long Service Leave Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Trustee is responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Long Service Leave Fund Board report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or 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 Trustee for the Financial Report

The Trustee is responsible for:

- the preparation and fair presentation of the Financial Report in accordance with the Australian Accounting Standards- Reduced Disclosure Requirements and the *Long Service Leave Canon 2010* (as amended in 2017).
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Fund'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 Fund 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:

- 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 *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.

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

A stylized, handwritten-style logo of the letters 'KPMG' in blue.

KPMG

A handwritten signature in blue ink, appearing to read 'Cameron Roan'.

Cameron Roan

Partner

Sydney

5 May 2020

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

For the year ended 31 December 2019

Long Service Leave Fund Board declaration

In the opinion of the Board of the Anglican Church of Australia Long Service Leave Fund

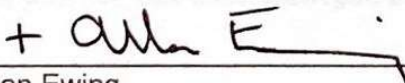
- (a) the Long Service Leave Fund is a reporting entity;
- (b) the financial statements and notes thereto, set out on pages 12 to 38, are drawn up, in accordance with the basis of accounting described in Notes 2 and 3, so as to present fairly the financial position of the Long Service Leave Fund as at 31 December 2019 and its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date; and
- (c) there are reasonable grounds to believe that the Long Service Leave Fund will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 5th day of May 2020.

Signed in accordance with a resolution of the directors at a duly constituted meeting:



Douglas Marr



Allan Ewing

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Statement of profit or loss and other comprehensive income****For the year ended 31 December 2019**

	Notes	2019 \$	2018 \$
Revenue			
Contribution revenue	11	2,573,406	2,614,249
Income from investments	9	1,718,635	1,683,543
Gain on sale of investments		828,924	394,682
Net change in fair value of financial assets		4,169,679	(2,433,763)
Expenses			
Administrative expenses	10	(524,819)	(497,287)
Increase in value of long service leave liability	8	<u>(7,229,320)</u>	<u>(4,426,500)</u>
Gain/(loss) for the period		<u>1,536,505</u>	<u>(2,665,076)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive gain/(loss) for the period		<u>1,536,505</u>	<u>(2,665,076)</u>

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 16 to 38.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of financial position

As at 31 December 2019

	Notes	2019 \$	2018 \$
Assets			
Current Assets			
Cash and cash equivalents	4	261,065	74,222
Financial assets at fair value	6	42,655,707	38,471,593
Trade and other receivables	5	<u>1,314,023</u>	<u>1,261,259</u>
Total current assets		<u>44,230,795</u>	<u>39,807,074</u>
Total assets		<u>44,230,795</u>	<u>39,807,074</u>
Liabilities			
Current liabilities			
Trade and other payables	7	77,697	72,417
Financial liabilities at fair value	6	671,359	474,423
Long service leave benefits	8	<u>4,154,000</u>	<u>4,209,000</u>
Total current liabilities		<u>4,903,056</u>	<u>4,755,840</u>
Non-current liabilities			
Long service leave benefits	8	<u>29,953,070</u>	<u>27,213,070</u>
Total non-current liabilities		<u>29,953,070</u>	<u>27,213,070</u>
Total liabilities		<u>34,856,126</u>	<u>31,968,910</u>
Net assets		<u>9,374,669</u>	<u>7,838,164</u>
Accumulated funds		<u>9,374,669</u>	<u>7,838,164</u>
Total accumulated funds		<u>9,374,669</u>	<u>7,838,164</u>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 16 to 38.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of changes in equity

For the year ended 31 December 2019

	Accumulated Funds
	\$
Balance at 1 January 2018	10,503,240
Total comprehensive income for the period	
Net loss for the period	(2,665,076)
Balance at 31 December 2018	<u>7,838,164</u>
Balance at 1 January 2019	7,838,164
Total comprehensive income for the period	
Net gain for the period	1,536,505
Balance at 31 December 2019	<u><u>9,374,669</u></u>

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 16 to 38.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of cash flows

For the year ended 31 December 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Cash receipts in the course of operations		3,188,238	3,294,580
Cash payments in the course of operations		<u>(5,067,199)</u>	<u>(4,966,557)</u>
Cash used in operations		(1,878,961)	(1,671,977)
Distributions from investments		<u>1,048,662</u>	<u>1,068,131</u>
Net cash from operating activities	13	<u>(830,299)</u>	<u>(603,846)</u>
Cash flows from investing activities			
Payments for purchase of investments		(5,396,279)	(5,687,531)
Proceeds from sale of investments		<u>6,292,612</u>	<u>6,292,612</u>
Net cash from investing activities		<u>896,333</u>	<u>605,081</u>
Net increase/(decrease) in cash held		186,843	(169,249)
Cash at the beginning of the financial year		<u>74,222</u>	<u>243,471</u>
Cash at the end of the financial year	4	<u>261,065</u>	<u>74,222</u>

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 16 to 38.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements****For the year ended 31 December 2019****1 Reporting entity**

The financial report reflects the operations of the Anglican Church of Australia Long Service Leave Fund (the "Fund"), which is a not-for-profit entity and was established by a Canon of the General Synod of the Anglican Church of Australia on 1 January 1969. The address of the Fund is Suite 4, Level 5, 189 Kent Street, Sydney, NSW 2000.

2 Basis of preparation**(a) Statement of compliance**

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Long Service Leave Canon 2017.

The financial report was authorised for issue by the Board on 5th May 2020.

(b) Basis of measurement

The financial report has been prepared on the basis of historical costs except where stated otherwise.

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Fund's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying 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.

(e) Comparative information

Comparatives are reclassified where necessary to conform to the current year presentation.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements****For the year ended 31 December 2019****Changes in Accounting Policies**

Except for the changes below, the Fund has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Fund applied AASB 16 with a date of initial application of 1 January 2019. As a result, the Fund has changed its accounting policy for lease contracts as detailed below.

The Fund applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Fund determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under AASB 16, the Fund assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 5(j).

On transition to AASB 16, the Fund elected to apply the practical expedient to grandfather the assessment of which transactions are leased. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and IFRIC 4 were not reassessed for whether there is a lease.

Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(b) As a lessee

As a lessee, the Fund previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Fund. Under AASB 16, the Fund recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

Leases classified as operating leases under AASB 117

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Fund's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Fund applied this approach to its property leases.

The Fund used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)**For the year ended 31 December 2019****Changes in Accounting Policies (continued)****Leases previously classified as finance leases.**

For leases that were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

Impact on financial statements

On transition to AASB 16, the Fund recognised \$0 right-of-use assets and lease liabilities.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

(a) Revenue**Contribution Income**

Contributions from participating dioceses and church organisations are recognised on an accrual basis. Contributions due but not received at balance date have been incorporated into the financial statements and are included in the statement of financial position under trade and other receivables as "contributions due".

Investment income**(i) Interest income**

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(ii) Dividend income

Dividend and distribution income are recognised at the date the securities are quoted ex-dividend and ex-distribution.

In some cases, the Fund may receive or choose to receive dividends/distributions in the form of additional shares/units rather than cash. In such cases the Fund recognises the dividend/distribution income for the amount of the cash dividend/distribution alternative with the corresponding debit treated as an additional investment.

(iii) Franking Credits

Franking credits are recognised on an accrual basis.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2019****3. Significant accounting policies (continued)****(b) Financial instruments****(i) Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement*Financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI debt investment; FVOCI - equity investment; or FVTPL.

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)**For the year ended 31 December 2019****3. Significant accounting policies (continued)****Financial assets — Subsequent measurement and gains and losses***Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

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

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities — Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition**Financial assets**

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

The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised. Financial assets at fair value through profit or loss.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2019****3. Significant accounting policies (continued)***Financial liabilities*

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration.

Impairment*Non-derivative financial assets*

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Fund on terms that the Fund would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Fund, economic conditions that correlate with defaults.

The Fund considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Fund uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)**For the year ended 31 December 2019****3. Significant accounting policies (continued)****(c) Goods and services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(e) Trade and other Receivables

Trade and other receivables are measured at their amortised cost less impairment losses.

(f) Trade and other Payables

Trade and other payables are measured at amortised cost. Trade accounts payable are normally settled within 30 days.

(g) Leases**Policy applicable from 1 January 2019**

- At inception of a contract, the Fund assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Fund assesses whether:
the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Fund has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2019****3. Significant accounting policies (continued)****(g) Leases (continued)****▪ Policy applicable from 1 January 2019**

- The Fund has the right to direct the use of the asset. The Fund has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined the Fund has the right to direct the use of the asset if either:
 - the Fund has the right to operate the asset; or
 - the Fund designed the asset in a way that predetermines how and for what purpose it will be used

This policy is applied to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Fund allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Fund has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Fund determined whether the arrangement was or contained a:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

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

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2019****3. Significant accounting policies (continued)****(g) Leases (continued)**

- The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.
- The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Fund's incremental borrowing rate. Generally, the Fund uses its incremental borrowing rate as 3.1%.

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

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

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

Short-term leases and leases of low-value assets

The Fund has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low-value assets. The Fund recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2019****3. Significant accounting policies (continued)****(h) Provisions**

A provision is recognised in the statement of financial position when the Fund has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Investments

A financial instrument is classified as at fair value through the profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through the profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's investment strategy. Financial instruments at fair value through the profit or loss are measured at fair value, and changes therein are recognised in the statement of profit or loss and other comprehensive income.

(j) Long Service Leave Benefits

The Fund's obligation to participating organisations in respect of long service leave benefits payable is a provision. The value of the long service leave benefits is calculated by estimating the date each clergy will take their leave along with the estimated payment amount; that benefit is discounted to determine its present value. The calculation is performed by a qualified actuary. Changes in the value of the long service leave benefits are recognised through the statement of profit or loss and other comprehensive income.

(k) Income tax

Under the provisions of the Income Tax Assessment Act 1997, the Fund is exempt from income tax.

(l) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Fund.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

(m) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet adopted by the entity for the annual reporting period ended 31 December 2019 are outlined in the table below:

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)
For the year ended 31 December 2019

	2019	2018
	\$	\$
4 Cash and cash equivalents		
Cash at bank	261,065	74,222
	<u>261,065</u>	<u>74,222</u>

	2019	2018
	\$	\$
5 Trade and other receivables		
Current		
Accrued income	368,168	392,620
Contributions due	667,697	613,838
Recoverable GST receivable	6,075	4,166
Prepaid Expense	(6,005)	(3,341)
Franking credit refunds due	63,311	61,274
Pendal liquid assets	214,778	192,702
	<u>1,314,023</u>	<u>1,261,259</u>

None of the above receivables is interest bearing.

6 Financial assets and liabilities at fair value through profit or loss

All investments are held by Pendal in either direct equities or in unit trust and are designated as financial assets or liabilities at fair value through profit or loss.

	2019	2018
	\$	\$
Financial assets		
Current		
Units in cash trust – Pendal Investments	5,843,366	2,963,436
Australian fixed interest	7,417,278	9,880,740
International fixed interest	2,908,958	3,000,847
Australian real estate	2,456,696	3,733,736
Australian shares	15,859,808	13,104,793
International shares	8,169,601	5,788,041
	<u>42,655,707</u>	<u>38,471,593</u>
Financial liabilities		
Current		
Foreign exchange forward contracts	<u>671,359</u>	<u>474,423</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2019**

	2019	2018
	\$	\$
7 Trade and other payables		
Actuarial fees	18,689	18,060
Audit fee	53,069	49,955
Sundry creditors	5,939	4,402
	<u>77,697</u>	<u>72,417</u>

8 Liability for long service leave benefits payable

An actuarial review to assess the adequacy of Fund's assets to meet accrued and vested liabilities is performed every year in accordance with the requirements of the Australian Accounting Standards Board. The December 2019 review was undertaken by Mr David O'Keefe of Alea Actuarial Consulting Pty Limited.

