



*Christchurch Catholic  
Diocesan Development Fund*

**Financial Statements**

For the Year Ended 31 March 2017





## *Christchurch Catholic Diocesan Development Fund*

# Financial Statements

For the Year Ended 31 March 2017

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### Trustees

Rob Farrell (Chairman)  
Richard Bailey  
Philip Baird

Terry Foote (from 28.06.16)  
Simon Roughan  
Michael Schimanski

### Registered Office

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New Zealand

### Statutory Supervisor

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Auckland 1010

PO Box 4243  
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Auckland 1140

### Solicitors

*Cavell Leitch Law*  
Level 3, BNZ Centre  
111 Cashel Mall  
P O Box 799  
Christchurch

*Mahony Burrowes Horner*  
Level 2  
111 Customhouse Quay  
Wellington

### Investment Advisors

*JB Were*  
Level 6  
HSBC Tower  
62 Worcester Boulevard  
Christchurch

### Bankers

*Westpac*  
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2 Show Place  
Addington  
Christchurch

### Auditors

*Ernst & Young*  
P O Box 2091  
Christchurch 8104



**Catholic Development Fund**  
**Statement of Financial Position**  
As at 31 March 2017

Actual 2016 '000		Note	Actual 2017 '000
	<b>Assets</b>		
4,115	Cash at Bank and in hand	8	6,094
26,921	Available for Sale Financial Assets	10	22,119
2,473	Loans and Receivables	9	1,916
<u>33,509</u>	<b>Total Assets</b>		<u>30,129</u>
	<b>Liabilities</b>		
46	Trade and Other Payables		60
4,745	Call Account Deposits	11	3,715
24,604	Term Deposits	11	22,004
<u>29,395</u>	<b>Total Liabilities</b>		<u>25,779</u>
<u>4,114</u>	<b>Net Assets</b>		<u>4,350</u>
	<b>Equity</b>		
4,114	Accumulated Funds	12	4,350
<u>4,114</u>	<b>Total Equity</b>		<u>4,350</u>

For and on behalf of the Board of Trustees which authorised the issue of the financial report on 27 June 2017.



Mr Rob Farrell  
Chairman



Mr Michael Schimanski  
Trustee

**Catholic Development Fund**  
**Statement of Comprehensive Income**  
For the Year Ending 31 March 2017

Actual 2016 '000		Note	Actual 2017 '000	Budget 2017 '000 (Unaudited)
	<b>Operating Revenue</b>			
1,671	Investment Income	6	1,806	1,586
<u>1,671</u>	<b>Total Operating Revenue</b>		<u>1,806</u>	<u>1,586</u>
	<b>Less Operating Expenses</b>			
914	Interest and Commissions	7	649	957
<u>757</u>	<b>Operating Surplus</b>		<u>1,157</u>	<u>629</u>
455	Other Expenses	7	182	169
<u>302</u>	<b>Net Surplus</b>		<u>975</u>	<u>460</u>
	Attributable to			
302	Roman Catholic Bishop of Christchurch		975	460
	<b>Other Comprehensive Income</b>			
(61)	Net fair value unrealised gains/(losses) on available for sale financial assets		(437)	0
<u>241</u>	<b>Total Comprehensive Income</b>		<u>538</u>	<u>460</u>
	Attributable to			
241	Roman Catholic Bishop of Christchurch		538	460

**Catholic Development Fund**  
**Statement of Changes in Equity**  
For the Year Ending 31 March 2017

Actual 2016 '000		Note	Actual 2017 '000	Budget 2017 '000 (Unaudited)
4,557	Balance at 1 April as previously reported		4,114	4,114
(61)	Other Comprehensive Income		(437)	0
302	Net Surplus for the Year		975	460
241	Total Comprehensive Income for the Year		538	460
241	Total Attributable to Roman Catholic Bishop of Christchurch		538	460
(684)	Distribution to Roman Catholic Bishop of Christchurch	15	(302)	0
4,114	Balance at 31 March	12	4,350	4,574