The Actuary used a method which estimates the date(s) at which each individual participant will take leave (after allowing for the probabilities of exit from the Fund for various causes) and the amounts of those payments. After allowing for future increases in Notional Stipend, the estimated payments are then discounted back to the present day at a rate of interest set by the AASB (that rate is currently considerably less than the expected earning rate on the Fund's assets).

The key assumptions applied by the Actuary are:

Financial Assumptions:	2019	2018
Discount Rate Applied	"Forward" rates	"Forward" rates
Notional Stipend Growth Rate	3.0%	3.0%

In the current year the discount rate applied in the calculation of the long service leave liability was the "forward" discount rates. AASB137 requires that the discount rate to be used in valuing LSL benefit liabilities shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The change in rates utilises the entire "yield curve" in valuing the Fund's LSL benefit liabilities.

Annual Forward Discount Rates as at 31 December 2019 (% per annum)

Year	Forward Discount Rate (per annum)
1	0.8%
5	1.4%
10	1.5%
15	2.7%
20	2.9%

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)**

For the year ended 31 December 2019

8 Liability for long service leave benefits payable (continued)

The Notional Stipend growth rate was based on a consideration of:

- historic growth in the Notional Stipend;
- historic Average Weekly Earnings rates; and
- expectations of the Church and other Australian reporting entities regarding future salary increases.

As at 31 December 2019 the salary growth rate was determined to be 3.0% per annum.

Demographic Assumptions:

All participants are expected to retire on or before their 80th birthday.

A sample of the rates of exit from the Fund used for active participants are as follows:

Rates of exit from the Fund assumed (%)

Summary of rates used:

<i>Age range in years</i>	<i>Males - rate for lower end of range</i>	<i>Males - rate for upper end of range</i>	<i>Females - rate for lower end of range</i>	<i>Females - rate for upper end of range</i>
25 to 30	4.1	3.7	19.0	12.0
31 to 35	3.7	3.3	11.6	8.3
36 to 40	3.3	2.9	7.4	2.5
41 to 45	2.9	2.9	2.5	2.5
46 to 50	2.9	2.9	2.5	2.5
51 to 55	2.9	2.9	2.9	2.9
56 to 60	2.9	4.9	2.9	5.3
61 to 65	5.1	12.3	5.2	12.2
66 to 70+	15.7	35.6	15.3	33.7

Leave taken in service

The following rates of the taking of leave whilst remaining in service (weeks per annum) were used.

Rates of leave taken in service assumed (weeks per annum)

<i>Age</i>	<i>Male</i>	<i>Female</i>
Under 40	0.43	0.39
40-44	1.17	0.94
45-49	0.81	1.20
50-54	0.90	0.95
55-59	0.99	1.08
60-64	1.53	1.39
65-69	2.52	1.63
70 and over	2.80	2.88

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2019****8 Liability for long service leave benefits payable (continued)****Sensitivity Analysis:**

We have considered the sensitivity of our calculation of the LSL liability as at 31 December 2019 by progressively adjusting some of the assumptions to recalculate the amount of the liability under each scenario.

The results of these sensitivity calculations, in terms of the change in the calculated LSL liability as at 31 December 2019, are set out below:

Sensitivity results

	Change \$'000	Change %
Total LSL liability as at 31 December 2019	34,107	
<i>Sensitivity analysis - change in the net liability due to:</i>		
Notional Stipend increase - 0.5% higher	1,172	3.4%
Notional Stipend increase - 0.5% lower	(1,106)	(3.2%)
Discount rate - 0.5% higher	(1,199)	(3.5%)
Discount rate - 0.5% lower	1,284	3.8%
Rates of exit - 15% higher	(1,410)	(4.1%)
Rates of exit - 15% lower	1,578	4.6%
Rate of leave taken - 10% higher	817	2.4%
Rate of leave taken - 10% lower	(1,255)	(3.7%)

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2019****8 Liability for long service leave benefits payable (continued)**

	Notes	2019 \$	2018 \$
Liability for past service as at 1 January		31,422,070	31,473,070
Less: Leave paid	12	(2,812,647)	(2,723,393)
Less: sabbatical allowance paid	12	(1,731,673)	(1,754,108)
Increase in value of past service liability		7,229,320	4,426,501
Liability for past service at 31 December		<u>34,107,070</u>	<u>31,422,070</u>
Liability is split between amounts expected to be settled:			
No more than twelve months after the reporting period		4,154,000	4,209,000
More than twelve months after the reporting period		29,953,070	27,213,070
Liability for past service at 31 December		<u>34,107,070</u>	<u>31,422,070</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2019

	2019	2018
	\$	\$
9 Income from investments		
Interest income from operating bank account	2,276	1,574
Franking credit income	252,910	156,188
Dividends	60,187	80,121
Australian fixed interest	391,522	175,251
International fixed interest	-	7,366
Australian real estate	118,298	154,530
Australian shares	780,966	682,200
International shares	349,278	478,791
Derivatives – FEC Gains/(Losses)	(236,803)	(52,478)
	<u>1,718,634</u>	<u>1,683,543</u>
	2019	2018
	\$	\$
10 Administrative expenses		
Annual Report expenses	195	48
Audit Fees	52,585	54,985
Actuarial fees	26,572	34,777
Bank charges	47	168
Computer Software	2,450	-
Consultants Fees	72,468	32,170
Management fee – General Synod Office	359,040	359,040
Pendal Group rebate	(15,551)	(8,503)
Printing and Stationary	-	95
Storage costs	6,326	6,041
Board and committee expenses	3,168	2,582
Traveling expenses - Board Members	17,519	15,884
	<u>524,819</u>	<u>497,287</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2019****11 Contributions from participating organisations**

	2019	2018
	\$	\$
Adelaide	121,819	101,001
Armidale	60,806	66,481
Ballarat	24,737	29,275
Bathurst	24,149	27,875
Bendigo	42,690	37,769
Brisbane	202,465	201,303
Bunbury	40,417	39,588
Canberra & Goulburn	101,867	106,445
Gippsland	45,654	39,261
Grafton	45,151	45,243
Melbourne	374,542	372,840
The Murray	24,936	26,282
Newcastle	100,153	100,849
North Queensland	25,962	30,288
Northern Territory	10,684	15,310
North West Australia	28,857	41,480
Perth	154,010	156,355
Riverina	14,173	11,741
Rockhampton	19,172	19,252
Sydney	886,056	922,091
Tasmania	70,188	71,784
Wangaratta	21,827	24,278
Willochra	14,977	13,744
Sub Total – Dioceses	<u>2,455,292</u>	<u>2,500,872</u>
ABM Missionaries	1,560	1,536
Anglican Community Services-Anglicare	51,617	44,461
Bush Church Aid	10,146	11,460
CMS NSW	21,285	21,626
CMS WA	1,560	1,536
Ridley College	16,142	15,381
Trinity Network of Churches	15,804	17,377
	<u>2,573,406</u>	<u>2,614,249</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2019****12 Entitlements paid through participating organisations**

	Leave		Sabbatical Allowance	
	2019	2018	2019	2018
	\$	\$	\$	\$
Adelaide	132,927	127,908	84,643	64,029
Armidale	30,394	75,820	24,248	58,648
Ballarat	35,983	76,680	13,698	52,790
Bathurst	29,288	57,976	10,273	23,508
Bendigo	22,892	32,412	18,263	17,911
Brisbane	246,962	266,827	170,212	185,106
Bunbury	65,367	11,340	32,201	3,358
Canberra & Goulburn	32,881	108,552	21,863	70,604
Gippsland	78,171	22,915	58,470	16,968
Grafton	65,226	40,103	41,267	23,729
Melbourne	357,612	356,858	175,003	200,853
The Murray	31,001	23,371	1,141	16,792
Newcastle	109,723	179,464	67,434	81,974
North Queensland	24,761	77,281	4,594	57,551
Northern Territory	49,045	15,525	37,690	12,386
North West Australia	39,783	9,101	30,071	5,692
Perth	242,566	131,370	82,185	63,662
Riverina	-	33,842	-	24,628
Rockhampton	21,661	25,728	17,281	17,911
Sydney	927,988	757,382	683,263	546,033
Tasmania	92,892	88,610	45,659	68,761
Wangaratta	24,323	24,676	19,405	16,792
Willochra	11,643	35,047	-	25,747
Sub Total – Dioceses	<u>2,673,089</u>	<u>2,578,788</u>	<u>1,638,864</u>	<u>1,655,433</u>
ABM Missionaries	-	20,922	-	-
Anglican Community Services- Anglicare	61,785	26,660	33,102	21,270
Bush Church Aid	14,383	21,047	9,132	16,792
CMS NSW	40,444	4,292	32,267	3,424
CMS WA	-	-	-	-
Ridley College	12,932	49,110	10,317	39,181
Trinity Network of Churches	10,015	22,573	7,990	18,009
	<u>2,812,647</u>	<u>2,723,393</u>	<u>1,731,673</u>	<u>1,754,108</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)**

For the year ended 31 December 2019

	2019 \$	2018 \$
13 Reconciliation of cash flows from operating activities		
Cash flows from operating activities		
Net profit/(loss) for the period	1,536,505	(2,665,076)
Gain on sale of investments	(828,924)	(394,682)
Change in fair value of financial assets	(4,169,679)	2,433,763
Change in fair value of financial liabilities	(204,464)	86,788
Change in value of defined benefit liabilities	7,229,320	4,426,500
Net cash provided by operating activities before changes in assets and liabilities	3,562,758	3,887,293
Change in trade and other receivables	(57,805)	63,752
Change in other assets	2,664	1,167
Change in trade and other payables	206,403	(78,556)
Change in provisions and employee benefits	(4,544,320)	(4,477,502)
Net cash used in operating activities	(830,300)	(603,846)

14 Related Parties**Directors of the trustee**

The names of persons who were directors of the trustee of the Fund at any time during the financial year are as follows:

Bishop A.B. Ewing
 Mr J.W. Flavin
 The Rev'd A. Ford
 Mr D.S. Marr
 Mr C.P. Nelson
 Mr A.A.L. Thomson
 The Rev'd R.J.C. Weekes
 Mrs L. Zamagias (appointed 29/11/2019)

Remuneration and benefits

No Directors have received or are due to receive any emolument as a trustee of the Fund.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2019****14 Related Parties (continued)
Transactions with related parties**

The Fund received contributions from participating organisations, which are Anglican Church of Australia dioceses and related parties. For details of these contributions refer to Note 11.

The Fund also made entitlement payments to participating organisations in accordance with the Trust Deed. For details of these payments refer to Note 12.

The Fund also made management fee payments to the General Synod of the Anglican Church of Australia. For details of these payments refer to Note 10.

Outstanding balances

Contributions from participating organisations are paid in arrears on a quarterly basis. The December 2019 quarter contributions were not due until 14 January 2020. For details of amounts receivable refer to note 5.

15 Events subsequent to balance date

The spread of the COVID-19 in early 2020 has had a material impact on the value of the Fund's investments, with an unrealised decline in value of 9.8 % noted as at the date of the Directors' Report.

Similarly, there is likely to be an impact on the long service leave liability as a result of economic impacts and changes in the pattern of use of long service leave benefits as a result of COVID-19.

In addition, there is also likely to be an impact on the Fund's operations as a result of COVID-19. At the date of signing the Directors' Report, the financial impact could not be quantified accurately, but Directors do not believe it will affect the entity's capacity to remain a going concern for the foreseeable future.

Other than the above development, no other item, transaction or event of a material and unusual nature is likely, in the opinion of the Directors, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

16 Commitments

No material commitments to disclose as at 31st December 2019.

17 Financial risk management**Overview**

The Fund's activities expose it to various financial risks: credit risk, liquidity risk and market risk.

This note provides disclosure on the Fund's exposure to financial risks, and the risk management approach applied to manage these risks.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)**

For the year ended 31 December 2019

(a) Risk management framework

The Long Service Leave Board has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund does not have any direct investments. The Fund's investments are managed by Pental Group (previously BT Investment Management) in accordance with the Investment Policy and directions of the Board. The Board seek to manage risk within acceptable limits, and investments are diversified by asset class to achieve the desired balance of risk and timing exposure. The Board reviews risk parameters regularly. The Board are assisted in its risk management and review of investment performance by the Fund's Asset Consultant.

The strategic asset allocation currently adopted by the Fund is as follows:

Asset Class	Min %	Benchmark %	Max %
Australian Shares	27.5	37	42.5
Overseas Shares	7.5	17	22.5
Australian Listed Property	2.5	6	17.5
Total Growth Assets		60	
Australian Fixed Interest	14	19	34
International Fixed Interest	0	6	16
Cash	5	15	20
Total Defensive Assets		40	

(b) Credit risk

The Fund held cash and cash equivalents at 31 December 2019 of \$261,065 (2018: \$74,222). The cash and cash equivalents are held with an authorised deposit taking institution.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The Fund's approach in managing its liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund manages liquidity risk by monitoring net cash balances, actual and forecast operating cash flows.

(d) Market Risk**(i) Price Risk**

The Fund is exposed to changes in market prices that affect the Fund's income or value of its holdings of financial instruments.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2019**

(ii) Interest rate risk

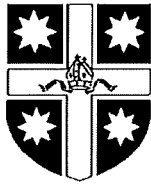
The Fund is exposed to variable interest rate risks at the reporting date on the cash and short deposits. The Fund's investments are diversified by asset class which includes an allocation to interest related investments.

(iii) Currency risk

The Fund is not exposed to any significant currency risk. Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's investments are diversified by asset class which includes an allocation to international equities.

The totals for each category of financial instrument is as follows:

	2019	2018
<u>Financial assets</u>		
Cash and cash equivalents	261,065	74,222
Trade and other receivables	1,314,023	1,261,259
<u>Financial assets at fair value</u>		
Units in cash trust	5,843,366	2,963,436
Australian fixed interest	7,417,278	9,880,740
International fixed interest	2,908,958	3,000,847
Australian real estate	2,456,696	3,733,736
Australian shares	15,859,808	13,104,793
International shares	8,169,601	5,788,041
	<u>42,655,707</u>	<u>38,471,593</u>
Total Financial Assets	<u>44,230,795</u>	<u>39,807,074</u>
<u>Financial liabilities</u>		
Trade and other payables	77,697	72,417
Total Financial liabilities	<u>77,697</u>	<u>72,417</u>



The Anglican
Church of
Australia

LONG SERVICE LEAVE FUND

ABN 53 579 792 912

ESTABLISHED BY CANON OF GENERAL SYNOD

ANNUAL REPORT
31 December 2020

LONG SERVICE LEAVE FUND BOARD AND DIRECTORS OF TRUSTEE:

Bishop A.B. Ewing
Mr J.W. Flavin
The Rev'd A. Ford
Mr D.S. Marr
Mr C.P. Nelson
Mr A.A.L. Thomson
The Rev'd R.J.C. Weekes
Mrs L.M. Zamagias

ADMINISTRATION MANAGER:

Ms S. Mayers

FUND ADMINISTRATION MANAGER:

General Synod of the Anglican Church of Australia

AUDIT AND RISK COMMITTEE:

Bishop A.B. Ewing
Mr D.S. Marr
Mrs L.M. Zamagias

INVESTMENT MANAGER:

Pendal Group Limited
(Formerly known as BT Investment Management Limited)
Level 15, 2 Chifley Square
Sydney NSW 2000

AUDITOR:

KPMG
Level 38, Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

ACTUARY:

Mr David O'Keefe
Alea Actuarial Consulting Pty Ltd
Level 10, 50 Clarence Street
Sydney NSW 2000

ASSET CONSULTANT:

Mr Sean McGing
McGing Advisory and Actuarial
Level 13, 160 Queen Street
Melbourne VIC 3000

BANKERS:

Westpac Banking Corporation

TRUSTEE:

Anglican Long Service Leave Fund Limited

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**ABN 53 579 792 912****Contents**

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Statement of changes in equity	15
Statement of cash flows	16
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Registered office and principal place of business is:
Suite 4, Level 5, 189 Kent Street, Sydney, NSW 2000

Telephone: 02 8267 2700

Facsimile: 02 8267 2727

Email: longservice@anglican.org.au

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**For the year ended 31 December 2020****Directors report****Long Service Leave Fund Board report**

The Long Service Leave Fund Board and Directors of Trustee (“the Board”) presents its report together with the financial report of the Anglican Church of Australia Long Service Leave Fund (“the Fund”) for the year ended 31 December 2020 and the independent auditor’s report thereon.

Key Concerns

During the year the Fund received \$2.558m from contributing members and paid \$2.372m to fund long service leave.

The COVID-19 pandemic is continuing to have a major impact on the life and activities of Australians. Marked changes in investment values, people movement and patterns of leave taken began in March 2020 and monitoring and responding to changing investment values and leave activities were the principle focus of Board meetings during 2020. After significant value reductions in investment values in March and April 2020 the Board prepared contingency measures to ensure that the Fund was financially sound throughout the period. Fortunately, these measures proved unnecessary as investment values recovered well and the reduction in leave taken helped to maintain a strong position.

The value of long service leave taken in 2020 was significantly lower than prior year leave taken of \$4.544m. Given the present uncertainties, the Fund is forecasting lower leave rates until the second half of 2021 and is confident that cash reserves will be available for leave, including an increase in leave requests which is anticipated when travel opportunities resume.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Directors report (continued)**

For the year ended 31 December 2020

Investments

The Fund's investments continued to be managed by Pandal Group Limited (Pandal) throughout the year, under the supervision of the Board and in accordance with approved guidelines and strategies.

During the year Pandal was able to offer Sustainable Funds which met the Board's desire for investments to be negatively screened to eliminate all prohibited investments (alcohol, firearms, weapons, gambling, etc) and positively screened to invest in well-governed, responsibly managed, ethical entities. After careful consideration the Board decided to place all investment funds in either the Pandal Sustainable Balanced Fund or the Pandal Sustainable Conservative Fund.

As a consequence the purchase and sale of investments reported in the Statement of cash flows (page 16 of this Report) shows very high investment payments and proceeds. However, the vast bulk of these transactions relates to the transfer into the Sustained Funds, which was achieved without cost.

The Pandal Sustainable Funds continue to meet the investment strategy objectives of the Board, both in the mix between Growth and Defensive Assets, and in the mix between different asset classes. The Asset Allocation as at 31 December 2020 is presented in note 6 of the Accounts (Page 26 of this Report).

Notional stipend and contribution levels

Year	Notional Stipend \$	Increase %	Contributions	
			Per Person Per Annum \$	Increase %
2007	43,277	5.03	996	2.47
2008	46,525	7.51	996	-
2009	55,581	19.46	1,044	5.00
2010	56,502	1.60	1,044	-
2011	59,428	5.17	1,100	5.36
2012	62,102	4.50	1,140	3.65
2013	64,899	4.50	1,188	4.50
2014	67,871	4.58	1,320	11.10
2015	69,435	2.30	1,460	10.60
2016	71,457	2.91	1,500	2.74
2017	72,439	1.37	1,524	1.60
2018	72,964	0.72	1,536	0.78
2019	74,399	1.97	1,560	1.56
2020	75,822	1.90	1,596	2.30
2021	76,134	0.40	1,596	-

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Directors report (continued)****For the year ended 31 December 2020****Principal activities**

The principal activities of the Fund during the course of the year were receiving contribution income from participating organisations, making long service leave payments to participating organisations and investing funds with Pandal Group Limited.

The Anglican Church of Australia Long Service Leave Fund pays an annual fee to the General Synod of the Anglican Church of Australia (Fund administration manager) for the provision of management services.

Operating and financial review

The net loss from ordinary activities for the year 2020 amounted to \$260,065 (2019: gain of \$1,536,505). This loss included a loss recognised on the fair value of financial assets of \$853,252 for the year ended 31 December 2020 (2019: gain \$4,169,679).

The long service leave liability as at the 31 December 2020 (\$36.156m) is estimated to be approximately 6.0% more than was calculated in the prior year (\$34.107m). This change reflects a number of matters, including:

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

For the year ended 31 December 2020

Directors report (continued)

Operating and financial review (continued)

Item	Financial Impact over the year to 31 December 2020
<ul style="list-style-type: none"> • the accrual of further LSL benefit entitlements for participants through the year which resulted in an increase in the LSL liability as at 31 December 2020; • the LSL payments were considerably less compared to previous years due to the Covid-19 pandemic, resulting in a less than expected reduction in the liability. 	approx. +\$3.4 million
<ul style="list-style-type: none"> • payment of LSL benefits to participants during the year (including the Sabbatical Allowance where appropriate) which resulted in an increase in the LSL liability as at 31 December 2020. 	approx. -\$2.4 million

It also changes from year to year to reflect the effect of being valued under the Australian Accounting Standard AASB137. The related increases or decreases in the value of participants' benefits (as a group) result from:

Item	Financial Impact over the year to 31 December 2020
<ul style="list-style-type: none"> • a change in the level of "forward rate" yield curve assumed in the valuation of the liability which resulted in an increase in the LSL liability as at 31 December 2020; 	approx. +\$1 million

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

For the year ended 31 December 2020

Directors report (continued)

Operating and financial review (continued)

Fund Manager

Ms S. Mayers.

Environmental regulation

The Fund is not subject to any significant environmental regulations under either Commonwealth or State legislation.

Events subsequent to balance date

No other item, transaction or event of a material and unusual nature is likely, in the opinion of the Directors, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Impact of COVID-19

The COVID-19 pandemic has significantly impacted global economies, resulting in workforce and travel restrictions, supply chain and production disruptions and reduced demand and spending across many sectors. In the opinion of the Directors, whilst the risks associated with COVID-19 have been largely mitigated, these risks and the required mitigating actions will continue to be vigilantly monitored and evaluated by management.

Likely developments

It is not envisaged that the activities of the Fund will significantly change in the next financial year.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**For the year ended 31 December 2020****Directors report (continued)****Indemnification and insurance of officers*****Indemnification***

During the financial year the Fund paid \$Nil (2019: \$Nil) in premiums in respect of insurances including Directors' and Officers' liability. As an associated or affiliated body of the General Synod the Fund is covered under the General Synod of the Anglican Church of Australia umbrella insurance policies including the Directors and Officers and Company Liability Insurance Liability Policy.

Since the end of the previous financial year, the Fund has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of the Fund.

Signed in accordance with a resolution of the directors at a duly constituted meeting:

Dated at Sydney this 11th day of May 2021.



Douglas Marr



Allan Ewing



Independent Auditor's Report

To the Board of The Anglican Church of Australia Long Service Leave Fund

Opinion

We have audited the **Financial Report** of The Anglican Church of Australia Long Service Leave Fund (the Fund).

In our opinion, the accompanying Financial Report presents fairly, in all material respects, the financial position of The Anglican Church of Australia Long Service Leave Fund as at 31 December 2020, and of its financial performance and its cash flows for the year then ended, in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Long Service Leave Canon 2010 (as amended in 2017).

The **Financial Report** comprises:

- Statement of financial position as at 31 December 2020;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Long Service Leave Fund Board Declaration

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 Fund in accordance with 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.



Restriction on use and distribution

The Financial Report has been prepared to assist the Trustee Directors of The Anglican Church of Australia Long Service Leave Fund in complying with the financial reporting requirements of the Long Service Leave Canon 2010 (as amended in 2017).

As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Trustee Directors of The Anglican Church of Australia Long Service Leave Fund and its members and should not be used by or distributed to parties other than the Trustee Directors of The Anglican Church of Australia Long Service Leave Fund and its members. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the Trustee Directors of The Anglican Church of Australia Long Service Leave Fund or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in Anglican Church of Australia Long Service Leave Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Trustee is responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Trustee Directors' Long Service Leave Fund Board report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or 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 Management for the Financial Report

Management are responsible for:

- the preparation and fair presentation of the Financial Report in accordance with the Australian Accounting Standards- Reduced Disclosure Requirements and the Long Service Leave Canon 2010 (as amended in 2017).
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Fund'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 Fund 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:

- 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 *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 the Financial Report.