**Catholic Development Fund**  
**Statement of Cash Flows**  
For the Year Ending 31 March 2017

Actual 2016 '000		Note	Actual 2017 '000
	<b>Cash Flows from Operating Activities</b>		
	<i>Cash was provided from:</i>		
148	Interest Received - Loans		111
1,523	Interest Received - Investments		1,604
<u>1,671</u>			<u>1,715</u>
	<i>Cash was applied to:</i>		
959	Interest Paid		698
151	Payments to Suppliers and Employees		142
<u>1,110</u>			<u>840</u>
<b>561</b>	<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	14	<b>875</b>
	<b>Cash Flows from Investing Activities</b>		
	<i>Cash was provided from:</i>		
849	Net Realisation of Investments		4,994
<u>849</u>			<u>4,994</u>
	<i>Cash was applied to:</i>		
1	Purchase of Intangible Assets		0
<u>1</u>			<u>0</u>
<b>848</b>	<b>NET CASH INFLOW/( OUTFLOW) FROM INVESTING ACTIVITIES</b>		<b>4,994</b>
	<b>Cash Flows from Financing Activities</b>		
	<i>Cash was applied to:</i>		
540	Net Decrease in Deposits Received		3,588
684	Distribution to Roman Catholic Bishop of Christchurch		302
<u>1,224</u>			<u>3,890</u>
<b>(1,224)</b>	<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>		<b>(3,890)</b>
185	<b>NET INCREASE / (DECREASE) IN CASH HELD</b>		1,979
3,930	Plus Opening Cash brought forward		4,115
<u><b>4,115</b></u>	<b>CASH HELD AT YEAR END</b>		<u><b>6,094</b></u>
5	Cash and Bank Current		5
4,110	Call Accounts		6,089
<u><b>4,115</b></u>	<b>ENDING CASH CARRIED FORWARD</b>	8	<u><b>6,094</b></u>



# ***Catholic Development Fund***

## **Notes to the Financial Statements**

*For the Year Ended 31 March 2017*

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### **1. Corporate Information**

The financial statements of the Christchurch Catholic Diocesan Development Fund (the Fund) for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the trustees on 27 June 2017.

The Fund is a Trust established by the Roman Catholic Bishop of the Diocese of Christchurch by Deed of Trust dated 21 December 1967 and is domiciled in New Zealand. The trustees are appointed by the Roman Catholic Bishop of the Diocese of Christchurch.

The nature of the operations and principal activities of the Fund are to generate funds to assist the Roman Catholic Bishop of the Diocese of Christchurch to undertake his pastoral activities and to support the development of resources within the Catholic community. This is achieved by offering call and term deposit facilities and using the funds raised to invest in loans to the Catholic community for development or to externally invest to generate income.

### **2. Summary of Significant Accounting Policies**

#### **(a) Basis of Preparation**

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, the requirements of the Financial Markets Conduct Act 2013 and in accordance with the Trust Deed.

The Fund meets the criteria for Declared-out Entities under the Non-bank Deposit Takers (Declared-out Entities) Regulations 2015.

This exempts the Fund from Non-Bank Deposit Taker status and therefore the disclosures required under the Non-bank Deposit Takers Act 2014 are not required to be presented in these financial statements.

The financial statements have been prepared on a historical cost basis, except for investments, which have been measured at fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000).

#### **(b) Statement of Compliance**

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS). The financial statements comply with International Financial Reporting Standards.



### (c) New Accounting Standards and Interpretations

The Fund has adopted the following new and amended NZIFRS and interpretations as of 1 April 2016.

Reference	Title	Summary	Application date of standard	Impact on Fund's Financial Statements	Application date for Fund
NZ IFRS 1, FRS-43	Amendments to For-profit Accounting Standards as a Consequence of XRB A1 and Other Amendments	<p>The following standards are amended by this standard:</p> <p>FRS-43:</p> <ul style="list-style-type: none"> <li>Requires an entity to display which accounting requirements the financial statements have been prepared under.</li> </ul>	1 January 2016	The impact on the Fund's financial statements is minimal	1 April 2016
NZ IAS 1	Disclosure Initiative	The amendments clarify existing NZ IAS 1 requirements that relate to materiality, order of the notes, subtotals, accounting policies and disaggregation.	1 January 2016	The impact on the Fund's financial statements is minimal	1 April 2016

Other Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Fund for the annual reporting period ending 31 March 2017. These are outlined below:

Reference	Title	Summary	Application date of standard	Impact on Fund's Financial Statements	Application date for Fund
IAS 7	Disclosure Initiative – Amendments to IAS 7	<p>The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.</p> <p>The amendments are intended to provide information to help investors better understand changes in a company's debt. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.</p>	1 January 2017	The impact on the Fund's financial statements is expected to be minimal	1 April 2017
NZ IFRS 9 (2014)	Financial Instruments	The final version of NZ IFRS 9 <i>Financial Instruments</i> , brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project. The standard will replace NZ IAS 39 <i>Financial Instruments: Recognition and Measurement</i> and all previous versions of NZ IFRS 9.	1 January 2018	The full financial impact of the adoption of this standard has not yet been fully assessed.	1 April 2018

There have been no changes in accounting policies during the period. All policies have been applied on bases consistent with those used in the previous year.

#### **(d) Cash and Cash Equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### **(e) Trade and Other Receivables**

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value, less an allowance for any impairment. Due to their short term nature they are not amortised.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Fund will not be able to collect the debt. Financial difficulties of the debtor or default payments are considered objective evidence of impairment.

#### **(f) Investments and Other Financial Assets**

Financial assets in the scope of NZ IAS 39 *Financial Instruments: Recognition and Measurement* are classified as either available for sale, or as loans and receivables. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs. The Fund determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

##### **Recognition and Derecognition**

All purchases and sales of financial assets are recognised on the trade date, ie the date that the Fund commits to purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or been transferred.

##### **(i) Available for Sale Financial Assets**

These are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables. After initial recognition available for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the statement of comprehensive income.

The fund includes in this category investments that it intends to hold long-term, but which may be realised before maturity.

The fair value of available for sale financial assets has been determined by JB Were (NZ) Ltd.

##### **(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired.

The carrying value of loans approximates its fair value.

Loans and Receivables comprise debtors and other receivables and client loans.



## **(g) Impairment of Financial Assets**

At each balance date the Fund assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of comprehensive income.

### **(i) Available for Sale Financial Assets**

For available for sale financial assets, classed as fair value through equity, a significant or prolonged decline in the fair value of the investment below its cost is considered an indicator of impairment. If such evidence exists the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income) is removed from equity and recognised in the statement of comprehensive income.

### **(ii) Loans and receivables**

Impairment of a loan or a receivable is established when there is objective evidence that the Fund will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/client, probability that the debtor/client will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. Impairment losses are recognised directly against the instruments carrying amount.

## **(h) Interest-bearing Loans and Borrowings (Call and Term Deposits)**

All loans and borrowings are recognised on the trade date, ie the date that the Fund receives the deposit. They are derecognised when the deposit has been repaid. All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs and subsequently measured at amortised cost.

### ***Interest Expense***

Interest is recognised as an expense when incurred using the effective interest rate method.

## **(i) Revenue Recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

### ***Interest income***

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## **(j) The Effective Interest Rate Method**

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument or when appropriate a shorter period, to the net carrying amount of the financial asset or financial liability. The amortised cost of the financial asset or financial liability is adjusted if the Fund revises its estimate of payments or receipts.

## **(k) Income Tax**

The Fund is exempt from Income Tax due to its charitable status.

## **(l) Other Taxes**

Revenues, expenses and assets are recognised inclusive of the amount of GST as the Fund is a provider of financial services.

## **(m) Presentation of the Statement of Financial Position**

The Fund presents all balances in the statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 3.

# **3. Financial Risk Management Objectives and Policies**

The Fund's principal financial instruments comprise payables, depositor's funds, loans, bonds, convertible notes and local body stocks. The Fund also has bank accounts, call accounts and term deposits.

The main risks arising from the Fund's financial instruments are interest rate risk, liquidity risk and credit risk. The Fund reviews and agrees policies for managing each of these risks as summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in notes 2, 4 and 5 to the financial statements.

The Fund was exempt until 30 November 2016 from specific requirements of the Reserve Bank Act 1989, due to the Deposit Takers (Charities) Exemption Notice 2015.

Following the expiry of the exemption, the Fund is fully compliant with the Financial Markets Conduct Act 2013.

## **Interest rate risk**

Interest rate risk is the risk of loss to the Fund arising from adverse fluctuations in interest rates.