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



KPMG

A handwritten signature in blue ink, appearing to read 'Richard Drinnan'.

Richard Drinnan

Partner

Sydney

11 May 2021

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

For the year ended 31 December 2020

Long Service Leave Fund Board declaration

In the opinion of the Board of the Anglican Church of Australia Long Service Leave Fund


- (a) the Long Service Leave Fund is a reporting entity;
- (b) the financial statements and notes thereto, set out on pages 13 to 37, are drawn up, in accordance with the basis of accounting described in Notes 2 and 3, so as to present fairly the financial position of the Long Service Leave Fund as at 31 December 2020; and
- (c) there are reasonable grounds to believe that the Long Service Leave Fund will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 11th day of May 2021.

Signed in accordance with a resolution of the directors at a duly constituted meeting:



Douglas Marr



Allan Ewing

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

	Notes	2020 \$	2019 \$
Revenue			
Contribution revenue	11	2,557,742	2,573,406
Income from investments	9	1,602,114	1,718,635
Gain on sale of investments		1,232,911	828,924
Net change in fair value of financial assets		(853,252)	4,169,679
Expenses			
Administrative expenses	10	(378,332)	(524,819)
Increase in value of long service leave liability	8	<u>(4,421,248)</u>	<u>(7,229,320)</u>
(Loss)/gain for the year		<u>(260,065)</u>	<u>1,536,505</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive (loss)/income for the year		<u>(260,065)</u>	<u>1,536,505</u>

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 17 to 37.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of financial position

As at 31 December 2020

	Notes	2020 \$	2019 \$
Assets			
Current Assets			
Cash and cash equivalents	4	314,015	261,065
Financial assets at fair value	6	44,258,471	42,655,707
Trade and other receivables	5	765,211	1,314,023
Total current assets		<u>45,337,697</u>	<u>44,230,795</u>
Total assets		<u>45,337,697</u>	<u>44,230,795</u>
Liabilities			
Current liabilities			
Trade and other payables	7	67,023	77,697
Financial liabilities at fair value	6	-	671,359
Long service leave benefits	8	4,266,000	4,154,000
Total current liabilities		<u>4,333,023</u>	<u>4,903,056</u>
Non-current liabilities			
Long service leave benefits	8	31,890,070	29,953,070
Total non-current liabilities		<u>31,890,070</u>	<u>29,953,070</u>
Total liabilities		<u>36,223,093</u>	<u>34,856,126</u>
Net assets		<u>9,114,604</u>	<u>9,374,669</u>
Accumulated funds		<u>9,114,604</u>	<u>9,374,669</u>
Total accumulated funds		<u>9,114,604</u>	<u>9,374,669</u>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 17 to 37.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of changes in equity

For the year ended 31 December 2020

	Accumulated Funds
	\$
Balance at 1 January 2019	7,838,164
Total comprehensive income for the year	
Net gain for the year	1,536,505
Balance at 31 December 2019	<u>9,374,669</u>
Balance at 1 January 2020	9,374,669
Total comprehensive income for the year	
Net loss for the year	(260,065)
Balance at 31 December 2020	<u>9,114,604</u>

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 17 to 37.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of cash flows

For the year ended 31 December 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Cash receipts in the course of operations		3,270,063	3,188,238
Cash payments in the course of operations		<u>(2,728,098)</u>	<u>(5,067,199)</u>
Cash used in operations		541,965	(1,878,961)
Distributions from investments		<u>1,009,372</u>	<u>1,048,662</u>
Net cash (used in) / from operating activities	13	<u>1,551,337</u>	<u>(830,299)</u>
Cash flows from investing activities			
Payments for purchase of investments		(52,561,507)	(5,396,279)
Proceeds from sale of investments		<u>51,063,120</u>	<u>6,292,612</u>
Net cash (used in) / from investing activities		<u>(1,498,387)</u>	<u>896,333</u>
Net increase in cash held		52,950	186,843
Cash at the beginning of the financial year		<u>261,065</u>	<u>74,222</u>
Cash at the end of the financial year	4	<u>314,015</u>	<u>261,065</u>

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 17 to 37.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements****For the year ended 31 December 2020****1 Reporting entity**

The financial report reflects the operations of the Anglican Church of Australia Long Service Leave Fund (the "Fund"), which is a not-for-profit entity and was established by a Canon of the General Synod of the Anglican Church of Australia on 1 January 1969. The address of the Fund is Suite 4, Level 5, 189 Kent Street, Sydney, NSW 2000.

2 Basis of preparation**(a) Statement of compliance**

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Long Service Leave Canon 2017.

The financial report was authorised for issue by the Board on 11th May 2021.

(b) Basis of measurement

The financial report has been prepared on the basis of historical costs except where stated otherwise.

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Fund's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying 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.

For information about estimates and judgments made, refer to Note 3(b) Impairment and Note 3(i) for Long Service Leave liability accounting policy used.

(e) Comparative information

Comparatives are reclassified where necessary to conform to the current year presentation.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2020****3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

(a) Revenue**Contribution Income**

Contributions from participating dioceses and church organisations are recognised on an accrual basis. Contributions due but not received at balance date have been incorporated into the financial statements and are included in the statement of financial position under trade and other receivables as "contributions due".

Investment income**(i) Interest income**

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(ii) Dividend and distribution income

Dividend and distribution income are recognised at the date the securities are quoted ex-dividend and ex-distribution.

In some cases, the Fund may receive or choose to receive dividends/distributions in the form of additional shares/units rather than cash. In such cases the Fund recognises the dividend/distribution income for the amount of the cash dividend/distribution alternative with the corresponding debit treated as an additional investment.

(iii) Franking Credits

Franking credits are recognised on an accrual basis.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2020****3. Significant accounting policies (continued)****(b) Financial instruments****(i) Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair value through profit or loss (FVTPL) transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement*Financial assets*

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

Financial assets — Subsequent measurement and gains and losses*Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend or distribution income are recognised in profit or loss.

Financial assets at amortised cost

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

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities — Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition**Financial assets**

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

Notes to the financial statements (continued)**For the year ended 31 December 2020****3. Significant accounting policies (continued)****Financial liabilities**

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

Impairment*Financial instruments and contract assets*

The Fund recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Fund considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)**Impairment (continued)**

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Fund on terms that the Fund would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Fund has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Fund individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Fund expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Fund's procedures for recovery of amounts due.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2020****3. Significant accounting policies (continued)****(c) Goods and services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(e) Trade and other Receivables

Trade and other receivables are measured at their amortised cost less impairment losses.

(f) Trade and other Payables

Trade and other payables are measured at amortised cost. Trade accounts payable are normally settled within 30 days.

(g) Provisions

A provision is recognised in the statement of financial position when the Fund has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(h) Investments

A financial instrument is classified as at fair value through the profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through the profit or loss if the Fund manages such investments and makes purchase and sale decisions based on

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

their fair value in accordance with the Fund's investment strategy. Financial instruments at fair value through the profit or loss are measured at fair value, and changes therein are recognised in the statement of profit or loss and other comprehensive income.

(i) Long Service Leave Benefits

The Fund's obligation to participating organisations in respect of long service leave benefits payable is a provision. The value of the long service leave benefits is calculated by estimating the date each clergy will take their leave along with the estimated payment amount; that benefit is discounted to determine its present value. The calculation is performed by a qualified actuary. Changes in the value of the long service leave benefits are recognised through the statement of profit or loss and other comprehensive income.

(j) Income tax

Under the provisions of the Income Tax Assessment Act 1997, the Fund is exempt from income tax.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2020

	2020	2019
	\$	\$
4 Cash and cash equivalents		
Cash at bank	314,015	261,065
	<u>314,015</u>	<u>261,065</u>
	2020	2019
	\$	\$
5 Trade and other receivables		
Current		
Accrued income	181,607	368,168
Contributions due	592,527	667,697
Recoverable GST	3,363	6,075
Prepaid expense	(39,159)	(6,005)
Franking credit refunds due	21,613	63,311
Pendal liquid assets	5,261	214,778
	<u>765,212</u>	<u>1,314,023</u>

None of the above receivables is interest bearing.

6 Financial assets and liabilities at fair value through profit or loss

All investments are managed by Pendal in either direct equities or in unit trust and are designated as financial assets or liabilities at fair value through profit or loss.

	2020	2019
	\$	\$
Financial assets		
Current		
Balanced Unit Trusts	44,258,471	-
Units in cash trust – Pendal Investments	-	5,843,366
Australian fixed interest	-	7,417,278
International fixed interest	-	2,908,958
Australian real estate	-	2,456,696
Australian shares	-	15,859,808
International shares	-	8,169,601
	<u>44,258,471</u>	<u>42,655,707</u>
Financial liabilities		
Current		
Foreign exchange forward contracts	<u>-</u>	<u>671,359</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)
For the year ended 31 December 2020
6 Financial assets and liabilities at fair value through profit or loss (continued)

In September 2020, the Long Service Leave Fund investment portfolio, previously a combination of several asset classes, was transitioned to a mix of two investment funds, being the Pental Sustainable Balanced Fund and the Pental Sustainable Conservative Funds, consistent with the Board's approved solution of a 60% growth and 40% defensive (60/40) balance.

The following table notes the asset allocation as at the 31 December 2020 as reported by Pental.

Asset Class	Previous year ended 31 December 2019 Asset Allocation	Current year ended 31 December 2020 Asset Allocation	Benchmark	Allocation vs. Benchmark
	%	%	%	%
Australian Equities	37.26	19.48	-	-
Overseas Equities	19.19	27.10	-	-
Australian Listed Property	5.77	5.84	-	-
International Property	-	2.88	-	-
Australian Fixed Interest	17.43	7.73	-	-
International Fixed Interest	6.83	9.58	-	-
Net Cash	13.52	10.17	-	-
Alternatives	-	17.22	-	-
TOTAL	100.00	100.00	-	-
Total Growth Assets	62.22	63.91	60.00	3.91
Total Defensive Assets	37.78	36.09	40.00	-3.91
Percentage invested in Approved Funds	100.00	100.00	100.00	
Pental Sustainable Balanced Fund	-	71.69	68.75	2.94
Pental Sustainable Conservative Fund	-	28.24	31.25	-3.01

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2020

	2020	2019
	\$	\$
7 Trade and other payables		
Actuarial fees	6,721	18,689
Audit fee	52,494	53,069
Sundry creditors	7,808	5,939
	<u>67,023</u>	<u>77,697</u>
8 Liability for long service leave benefits payable		

An actuarial review to assess the adequacy of the Fund's assets to meet accrued and vested liabilities is performed every year in accordance with the requirements of the Australian Accounting Standards Board. The December 2020 review was undertaken by Mr David O'Keefe of Alea Actuarial Consulting Pty Limited.

The Actuary used a method which estimates the date(s) at which each individual participant will take leave (after allowing for the probabilities of exit from the Fund for various causes) and the amounts of those payments. After allowing for future increases in Notional Stipend, the estimated payments are then discounted back to the present day at rates of interest based on Commonwealth Government bond rates consistent with the requirements of the AASB.

The key assumptions applied by the Actuary are:

Financial Assumptions:	2020	2019
Discount Rate Applied	"Forward" rates	"Forward" rates
Notional Stipend Growth Rate	3.0%	3.0%

In the current year the discount rate applied in the calculation of the long service leave liability was the "forward" discount rates. AASB137 requires that the discount rate to be used in valuing LSL benefit liabilities shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The change in rates utilises the entire "yield curve" in valuing the Fund's LSL benefit liabilities.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2020

8 Liability for long service leave benefits payable (continued)

Annual Forward Discount Rates as at 31 December 2020 (% per annum)

Year	<i>Forward Discount Rate (per annum)</i>
1	0.1%
5	1.0%
10	2.1%
15	2.5%
20	3.2%

The Notional Stipend growth rate was based on a consideration of:

- historic growth in the Notional Stipend;
- historic Average Weekly Earnings rates; and
- expectations of the Church and other Australian reporting entities regarding future salary increases.