The Fund is exposed to interest rate risk to the extent that it borrows or invests for a fixed term at fixed rates. Exposure to interest rate risk is managed through analysis of financial assets and liability profiles. The Fund managers actively manage the investment portfolios and may take positions, which anticipate rate movements in order to maximize returns from market opportunities. All funding activities are operated with reference to a treasury policy and frequent reporting of the Fund occurs. Expert advice is sought from independent analysts to support funding decisions. The Fund is not subject to contractual re-pricing on interest rates, with rates being unchanged up to maturity.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. The sensitivity analysis to net surplus and equity has been determined based on the exposure to interest rates at reporting.

A sensitivity of 100 basis points has been selected as this is considered reasonable given the current level of short term and long term interest rates.

At reporting date, if interest rates had been 100 basis points higher or lower with all other variables held constant, net surplus and equity would have been affected as follows:



	Net Surplus - Increase/(Decrease)				Equity - Increase/(Decrease)			
	2017		2016		2017		2016	
	1% '000	(1%) '000	1% '000	(1%) '000	1% '000	(1%) '000	1% '000	(1%) '000
Investment Income - Loans	23	(23)	28	(28)	23	(23)	28	(28)
Investment Income - Other	332	(332)	279	(279)	332	(332)	279	(279)
Interest Expense	(278)	278	(339)	339	(278)	278	(339)	339
Available for Sale	0	0	0	0	(589)	589	(364)	364
	<b>77</b>	<b>(77)</b>	<b>(32)</b>	<b>32</b>	<b>(512)</b>	<b>512</b>	<b>(396)</b>	<b>396</b>

The impact on net surplus and equity is largely due to higher/lower interest costs from variable rate borrowings and cash balances.

### Credit risk

The Fund's assets that are subject to credit risk are bank deposits, accounts receivable, loans, mortgages and investments. No financial assets are past due and no financial assets have been renegotiated to avoid being past due. No financial assets have been pledged as collateral.

Other than the impairment loss on Available for Sale Financial Assets disclosed in Note 10, no other financial assets are considered impaired and no provision is considered necessary.

The Fund manages the risk by:

- ▶ Holding bank deposits with reputable financial institutions.
- ▶ Monitoring loans made to Parishes, Catholic Schools and other organisations on a regular basis for debt recoverability.
- ▶ Seeking collateral or security over its financial instruments. This is required for all loans and mortgages to entities that are not owned by the Roman Catholic Bishop of the Diocese of Christchurch as Corporation Sole. Security is by way of mortgage over property owned by the entity concerned.
- ▶ All investments comply with the Fund's Treasury Policy adopted by the Trustees.

The exposure to credit risk is minimised by the above.

### Security Held Over Loans

	2017 Total Loans ( <i>'000's</i> )	2016 Total Loans ( <i>'000's</i> )	Estimated value of Security Held ( <i>'000's</i> )
Loans to Organisations owned by the Roman Catholic Bishop of the Diocese of Christchurch ( <i>refer note below</i> )	1,334	1,674	0
Loans to Other Organisations	582	795	3,250
<b>Total Loans</b>	<b>1,916</b>	<b>2,469</b>	<b>3,250</b>

*Note – Included in the Loans to Other Organisations is a secured loan to a single entity of \$582,000. Unsecured loans are underwritten by the Roman Catholic Bishop of Christchurch.*

The Trustees have considered the potential impact on security values caused by earthquake damage to property securing loans advanced. There has been no material impact on security values as properties have been insured for reinstatement value.

The terms and conditions for loans are:

- ▶ Loans are provided for terms ranging from 1 to 15 years.
- ▶ Interest rates currently range from 4.26% - 4.76% (2016 – 4.63% - 5.13%) and are subject to review by the fund.
- ▶ Interest and principal repayments are made by way of monthly instalments.
- ▶ Penalty interest of an additional 2% is charged for late or non payment of instalments due.
- ▶ Additional principal repayments may be made without penalty.

The terms and conditions for available for sale financial assets are:

- ▶ Investments are made for terms ranging from one month to 24 years.
- ▶ Interest rates range from 3.43% to 6.85% (2016 – 3.71% to 7.00%).
- ▶ Interest is paid at either quarterly or six-monthly intervals.
- ▶ Principal is repaid at maturity.