As at 31 December 2020 the Notional Stipend growth rate was determined to be 3.0% per annum.

Demographic Assumptions:

All participants are expected to retire on or before their 80th birthday.

A sample of the rates of exit from the Fund used for active participants are as follows:

Rates of exit from the Fund assumed (%)

Summary of rates used:

<i>Age range in years</i>	<i>Males - rate for lower end of range</i>	<i>Males - rate for upper end of range</i>	<i>Females - rate for lower end of range</i>	<i>Females - rate for upper end of range</i>
25 to 30	4.1	3.7	19.0	12.0
31 to 35	3.7	3.3	11.6	8.3
36 to 40	3.3	2.9	7.4	2.5
41 to 45	2.9	2.9	2.5	2.5
46 to 50	2.9	2.9	2.5	2.5
51 to 55	2.9	2.9	2.9	2.9
56 to 60	2.9	4.9	2.9	5.3
61 to 65	5.1	12.3	5.2	12.2
66 to 70+	15.7	35.6	15.3	33.7

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2020

8 Liability for long service leave benefits payable (continued)

Leave taken in service

The following rates of the taking of leave whilst remaining in service (weeks per annum) were used.

Rates of leave taken in service assumed (weeks per annum)

<u>Age</u>	<u>Male</u>	<u>Female</u>
Under 40	0.43	0.39
40-44	1.17	0.94
45-49	0.81	1.20
50-54	0.90	0.95
55-59	0.99	1.08
60-64	1.53	1.39
65-69	2.52	1.63
70 and over	2.80	2.88

Sensitivity Analysis:

We have considered the sensitivity of our calculation of the LSL liability as at 31 December 2020 by progressively adjusting some of the assumptions to recalculate the amount of the liability under each scenario.

The results of these sensitivity calculations, in terms of the change in the calculated LSL liability as at 31 December 2020, are set out below:

Sensitivity results

	Change \$'000	Change %
Total LSL liability as at 31 December 2020	36,156	
<i>Sensitivity analysis - change in the net liability due to:</i>		
Notional Stipend increase - 0.5% higher	1,240	3.4%
Notional Stipend increase - 0.5% lower	(1,171)	(3.2%)
Discount rate - 0.5% higher	(1,274)	(3.5%)
Discount rate - 0.5% lower	1,364	3.8%
Rates of exit - 15% higher	(1,506)	(4.2%)
Rates of exit - 15% lower	1,686	4.7%
Rate of leave taken - 10% higher	896	2.5%
Rate of leave taken - 10% lower	(1,347)	(3.7%)

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2020

8 Liability for long service leave benefits payable (continued)

	Notes	2020 \$	2019 \$
Liability for past service as at 1 January		34,107,070	31,422,070
Less: Leave paid	12	(1,511,844)	(2,812,647)
Less: sabbatical allowance paid	12	(860,404)	(1,731,673)
Increase in value of past service liability		4,421,248	7,229,320
Liability for past service at 31 December		<u>36,156,070</u>	<u>34,107,070</u>
Liability is split between amounts expected to be settled:			
No more than twelve months after the reporting period		4,266,000	4,154,000
More than twelve months after the reporting period		31,890,070	29,953,070
Liability for past service at 31 December		<u>36,156,070</u>	<u>34,107,070</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2020

	2020	2019
	\$	\$
9 Income from investments		
Interest income from operating bank account	215	2,276
Franking credit income	157,730	252,910
Balanced Unit Trusts	191,655	-
Dividends	28,236	60,187
Australian fixed interest	370,713	391,522
Australian real estate	203,804	118,298
Australian shares	248,516	780,966
International shares	273,675	349,278
Derivatives – FEC Gains/(Losses)	127,570	(236,803)
	<u>1,602,114</u>	<u>1,718,634</u>
	2020	2019
	\$	\$
10 Administrative expenses		
Annual Report expenses	160	195
Audit Fees	52,563	52,585
Actuarial fees	9,510	26,572
Bank charges	39	47
Computer Software	-	2,450
Consultants Fees	25,100	72,468
Management fee – General Synod Office	303,100	359,040
Pendal Group rebate	(19,450)	(15,551)
Printing and Stationary	320	-
Storage costs	1,219	6,326
Board and committee expenses	1,230	3,168
Traveling expenses - Board Members	4,541	17,519
	<u>378,332</u>	<u>524,819</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2020

11 Contributions from participating organisations

	2020 \$	2019 \$
Adelaide	101,918	121,819
Armidale	55,718	60,806
Ballarat	25,616	24,737
Bathurst	20,030	24,149
Bendigo	44,828	42,690
Brisbane	208,196	202,465
Bunbury	40,115	40,417
Canberra & Goulburn	95,977	101,867
Gippsland	41,701	45,654
Grafton	45,196	45,151
Melbourne	382,269	374,542
The Murray	25,242	24,936
Newcastle	98,337	100,153
North Queensland	26,266	25,962
Northern Territory	17,536	10,684
North West Australia	28,056	28,857
Perth	151,371	154,010
Riverina	15,112	14,173
Rockhampton	20,674	19,172
Sydney	886,579	886,056
Tasmania	67,753	70,188
Wangaratta	23,917	21,827
Willochra	19,336	14,977
Sub Total – Dioceses	<u>2,441,743</u>	<u>2,455,292</u>
ABM Missionaries	1,596	1,560
Anglican Community Services-Anglicare	46,768	51,617
Bush Church Aid	10,309	10,146
CMS NSW	22,191	21,285
CMS VIC	1,197	-
CMS WA	1,596	1,560
Ridley College	15,176	16,142
Trinity Network of Churches	17,166	15,804
	<u>2,557,742</u>	<u>2,573,406</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2020

12 Entitlements paid through participating organisations

	Leave		Sabbatical Allowance	
	2020	2019	2020	2019
	\$	\$	\$	\$
Adelaide	21,795	132,927	16,315	84,643
Armidale	24,485	30,394	10,501	24,248
Ballarat	5,832	35,983	4,653	13,698
Bathurst	14,581	29,288	11,633	10,273
Bendigo	26,998	22,892	2,327	18,263
Brisbane	214,036	246,962	160,661	170,212
Bunbury	20,486	65,367	16,344	32,201
Canberra & Goulburn	88,849	32,881	67,631	21,863
Gippsland	57,384	78,171	24,429	58,470
Grafton	9,266	65,226	6,980	41,267
Melbourne	199,105	357,612	103,586	175,003
The Murray	14,641	31,001	11,681	1,141
Newcastle	87,458	109,723	30,308	67,434
North Queensland	18,613	24,761	9,306	4,594
Northern Territory	1,347	49,045	-	37,690
North West Australia	6,552	39,783	-	30,071
Perth	124,784	242,566	38,437	82,185
Riverina	15,995	-	-	-
Rockhampton	19,579	21,661	4,653	17,281
Sydney	380,047	927,988	255,996	683,263
Tasmania	32,186	92,892	15,123	45,659
Wangaratta	1,295	24,323	-	19,405
Willochra	20,427	11,643	16,296	-
Sub Total – Dioceses	<u>1,405,741</u>	<u>2,673,089</u>	<u>806,860</u>	<u>1,638,864</u>
ABM Missionaries	-	-	-	-
Anglican Community Services - Anglicare	44,573	61,785	12,762	33,102
Bush Church Aid	17,128	14,383	12,796	9,132
CMS NSW	15,985	40,444	11,633	32,267
CMS WA	-	-	-	-
Ridley College	21,263	12,932	16,353	10,317
Trinity Network of Churches	7,154	10,015	-	7,990
	<u>1,511,844</u>	<u>2,812,647</u>	<u>860,404</u>	<u>1,731,673</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)**

For the year ended 31 December 2020

13 Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Cash flows from operating activities		
Net profit/(loss) for the period	(260,065)	1,536,505
Gain on sale of investments	(1,232,911)	(828,924)
Change in fair value of financial assets	853,252	(4,169,679)
Change in fair value of financial liabilities	-	(204,464)
Change in value of defined benefit liabilities	4,421,248	7,229,320
Net cash provided by operating activities before changes in assets and liabilities	<u>3,781,524</u>	<u>3,562,758</u>
Change in trade and other receivables	119,580	(57,805)
Change in other assets	33,155	2,664
Change in trade and other payables	(683,535)	206,403
Change in provisions and employee benefits	(2,372,248)	(4,544,320)
Change in Other Current Liabilities	<u>672,861</u>	<u>-</u>
Net cash used in operating activities	<u><u>1,551,337</u></u>	<u><u>(830,300)</u></u>

14 Related Parties**Directors of the trustee**

The names of persons who were directors of the trustee of the Fund at any time during the financial year are as follows:

Bishop A.B. Ewing
 Mr J.W. Flavin
 The Rev'd A. Ford
 Mr D.S. Marr
 Mr C.P. Nelson
 Mr A.A.L. Thomson
 The Rev'd R.J.C. Weekes
 Mrs L.M. Zamagias

Remuneration and benefits

No Directors have received or are due to receive any emolument as a trustee of the Fund.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2020****14 Related Parties (continued)****Transactions with related parties**

The Fund received contributions from participating organisations, which are Anglican Church of Australia dioceses and related parties. For details of these contributions refer to Note 11.

The Fund also made entitlement payments to participating organisations in accordance with the Trust Deed. For details of these payments refer to Note 12.

The Fund also made management fee payments to the General Synod of the Anglican Church of Australia. For details of these payments refer to Note 10.

Outstanding balances

Contributions from participating organisations are paid in arrears on a quarterly basis. The December 2020 quarter contributions were not due until 14 January 2021. For details of amounts receivable refer to Note 5.

15 Events subsequent to balance date

No other item, transaction or event of a material and unusual nature is likely, in the opinion of the Directors, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

16 Commitments

No material commitments to disclose as at 31st December 2020.

17 Financial risk management**Overview**

The Fund's activities expose it to various financial risks: credit risk, liquidity risk and market risk.

This note provides disclosure on the Fund's exposure to financial risks, and the risk management approach applied to manage these risks.

(a) Risk management framework

The Long Service Leave Board has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund does not have any direct investments. The Fund's monies are invested in an investment portfolio managed by Pandal Group Limited with oversight provided by the Fund's Asset Consultant in accordance with the Investment Policy and directions of the Board. The Board seeks to manage risk within acceptable limits, and ensure the underlying investments are diversified by asset class to achieve the desired balance of risk and timing exposure. The Board reviews risk parameters regularly.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2020

17 Financial risk management (continued)

The Fund's investment portfolio, previously a combination of several asset classes, has been transitioned to a mix of two investment funds, being the Pental Sustainable Balanced Fund and the Pental Sustainable Conservative Funds, consistent with the Board's approved solution of a 60% growth and 40% defensive (60/40) balance.

As at 31 December 2020, the mix held to achieve the 60/40 balance is 69% in the Sustainable Balanced Fund and 31% in the Sustainable Conservative Fund.

The asset allocation of the Fund's investments in Pental's Sustainable Funds at 31 December 2020 was as follows:

	Actual (%)	Benchmark (%)	Actual vs Benchmark (%)
Percentage Invested in Approved Funds			
Pental Sustainable Balanced Fund	71.7	68.7	3.0
Pental Sustainable Growth Fund	28.3	31.3	-3.0
Growth Assets Weighted Contribution in Approved Funds			
Pental Sustainable Balanced Fund	52.0	-	-
Pental Sustainable Growth Fund	9.2	-	-
Total Growth Assets in ALSF	61.2	60.0	1.2

(b) Credit risk

The Fund held cash and cash equivalents at 31 December 2020 of \$314,015 (2019: \$261,065). The cash and cash equivalents are held with an authorised deposit taking institution.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The Fund's approach in managing its liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund manages liquidity risk by monitoring net cash balances, actual and forecast operating cash flows.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2020

17 Financial risk management (continued)

(d) Market Risk

(i) Price Risk

The Fund is exposed to changes in market prices that affect the Fund's income or value of its holdings of financial instruments.

(ii) Interest rate risk

The Fund is exposed to variable interest rate risks at the reporting date on the cash and short deposits. The Fund's investments are diversified by asset class which includes an allocation to interest related investments.

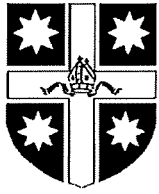
(iii) Currency risk

The Fund is not exposed to any significant currency risk. Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's investments are diversified by asset class which includes an allocation to international equities.

(iv) Financial Instruments

The following table shows the carrying amounts per category of financial assets and financial liabilities:

	2020 \$	2019 \$
<u>Financial assets</u>		
Cash and cash equivalents	314,015	261,065
Trade and other receivables	765,212	1,314,023
<u>Financial assets at fair value</u>		
Units in cash trust	-	5,843,366
Australian fixed interest	-	7,417,278
International fixed interest	-	2,908,958
Australian real estate	-	2,456,696
Australian shares	-	15,859,808
International shares	-	8,169,601
Balanced Unit Trusts	44,258,471	-
	44,258,471	42,655,707
Total Financial Assets	45,337,698	44,230,795
<u>Financial liabilities</u>		
Trade and other payables	67,023	77,697
Total Financial liabilities	67,023	77,697



The Anglican
Church of
Australia

LONG SERVICE LEAVE FUND

ABN 53 579 792 912

ESTABLISHED BY CANON OF GENERAL SYNOD

ANNUAL REPORT
31 December 2021

LONG SERVICE LEAVE FUND BOARD AND DIRECTORS OF TRUSTEE:

Bishop A.B. Ewing
Mr J.W. Flavin (Ceased 11 May 2021)
The Rev'd A. Ford
Mr D.S. Marr
Mr C.P. Nelson
Mr A.A.L. Thomson
The Rev'd R.J.C. Weekes
Mrs L.M. Zamagias

ADMINISTRATION MANAGER:

Ms S. Mayers

FUND ADMINISTRATION MANAGER:

General Synod of the Anglican Church of Australia

AUDIT AND RISK COMMITTEE:

Bishop A.B. Ewing
Mr D.S. Marr
Mrs L.M. Zamagias

INVESTMENT MANAGER:

Pendal Group Limited
(Formerly known as BT Investment Management Limited)
Level 15, 2 Chifley Square
Sydney NSW 2000

AUDITOR:

KPMG
Level 38, Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

ACTUARY:

Mr David O'Keefe
Alea Actuarial Consulting Pty Ltd
Level 10, 50 Clarence Street
Sydney NSW 2000

ASSET CONSULTANT:

Mr Sean McGing
McGing Advisory and Actuarial
Level 13, 160 Queen Street
Melbourne VIC 3000

BANKERS:

Westpac Banking Corporation

TRUSTEE:

Anglican Long Service Leave Fund Limited

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

ABN 53 579 792 912

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Statement of financial position	13
Statement of changes in equity	14
Statement of cash flows	15
Notes to the financial statements	16

Registered office and principal place of business is:
Suite 4, Level 5, 189 Kent Street, Sydney, NSW 2000

Telephone: 02 8267 2700
Facsimile: 02 8267 2727
Email: longservice@anglican.org.au

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**For the year ended 31 December 2021****Directors report****Long Service Leave Fund Board report**

The Long Service Leave Fund Board and Directors of Trustee (“the Board”) presents its report together with the financial report of the Anglican Church of Australia Long Service Leave Fund (“the Fund”) for the year ended 31 December 2021 and the independent auditor’s report thereon.

Key Concerns

During the year the Fund received \$2.675m from contributing members and paid \$3.064m to fund long service leave.

The COVID-19 pandemic is continuing to have a major impact on the life and activities of Australians. Marked changes in investment values, people movement and patterns of leave taken began in March 2020 and monitoring and responding to changing investment values and leave activities were the principal focus of Board meetings during 2021.

The results for the year ended 31 December 2021 show a net gain for the year of \$5.298m. This follows a net loss of \$0.260m in the year ended 31 December 2020.

During 2021 the value of long service leave (\$3.1m) shows a slight increase in the leave taken from the 2020 year (\$2.3m). The value of long service leave for prior years was an average of \$4.5m. Given the present uncertainties, the Fund is forecasting lower leave rates until the second half of 2022 and is confident that cash reserves will be available for leave, including an increase in leave requests which is anticipated when travel opportunities resume in full.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Directors report (continued)

For the year ended 31 December 2021

Investments

The Fund's investments continued to be managed by Pandal Group Limited (Pandal) throughout the year, under the supervision of the Board and in accordance with approved guidelines and strategies.

The Pandal Sustainable Funds continue to meet the investment strategy objectives of the Board, both in the mix between Growth and Defensive Assets, and in the mix between different asset classes. The Asset Allocation as at 31 December 2021 is presented in note 6 of the Accounts (Page 26 of this Report).

Notional stipend and contribution levels

Year	Notional Stipend \$	Increase %	Contributions Per Person Per Annum \$	Increase %
2007	43,277	5.03	996	2.47
2008	46,525	7.51	996	-
2009	55,581	19.46	1,044	5.00
2010	56,502	1.60	1,044	-
2011	59,428	5.17	1,100	5.36
2012	62,102	4.50	1,140	3.65
2013	64,899	4.50	1,188	4.50
2014	67,871	4.58	1,320	11.10
2015	69,435	2.30	1,460	10.60
2016	71,457	2.91	1,500	2.74
2017	72,439	1.37	1,524	1.60
2018	72,964	0.72	1,536	0.78
2019	74,399	1.97	1,560	1.56
2020	75,822	1.90	1,596	2.30
2021	76,134	0.40	1,596	-

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Directors report (continued)

For the year ended 31 December 2021

Principal activities

The principal activities of the Fund during the course of the year were receiving contribution income from participating organisations, making long service leave payments to participating organisations and investing funds with Pandal Group Limited.

The Anglican Church of Australia Long Service Leave Fund pays an annual fee to the General Synod of the Anglican Church of Australia (Fund administration manager) for the provision of management services.

Operating and financial review

The net gain from ordinary activities for the year 2021 amounted to \$5,298,079 (2020: loss of \$260,065). This included a recognised gain on the fair value of financial assets of \$1,967,125 for the year ended 31 December 2021 (2020: loss \$853,252).

The long service leave liability as at the 31 December 2021 (\$36.615m) is 1.3% more than was calculated in the prior year (\$36.156m). This increase reflects a number of matters, including:

Item	Financial Impact over the year to 31 December 2021
<ul style="list-style-type: none"> the accrual of further LSL benefit entitlements for participants through the year which resulted in an increase in the LSL liability as at 31 December 2021; a change in demographic assumptions used in the valuation of the liability which resulted in an increase in the LSL liability as at 31 December 2021. 	approx. +\$5.2 million
<ul style="list-style-type: none"> payment of LSL benefits to participants during the year (including the Sabbatical Allowance where appropriate) which resulted in a reduction in the LSL liability as at 31 December 2021. 	approx. -\$3.1 million

It changes from year to year to reflect the effect of being valued under the Australian Accounting Standard AASB137. The related increases or decreases in the value of participants' benefits (as a group) result from:

Item	Financial Impact over the year to 31 December 2021
<ul style="list-style-type: none"> a change in the level of "forward rate" yield curve assumed in the valuation of the liability which resulted in a decrease in the LSL liability as at 31 December 2021; 	approx. -\$1.7 million

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

For the year ended 31 December 2021

Directors report (continued)

Operating and financial review (continued)

Fund Manager

Ms S. Mayers.

Environmental regulation

The Fund is not subject to any significant environmental regulations under either Commonwealth or State legislation.

Events subsequent to balance date

No other item, transaction or event of a material and unusual nature is likely, in the opinion of the Directors, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Impact of COVID-19

The COVID-19 pandemic has significantly impacted global economies, resulting in workforce and travel restrictions, supply chain and production disruptions and reduced demand and spending across many sectors. In the opinion of the Directors, whilst the risks associated with COVID-19 have been largely mitigated, these risks and the required mitigating actions will continue to be vigilantly monitored and evaluated by management.

Likely developments

It is not envisaged that the activities of the Fund will significantly change in the next financial year.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

For the year ended 31 December 2021

Directors report (continued)

Indemnification and insurance of officers

Indemnification

During the financial year the Fund paid \$Nil (2020: \$Nil) in premiums in respect of insurances including Directors' and Officers' liability. As an associated or affiliated body of the General Synod the Fund is covered under the General Synod of the Anglican Church of Australia umbrella insurance policies including the Directors and Officers and Company Liability Insurance Liability Policy.

Since the end of the previous financial year, the Fund has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of the Fund.

Signed in accordance with a resolution of the directors at a duly constituted meeting:

Dated at Sydney this 1st day of March 2022.



Douglas Marr



Allan Ewing



Independent Auditor's Report

To the Board of The Anglican Church of Australia Long Service Leave Fund

Opinion

We have audited the **Financial Report** of The Anglican Church of Australia Long Service Leave Fund (*the Fund*).

In our opinion, the accompanying Financial Report presents fairly, in all material respects, the financial position of The Anglican Church of Australia Long Service Leave Fund as at 31 December 2021, and of its financial performance and its cash flows for the year then ended, in accordance with Australian Accounting Standards -Reduced Disclosure Requirements and the Long Service Leave Canon 2010 (as amended in 2017).

The **Financial Report** comprises:

- Statement of financial position as at 31 December 2021;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Long Service Leave Fund Board Declaration.

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 Fund in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the *Financial Report* in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Restriction on use and distribution

The Financial Report has been prepared to assist the Board of The Anglican Church of Australia Long Service Leave Fund in complying with the financial reporting requirements of the Long Service Leave Fund Canon 2010 (as amended in 2017).

As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Board of The Anglican Church of Australia Long Service Lead Fund and its members and should not be used by or distributed to parties other than the Board of The Anglican Church of Australia Long Service Lead Fund and its members.



We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the Board of The Anglican Church of Australia Long Service Lead Fund or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in The Anglican Church of Australia Long Service Lead Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Board is responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or 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 Management for the Financial Report

Management of the Fund are responsible for:

- The preparation and fair presentation of the Financial Report in accordance with the financial Australian Accounting Standards – Reduced Disclosure Requirements and the Long Service Leave Canon 2010 (as amended in 2017);
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error; and
- Assessing the Fund's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 Fund 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:

- 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 *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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our Auditor's Report.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'Richard Drinnan'.

Richard Drinnan

Partner

Sydney

1 March 2022

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

For the year ended 31 December 2021

Long Service Leave Fund Board declaration

In the opinion of the Board of the Anglican Church of Australia Long Service Leave Fund

- (a) the Long Service Leave Fund is a reporting entity;
- (b) the financial statements and notes thereto, set out on pages 13 to 36, are drawn up, in accordance with the basis of accounting described in Notes 2 and 3, so as to present fairly the financial position of the Long Service Leave Fund as at 31 December 2021; and
- (c) there are reasonable grounds to believe that the Long Service Leave Fund will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 1st March 2022.