### Credit Quality of Financial Assets

The following table analyses the Fund's Portfolio percentage of debt securities (including cash) by S&P rating agency category.

	2017	2016
	%	%
AA+, AA, AA-	37%	11%
A+, A, A-	4%	51%
BBB+, BBB, BBB-	42%	19%
BB+, BB, BB-	0%	6%
Non S&P	17%	13%
	<b>100%</b>	<b>100%</b>

### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments.

The Fund manages liquidity risk by:

- ▶ Careful monitoring of its investment base with a mix of terms and liquidity, while maximising returns for depositors.
- ▶ Forward planning repayment of deposits, utilising working capital and banking facilities.
- ▶ Underwriting of all debts by the Roman Catholic Bishop of Christchurch.

The following table details the Fund's cash flows by contractual and expected maturity for its financial assets and liabilities at balance date on an undiscounted basis. For financial assets, actual maturities are expected to be the same as contractual maturities. The cashflows include both principal and interest payments/receipts.

## Liquidity risk *(Continued)*

2017	On Demand	0-6 Mths	6-12 Mths	12-18 Mths	18-24 Mths	+24 Mths	Total
	('000's)	('000's)	('000's)	('000's)	('000's)	('000's)	('000's)

### ASSETS – Expected and Contractual Maturities

Investments	0	2,841	957	2,694	795	19,700	26,987
Cash	6,094	0	0	0	0	0	6,094
Receivables	0	0	0	0	0	0	0
Loans	0	354	320	287	250	705	1,916
<b>Total Assets</b>	<b>6,094</b>	<b>3,195</b>	<b>1,277</b>	<b>2,981</b>	<b>1,045</b>	<b>20,405</b>	<b>34,997</b>

### LIABILITIES – Expected Maturities

Accounts Payable	60	0	0	0	0	0	60
Public Call Account Deposits	2,423	0	0	0	0	0	2,423
Public Term Deposits	0	3,305	3,527	0	0	0	6,832
Parish and Diocesan Deposits	1,282	759	759	759	759	12,146	16,464
Interest on Depositors Funds	0	46	257	0	0	0	303
<b>Total Liabilities</b>	<b>3,765</b>	<b>4,110</b>	<b>4,543</b>	<b>759</b>	<b>759</b>	<b>12,146</b>	<b>26,082</b>

2017 <i>(Continued)</i>	On Demand	0-6 Mths	6-12 Mths	12-18 Mths	18-24 Mths	+24 Mths	Total
	('000's)	('000's)	('000's)	('000's)	('000's)	('000's)	('000's)

### LIABILITIES – Contractual Maturities

Accounts Payable	60	0	0	0	0	0	60
Public Call Account Deposits	2,423	0	0	0	0	0	2,423
Public Term Deposits	0	3,305	3,527	0	0	0	6,832
Parish and Diocesan Deposits	1,282	7,189	7,993	0	0	0	16,464
Interest on Depositors Funds	0	46	257	0	0	0	303
<b>Total Liabilities</b>	<b>3,765</b>	<b>10,540</b>	<b>11,777</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,082</b>

The expected maturities for Parish and Diocesan Deposits are over a longer term than the contractual maturities, as the Bishop requires (through the Parish Norms) that all surplus funds within parishes are deposited with the Catholic Development Fund. The Norms also stipulate that parishes cannot spend amounts in excess of \$12,000 without the consent of the Bishop.

2016	On Demand	0-6 Mths	6-12 Mths	12-18 Mths	18-24 mths	+24 Mths	Total
	('000's)	('000's)	('000's)	('000's)	('000's)	('000's)	('000's)

### ASSETS – Expected and Contractual Maturities

Investments	0	9,247	3,226	3,528	1,351	11,524	28,876
Cash	4,115	0	0	0	0	0	4,115
Receivables	3	0	0	0	0	0	3
Loans	0	355	355	351	321	2,059	3,441
<b>Total Assets</b>	<b>4,118</b>	<b>9,602</b>	<b>3,581</b>	<b>3,879</b>	<b>1,672</b>	<b>13,583</b>	<b>36,435</b>

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#### LIABILITIES – Expected Maturities

Accounts Payable	46	0	0	0	0	0	46
Public Call Account Deposits	2,381	0	0	0	0	0	2,381
Public Term Deposits	0	4,151	3,888	0	0	0	8,039
Parish and Diocesan Deposits	2,354	829	829	829	829	13,259	18,929
Interest on Depositors Funds	0	118	206	0	0	0	324
<b>Total Liabilities</b>	<b>4,781</b>	<b>5,098</b>	<b>4,923</b>	<b>829</b>	<b>829</b>	<b>13,259</b>	<b>29,719</b>

#### LIABILITIES – Contractual Maturities

Accounts Payable	46	0	0	0	0	0	46
Public Call Account Deposits	2,381	0	0	0	0	0	2,381
Public Term Deposits	0	4,151	3,888	0	0	0	8,039
Parish and Diocesan Deposits	2,354	10,541	6,034	0	0	0	18,929
Interest on Depositors Funds	0	118	206	0	0	0	324
<b>Total Liabilities</b>	<b>4,781</b>	<b>14,810</b>	<b>10,128</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29,719</b>

## 4. Fair Value Hierarchy

The Fund uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1:** the fair value is calculated using quoted prices in active markets
- Level 2:** the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3:** the fair value is estimated using inputs for the asset or liability that are not based on observable market data. This is determined by JB Were (NZ) Pty Ltd by assigning a clean price to calculate the yield. Management have measured the Solid Energy Bonds as at 31 March 2017, based on the distribution received from the Deed Administrators after balance date and before the signing of the financial statements. The range of other possible outcomes are increases in distributions from the Deed Administrator of up to a further \$140,000.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Quoted Market Price Level 1	Valuation technique – market observable inputs Level 2	Valuation technique – non market observable inputs Level 3	Total
2017				
Available For Sale Financial Assets	('000's)	('000's)	('000's)	('000's)
<b>(i) Interest bearing securities</b>				
Bonds	10,118	0	91	10,209
Capital notes	9,714	0	0	9,714
	<b>19,832</b>	<b>0</b>	<b>91</b>	<b>19,923</b>

2016	Quoted Market Price Level 1	Valuation technique – market observable inputs Level 2	Valuation technique – non market observable inputs Level 3	Total
Available For Sale Financial Assets	('000's)	('000's)	('000's)	('000's)
<b>(i) Interest bearing securities</b>				
Bonds	7,056	0	0	7,056
Capital notes	7,497	0	0	7,497
Offshore Bond Fund	0	0	0	0
	<b>14,553</b>	<b>0</b>	<b>0</b>	<b>14,553</b>

## 5. Significant Accounting Judgements, Estimates and Assumptions

In applying the Fund's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Fund. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

### Significant Accounting Judgements Classification of and valuation of investments

The Fund has classified investments as 'Available for Sale' investments or as Loans and Receivables. Movements in fair value of Available for Sale investments are recognised directly in equity. The fair values of investments have been derived from either the NZX Debt market or the Trading Banks market spread for those securities that do not trade on the NZ Debt market platform. (Refer to Note 10 for Fair Values of Investments at year end).

## 6. Investment Income

<i>Investment Income includes:</i>	2017 ('000's)	2016 ('000's)
Interest from Loans	111	147
Interest from Other Investments	1,479	1,268
Net Gains on Investments	125	256
Reversal of Impairment Loss on Financial Assets (Refer Note 10)	91	0
	<b>1,806</b>	<b>1,671</b>

## 7. Interest Expense

	2017 (‘000’s)	2016 (‘000’s)
<i>Interest and Commission expenses include:</i>		
Interest Expense - Parish & Diocese	492	632
Interest Expense - Public	157	282
	<b>649</b>	<b>914</b>
<i>Other Expenses include:</i>		
Auditor - Audit Fees	23	22
Auditor - Other Services	0	6
Investment Advisors Fees	55	55
Impairment Loss (Refer to Note 10)	0	301
Loss on Realisation of Investments	16	12
Other Expenses	88	59
	<b>182</b>	<b>455</b>

## 8. Current Assets – Cash and Cash Equivalents

	2017 (‘000’s)	2016 (‘000’s)
Cash at bank and in hand (Current)	5	5
Cash at bank (Call)	6,089	4,110
<b>Total Cash at bank and in hand</b>	<b>6,094</b>	<b>4,115</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value. There are no restrictions on the cash and cash equivalents balances.