Signed in accordance with a resolution of the directors at a duly constituted meeting:



Douglas Marr

Allan Ewing

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of profit or loss and other comprehensive income

For the year ended 31 December 2021

	Notes	2021 \$	2020 \$
Revenue			
Contribution revenue	11	2,675,159	2,557,742
Income from investments	9	4,340,894	1,602,114
Gain on sale of investments		54,717	1,232,911
Other Income		150,923	19,450
Net change in fair value of financial assets		1,967,125	(853,252)
Expenses			
Administrative expenses	10	(368,123)	(397,782)
Increase in value of long service leave liability	8	<u>(3,522,616)</u>	<u>(4,421,248)</u>
Gain/(Loss) for the year		<u>5,298,079</u>	<u>(260,065)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the year		<u>5,298,079</u>	<u>(260,065)</u>

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 16 to 36.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Statement of financial position

As at 31 December 2021

	Notes	2021 \$	2020 \$
Assets			
Current Assets			
Cash and cash equivalents	4	245,226	314,015
Financial assets at fair value	6	50,029,656	44,258,471
Trade and other receivables	5	862,674	765,211
Total current assets		<u>51,137,556</u>	<u>45,337,697</u>
Total assets		<u>51,137,556</u>	<u>45,337,697</u>
Liabilities			
Current liabilities			
Trade and other payables	7	109,803	67,023
Long service leave benefits	8	4,280,000	4,266,000
Total current liabilities		<u>4,389,803</u>	<u>4,333,023</u>
Non-current liabilities			
Long service leave benefits	8	32,335,070	31,890,070
Total non-current liabilities		<u>32,335,070</u>	<u>31,890,070</u>
Total liabilities		<u>36,724,873</u>	<u>36,223,093</u>
Net assets		<u>14,412,683</u>	<u>9,114,604</u>
Accumulated funds		<u>14,412,683</u>	<u>9,114,604</u>
Total accumulated funds		<u>14,412,683</u>	<u>9,114,604</u>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 16 to 36.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Statement of changes in equity

For the year ended 31 December 2021

	Accumulated Funds
	\$
Balance at 1 January 2020	9,374,669
Total comprehensive income for the year	
Net loss for the year	(260,065)
	<hr/>
Balance at 31 December 2020	<u>9,114,604</u>
Balance at 1 January 2021	9,114,604
Total comprehensive income for the year	
Net gain for the year	5,298,079
	<hr/>
Balance at 31 December 2021	<u>14,412,683</u>

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 16 to 36.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Statement of cash flows

For the year ended 31 December 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Cash receipts in the course of operations		3,288,915	3,270,063
Cash payments in the course of operations		<u>(3,278,068)</u>	<u>(2,728,098)</u>
Cash used in operations		10,847	541,965
Distributions from investments		<u>3,748,293</u>	<u>1,009,372</u>
Net cash from operating activities	13	<u>3,759,140</u>	<u>1,551,337</u>
Cash flows from investing activities			
Payments for purchase of investments		(4,295,348)	(52,561,507)
Proceeds from sale of investments		<u>467,419</u>	<u>51,063,120</u>
Net cash used in investing activities		<u>(3,827,929)</u>	<u>(1,498,387)</u>
Net (decrease)/Increase in cash held		(68,789)	52,950
Cash at the beginning of the financial year		<u>314,015</u>	<u>261,065</u>
Cash at the end of the financial year	4	<u>245,226</u>	<u>314,015</u>

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 16 to 36.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements****For the year ended 31 December 2021****1 Reporting entity**

The financial report reflects the operations of the Anglican Church of Australia Long Service Leave Fund (the "Fund"), which is a not-for-profit entity and was established by a Canon of the General Synod of the Anglican Church of Australia on 1 January 1969. The address of the Fund is Suite 4, Level 5, 189 Kent Street, Sydney, NSW 2000.

2 Basis of preparation**(a) Statement of compliance**

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Long Service Leave Canon 2017.

The financial report was authorised for issue by the Board on 1st March 2022.

(b) Basis of measurement

The financial report has been prepared on the basis of historical costs except where stated otherwise.

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Fund's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying 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.

For information about significant estimates and judgments made, refer to Note 3(b) Impairment and Note 3(i) Long Service Leave liability.

(e) Comparative information

Comparatives are reclassified where necessary to conform to the current year presentation.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2021****3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

(a) Revenue**Contribution Income**

Contributions from participating dioceses and church organisations are recognised on an accrual basis. Contributions due but not received at balance date have been incorporated into the financial statements and are included in the statement of financial position under trade and other receivables as "contributions due".

Investment income**(i) Interest income**

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(ii) Dividend and distribution income

Dividend and distribution income are recognised at the date the securities are quoted ex-dividend and ex-distribution.

In some cases, the Fund may receive or choose to receive dividends/distributions in the form of additional shares/units rather than cash. In such cases the Fund recognises the dividend/distribution income for the amount of the cash dividend/distribution alternative with the corresponding debit treated as an additional investment.

(iii) Franking Credits

Franking credits are recognised on an accrual basis.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2021

3. Significant accounting policies (continued)

(b) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair value through profit or loss (FVTPL) transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2021

3. Significant accounting policies (continued)

Financial assets — Subsequent measurement and gains and losses*Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend or distribution income are recognised in profit or loss.

Financial assets at amortised cost

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

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities — Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition**Financial assets**

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

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)**For the year ended 31 December 2021****3. Significant accounting policies (continued)****Financial liabilities**

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

Impairment*Financial instruments and contract assets*

The Fund recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Fund considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2021

3. Significant accounting policies (continued)

Impairment (continued)

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Fund on terms that the Fund would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Fund has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Fund individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Fund expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Fund's procedures for recovery of amounts due.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2021****3. Significant accounting policies (continued)****(c) Goods and services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(e) Trade and other receivables

Trade and other receivables are measured at their amortised cost less impairment losses.

(f) Trade and other payables

Trade and other payables are measured at amortised cost. Trade accounts payable are normally settled within 30 days.

(g) Provisions

A provision is recognised in the statement of financial position when the Fund has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(h) Investments

A financial instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)**For the year ended 31 December 2021****3. Significant accounting policies (continued)**

Financial instruments are designated at fair value through profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's investment strategy. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the statement of profit or loss and other comprehensive income.

(i) Long Service Leave Benefits

The Fund's obligation to participating organisations in respect of long service leave benefits payable is a provision. The value of the long service leave benefits is calculated by estimating the date each clergy will take their leave along with the estimated payment amount; that benefit is discounted to determine its present value. The calculation is performed by a qualified actuary. Changes in the value of the long service leave benefits are recognised through the statement of profit or loss and other comprehensive income.

(j) Income tax

Under the provisions of the Income Tax Assessment Act 1997, the Fund is exempt from income tax.

(k) Reclassification

During 2021 certain income, expenses, payables and receivables were reclassified between financial statement line items within the statement of profit and loss and statement of financial position for enhanced understandability of the financial statements. The respective comparatives were updated accordingly. The net impact on the profit and loss is nil (2020: nil).

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2021

	2021	2020
	\$	\$
4 Cash and cash equivalents		
Cash at bank	245,226	314,015
	<u>245,226</u>	<u>314,015</u>

	2021	2020
	\$	\$
5 Trade and other receivables		
Current		
Accrued income	152,223	181,607
Contributions due	592,601	592,527
Recoverable GST	-	3,363
Franking credit refunds due	4,619	21,613
Pendal liquid assets	113,231	5,261
	<u>862,674</u>	<u>804,371</u>

None of the above receivables are interest bearing.

6 Financial assets and liabilities at fair value through profit or loss

All investments are managed by Pendal in either direct equities or in unit trusts and are designated as financial assets or liabilities at fair value through profit or loss.

	2021	2020
	\$	\$
Financial assets		
Current		
Balanced Unit Trusts	50,029,656	44,258,471
	<u>50,029,656</u>	<u>44,258,471</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2021

6 Financial assets and liabilities at fair value through profit or loss (continued)

Long Service Leave Fund investment portfolio being the Pandal Sustainable Balanced Fund and the Pandal Sustainable Conservative Funds, consistent with the Board's approved solution of a 60% growth and 40% defensive (60/40) balance.

The following table notes the asset allocation as at the 31 December 2021 as reported by Pandal.

Asset Class	Previous year ended 31 December 2020 Asset allocation	Current year ended 31 December 2021 Asset allocation	Sustainable Balanced Fund Asset allocation Benchmark	Conservative Balanced Fund asset allocation Benchmark
	%	%	%	%
Australian Shares	19.48	21.50	20-40	0-20
International Shares	27.10	25.17	20-40	0-20
Australian Property	5.84	3.39	0-10	0-10
International Property	2.88	2.07	0-10	0-10
Australian Fixed Interest	7.73	9.49	0-25	10-40
International Fixed Interest	9.58	7.92	0-25	10-40
Cash	10.17	14.74	0-20	0-40
Alternative Investments	17.22	15.71	0-20	0-20
TOTAL	100.00	100.00		

Asset Class	Previous year ended 31 December 2020 Asset Allocation	Current year ended 31 December 2021 Asset Allocation	Benchmark
	%	%	%
Total Growth Assets	63.91	59.99	60.00
Total Defensive Assets	36.09	40.01	40.00
Pandal Sustainable Balanced Fund	71.7	73.33	68.75
Pandal Sustainable Conservative Fund	28.3	26.44	31.25
Balance (Net Liquids)	-	0.23	

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)**

For the year ended 31 December 2021

	2021	2020
	\$	\$
7 Trade and other payables		
Actuarial fees	6,061	6,721
Accrued expenses (Prepaid)	44,531	39,159
Audit fee	52,400	52,494
GST payable	872	-
Sundry creditors	5,939	7,808
	<u>109,803</u>	<u>106,182</u>

8 Liability for long service leave benefits payable

An actuarial review to assess the adequacy of the Fund's assets to meet accrued and vested liabilities is performed every year in accordance with the requirements of the Australian Accounting Standards Board. The December 2021 review was undertaken by Mr David O'Keefe of Alea Actuarial Consulting Pty Limited.

The Actuary used a method which estimates the date(s) at which each individual participant will take leave (after allowing for the probabilities of exit from the Fund for various causes) and the amounts of those payments. After allowing for future increases in Notional Stipend, the estimated payments are then discounted back to the present day at rates of interest based on Commonwealth Government bond rates consistent with the requirements of Australian Accounting Standards.

The key assumptions applied by the Actuary are:

Financial Assumptions:	2021	2020
Discount Rate Applied	"Forward" rates	"Forward" rates
Notional Stipend Growth Rate	3.0%	3.0%

In the current year the discount rate applied in the calculation of the long service leave liability was the "forward" discount rates. AASB137 requires that the discount rate to be used in valuing LSL benefit liabilities shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The change in rates utilises the entire "yield curve" in valuing the Fund's LSL benefit liabilities.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2021

8 Liability for long service leave benefits payable (continued)

Annual Forward Discount Rates as at 31 December 2021 (% per annum)

<i>Year</i>	<i>Forward Discount Rate (per annum)</i>
1	0.4%
5	1.8%
10	2.0%
15	3.3%
20	2.9%

The Notional Stipend growth rate was based on a consideration of:

- historic growth in the Notional Stipend;
- historic Average Weekly Earnings rates; and
- expectations of the Church and other Australian reporting entities regarding future salary increases.

As at 31 December 2021 the Notional Stipend growth rate was determined to be 3.0% per annum.

Demographic Assumptions:

All participants are expected to retire on or before their 80th birthday.

A sample of the rates of exit from the Fund used for active participants are as follows:

Rates of exit from the Fund assumed (%)

Summary of rates used:

<i>Age range in years</i>	<i>Males - rate for lower end of range</i>	<i>Males - rate for upper end of range</i>	<i>Females - rate for lower end of range</i>	<i>Females - rate for upper end of range</i>
<i>25 to 30</i>	<i>4.1</i>	<i>3.7</i>	<i>2.5</i>	<i>2.5</i>
<i>31 to 35</i>	<i>3.7</i>	<i>3.3</i>	<i>2.5</i>	<i>2.5</i>
<i>36 to 40</i>	<i>3.3</i>	<i>2.9</i>	<i>2.5</i>	<i>2.5</i>
<i>41 to 45</i>	<i>2.9</i>	<i>2.9</i>	<i>2.5</i>	<i>2.5</i>
<i>46 to 50</i>	<i>2.9</i>	<i>2.9</i>	<i>2.5</i>	<i>2.5</i>
<i>51 to 55</i>	<i>2.9</i>	<i>2.9</i>	<i>2.9</i>	<i>2.9</i>
<i>56 to 60</i>	<i>2.9</i>	<i>4.2</i>	<i>2.9</i>	<i>4.7</i>
<i>61 to 65</i>	<i>4.1</i>	<i>10.2</i>	<i>4.5</i>	<i>10.0</i>
<i>66 to 70+</i>	<i>12.8</i>	<i>33.0</i>	<i>12.0</i>	<i>30.3</i>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2021

8 Liability for long service leave benefits payable (continued)

Leave taken in service

The following rates of the taking of leave whilst remaining in service (weeks per annum) were used.

Rates of leave taken in service assumed (weeks per annum)

<u>Age</u>	<u>Male</u>	<u>Female</u>
Under 40	0.43	0.31
40-44	1.17	0.83
45-49	0.81	1.00
50-54	0.90	0.78
55-59	0.99	0.93
60-64	1.53	1.25
65-69	2.52	1.57
70 and over	2.80	2.29

Sensitivity Analysis:

We have considered the sensitivity of our calculation of the LSL liability as at 31 December 2021 by progressively adjusting some of the assumptions to recalculate the amount of the liability under each scenario.

The results of these sensitivity calculations, in terms of the change in the calculated LSL liability as at 31 December 2021, are set out below:

Sensitivity results

	Change	Change
	\$'000	%
Total LSL liability as at 31 December 2021	36,615	
<i>Sensitivity analysis - change in the net liability due to:</i>		
Notional Stipend increase - 0.5% higher	1,245	3.4%
Notional Stipend increase - 0.5% lower	(1,177)	(3.2%)
Discount rate - 0.5% higher	(1,273)	(3.5%)
Discount rate - 0.5% lower	1,362	3.7%
Rates of exit - 15% higher	(1,433)	(3.9%)
Rates of exit - 15% lower	1,603	4.4%
Rate of leave taken - 10% higher	873	2.4%
Rate of leave taken - 10% lower	(1,336)	(3.6%)

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2021

8 Liability for long service leave benefits payable (continued)

	Notes	2021 \$	2020 \$
Liability for past service as at 1 January		36,156,070	34,107,070
Less: Leave paid	12	(1,949,952)	(1,511,844)
Less: sabbatical allowance paid	12	(1,113,664)	(860,404)
Increase in value of past service liability		3,522,616	4,421,248
Liability for past service at 31 December		<u>36,615,070</u>	<u>36,156,070</u>
Liability is split between amounts expected to be settled:			
No more than twelve months after the reporting period		4,280,000	4,266,000
More than twelve months after the reporting period		32,335,070	31,890,070
Liability for past service at 31 December		<u>36,615,070</u>	<u>36,156,070</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2021

	2021	2020
	\$	\$
9 Income from investments		
Interest income from operating bank account	-	215
Franking credit income	80,303	157,730
Balanced Unit Trusts	4,260,591	191,655
Dividends	-	28,236
Australian fixed interest	-	370,713
Australian real estate	-	203,804
Australian shares	-	248,516
International shares	-	273,675
Derivatives – FEC Gains/(Losses)	-	127,570
	<u>4,340,894</u>	<u>1,602,114</u>

In September 2020 the ALSLF Investments changed from a portfolio of individual securities to being held in the Pandal Sustainable Balanced Fund and the Pandal Sustainable Conservative Fund.

	2021	2020
	\$	\$
10 Administrative expenses		
Annual Report expenses	523	160
Audit Fees	52,476	52,563
Actuarial fees	18,919	9,510
Bank charges	50	39
Computer Software	1,010	-
Consultants Fees	14,200	25,100
Legal costs	1,098	-
Management fee – General Synod Office	277,100	303,100
Printing and Stationery	-	320
Storage costs	600	1,219
Board and committee expenses	-	1,230
Traveling expenses - Board Members	2,147	4,541
	<u>368,123</u>	<u>397,782</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2021

11 Contributions from participating organisations

	2021	2020
	\$	\$
Adelaide	98,757	101,918
Armidale	55,670	55,718
Ballarat	25,522	25,616
Bathurst	28,406	20,030
Bendigo	53,038	44,828
Brisbane	206,434	208,196
Bunbury	37,962	40,115
Canberra & Goulburn	88,718	95,977
Gippsland	36,248	41,701
Grafton	53,771	45,196
Melbourne	370,248	382,269
The Murray	25,312	25,242
Newcastle	97,001	98,337
North Queensland	29,768	26,266
Northern Territory	15,282	17,536
North West Australia	29,472	28,056
Perth	144,487	151,371
Riverina	23,761	15,112
Rockhampton	19,311	20,674
Sydney	977,512	886,579
Tasmania	87,679	67,753
Wangaratta	20,885	23,917
Willochra	16,321	19,336
Sub Total – Dioceses	<u>2,541,565</u>	<u>2,441,743</u>
ABM Missionaries	1,596	1,596
Anglican Community Services-Anglicare	54,993	46,768
Bush Church Aid	11,194	10,309
CMS NSW	26,161	22,191
CMS VIC	4,788	1,197
CMS WA	1,596	1,596
Ridley College	14,257	15,176
Trinity Network of Churches	19,009	17,166
	<u>2,675,159</u>	<u>2,557,742</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2021

12 Entitlements paid through participating organisations

	Leave		Sabbatical Allowance	
	2021	2020	2021	2020
	\$	\$	\$	\$
Adelaide	90,697	21,795	61,312	16,315
Armidale	70,459	24,485	56,213	10,501
Ballarat	26,157	5,832	10,760	4,653
Bathurst	13,383	14,581	10,677	11,633
Bendigo	21,962	26,998	17,521	2,327
Brisbane	226,305	214,036	135,435	160,661
Bunbury	41,937	20,486	23,644	16,344
Canberra & Goulburn	136,116	88,849	38,813	67,631
Gippsland	39,097	57,384	18,689	24,429
Grafton	69,594	9,266	48,566	6,980
Melbourne	250,863	199,105	155,951	103,586
The Murray	2,928	14,641	2,336	11,681
Newcastle	126,294	87,458	53,112	30,308
North Queensland	40,792	18,613	15,185	9,306
Northern Territory	-	1,347	-	-
North West Australia	14,985	6,552	11,955	-
Perth	144,988	124,784	44,387	38,437
Riverina	16,105	15,995	12,849	-
Rockhampton	14,641	19,579	11,681	4,653
Sydney	464,772	380,047	290,821	255,996
Tasmania	13,177	32,186	10,513	15,123
Wangaratta	46,999	1,295	37,496	-
Willochra	14,547	20,427	9,454	16,296
Sub Total – Dioceses	<u>1,886,798</u>	<u>1,405,741</u>	<u>1,077,370</u>	<u>806,860</u>
Anglican Community Services - Anglicare	24,329	44,573	12,849	12,762
Bush Church Aid	-	17,128	-	12,796
CMS NSW	10,483	15,985	3,587	11,633
Ridley College	15,703	21,263	11,681	16,353
Trinity Network of Churches	12,639	7,154	8,177	-
	<u>1,949,952</u>	<u>1,511,844</u>	<u>1,113,664</u>	<u>860,404</u>

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND

Notes to the financial statements (continued)

For the year ended 31 December 2021

13 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Cash flows from operating activities		
Net profit/(loss) for the period	5,298,079	(260,065)
Gain on sale of investments	(54,717)	(1,232,911)
Change in fair value of financial assets	(1,967,125)	853,252
Change in value of defined benefit liabilities	3,522,616	4,421,248
Net cash provided by operating activities before changes in assets and liabilities	6,798,853	3,781,524
Change in trade and other receivables	21,155	119,580
Change in other assets	5,372	33,155
Change in trade and other payables	(2,624)	(683,535)
Change in provisions and employee benefits	(3,063,616)	(2,372,248)
Change in Other Current Liabilities	-	672,861
Net cash used in operating activities	3,759,140	1,551,337

14 Related Parties

Directors of the trustee

The names of persons who were directors of the trustee of the Fund at any time during the financial year are as follows:

Bishop A.B. Ewing
 Mr J.W. Flavin (Ceased 11 May 2021)
 The Rev'd A. Ford
 Mr D.S. Marr
 Mr C.P. Nelson
 Mr A.A.L. Thomson
 The Rev'd R.J.C. Weekes
 Mrs L.M. Zamagias

Remuneration and benefits

No Directors have received or are due to receive any emolument as a trustee of the Fund.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2021****14 Related Parties (continued)****Transactions with related parties**

The Fund received contributions from participating organisations, which are Anglican Church of Australia dioceses and related parties. For details of these contributions refer to Note 11.

The Fund also made entitlement payments to participating organisations in accordance with the Trust Deed. For details of these payments refer to Note 12.

The Fund made management fee payments to the General Synod of the Anglican Church of Australia. For details of these payments refer to Note 10.

Outstanding balances

Contributions from participating organisations are paid in arrears on a quarterly basis. The December 2021 quarter contributions were not due until 14 January 2021. For details of amounts receivable refer to Note 5.

15 Events subsequent to balance date

No other item, transaction or event of a material and unusual nature is likely, in the opinion of the Directors, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

16 Commitments

No material commitments to disclose as at 31st December 2021.

17 Financial risk management**Overview**

The Fund's activities expose it to various financial risks: credit risk, liquidity risk and market risk.

This note provides disclosure on the Fund's exposure to financial risks, and the risk management approach applied to manage these risks.

(a) Risk management framework

The Long Service Leave Board has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund does not have any direct investments. The Fund's monies are invested in an investment portfolio managed by Pandal Group Limited with oversight provided by the Fund's Asset Consultant in accordance with the Investment Policy and directions of the Board. The Board seeks to manage risk within acceptable limits, and ensure the underlying investments are diversified by asset class to achieve the desired balance of risk and timing exposure. The Board reviews risk parameters regularly.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND**Notes to the financial statements (continued)****For the year ended 31 December 2021****17 Financial risk management (continued)**

The Fund's investment portfolio, previously a combination of several asset classes, has been transitioned to a mix of two investment funds, being the Pental Sustainable Balanced Fund and the Pental Sustainable Conservative Funds, consistent with the Board's approved solution of a 60% growth and 40% defensive (60/40) balance.

As at 31 December 2021, the mix held to achieve the 60/40 balance is 69% in the Sustainable Balanced Fund and 31% in the Sustainable Conservative Fund.

The asset allocation of the Fund's investments in Pental's Sustainable Funds at 31 December 2021 was as follows:

	Actual (%)	Benchmark (%)	Actual vs Benchmark (%)
Percentage Invested in Approved Funds			
Pental Sustainable Balanced Fund	73.33	68.75	4.6
Pental Sustainable Growth Fund	26.44	31.25	-4.9
Balance (Net Liquids)	0.23	-	-
Growth Assets Weighted Contribution in Approved Funds			
Pental Sustainable Balanced Fund	53.17	-	-
Pental Sustainable Growth Fund	8.59	-	-
Total Growth Assets in ALSF	61.76	60.0	1.7

(b) Credit risk

The Fund held cash and cash equivalents at 31 December 2021 of \$245,226 (2020: \$314,015). The cash and cash equivalents are held with an authorised deposit taking institution.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The Fund's approach in managing its liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund manages liquidity risk by monitoring net cash balances, actual and forecast operating cash flows.

ANGLICAN CHURCH OF AUSTRALIA LONG SERVICE LEAVE FUND
Notes to the financial statements (continued)
For the year ended 31 December 2021
17 Financial risk management (continued)
(d) Market Risk
(i) Price Risk

The Fund is exposed to changes in market prices that affect the Fund's income or value of its holdings of financial instruments.

(ii) Interest rate risk

The Fund is exposed to variable interest rate risks at the reporting date on the cash and short deposits. The Fund's investments are diversified by asset class which includes an allocation to interest related investments.

(iii) Currency risk

The Fund is not exposed to any significant currency risk. Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's investments are diversified by asset class which includes an allocation to international equities.

(iv) Financial Instruments

The following table shows the carrying amounts per category of financial assets and financial liabilities:

	2021	2020
	\$	\$
<u>Financial assets</u>		
Cash and cash equivalents	245,226	314,015
Trade and other receivables	862,674	765,212
<u>Financial assets at fair value</u>		
Balanced Unit Trusts	50,029,656	44,258,471
	50,029,656	44,258,471
Total Financial Assets	51,137,556	45,337,698
<u>Financial liabilities</u>		
Trade and other payables	109,803	67,023
Total Financial liabilities	109,803	67,023