## 9. Loans and Receivables

	2017 (‘000’s)	2016 (‘000’s)
Total Loans	1,916	2,470
Other Receivables	0	3
<b>Total Loans and Receivables</b>	<b>1,916</b>	<b>2,473</b>

(Refer to Note 3 for terms and conditions of Loans)



## 10. Available-for-sale Financial Assets

	Fair Value 2017 (‘000’s)	Fair Value 2016 (‘000’s)
Bank deposits	0	8,266
Finance Company Deposits	2,200	4,102
Bonds	10,205	7,056
Capital Notes	9,714	7,497
<b>Total Available for Sale Financial Assets</b>	<b>22,119</b>	<b>26,921</b>

(Refer to Note 3 for terms and conditions of Available for Sale Financial Assets)

### Impairment Loss

#### Solid Energy

ANZ (the Lead Manager on both the 2016 and 2018 issues) stopped providing revaluation yields for the Solid Energy bond issues on their Bloomberg pages or the end of month valuation sheet in late 2013. In September 2015 creditors of Solid Energy voted in favour of an orderly sell down over the following 2 ½ years. Under the scheme Solid Energy’s day to day creditors and employees would be paid in full while debt owed to other creditors, including the bank and bondholders, will be paid out over the 2 ½ years. The total claims have been split into CLAIMA which equates to one-third of the total and interest is paid on this; and CLAIMB which equates to the remaining two-thirds of the total. During the 2015/16 financial year there was no indication of the likely return to bank and bondholders and therefore JB Were recommended the remaining balance be written down to zero. The Fund holds a face value of \$500,000 of Solid Energy securities; impairment losses of \$199,150 and \$300,850 were recognised as at 31 March 2015 and 2016 respectively. Since September 2015 the Development Fund has received capital and interest payments totalling \$143,595 in relation to the Solid Energy March 2018 bond holding, including \$91,372 received in May 2017. Updates from the Administrators in February 2017 indicate a total return to bondholders of between 45 and 55 cents in the dollar. Payments received to date equate to 27.8 cents in the dollar. As at 31 March 2017 the Fund has reversed \$91,372 of the impairment loss previously recognised. (Refer Note 6)

	2017 (‘000’s)	2016 (‘000’s)
<b>Reconciliation Available For Sale Assets</b>		
Opening Carrying Amount	26,921	27,777
Allowance for Impairment Loss	0	0
Changes in Allowance for Impairment Loss	0	0
Reversal of Impairment Loss	91	0
Amounts Written Off (at cost)	0	(301)
Additions/Disposals (at cost)	(4,456)	(494)
Movement in Valuation	(437)	(61)
<b>Closing Carrying Amount</b>	<b>22,119</b>	<b>26,921</b>

## 11. Interest-bearing Depositors Funds

	2017 (‘000’s)	2016 (‘000’s)
Call Account Deposits	3,715	4,745
Term Deposits	22,004	24,604
<b>Closing Carrying Amount</b>	<b>25,719</b>	<b>29,349</b>

### Fair Values

The carrying amount of the Fund’s current and non-current liabilities approximate their fair value.

Financial Liabilities	Effective Interest Rate	Total (‘000’s)
<b>2017</b>		
Accounts Payable	N/A	60
Call Account Deposits	0-1.80%	3,715
Term Deposits	1.00%-2.65%	22,004
<b>Closing Carrying Amount</b>		<b>25,779</b>
<b>2016</b>		
Accounts Payable	N/A	46
Call Account Deposits	0-1.80%	4,745
Term Deposits	1.20%-2.45%	24,604
<b>Closing Carrying Amount</b>		<b>29,349</b>

All depositors’ funds have equal priority over the assets of the Fund, should the Fund liquidate or cease to operate. All depositors’ funds are guaranteed by the Roman Catholic Bishop of the Diocese Christchurch.

On 23 November 2016, the Trustees signed the Debenture Trust Deed with Covenant Trustee Services Limited (Statutory Supervisor).

The Debenture Trust Deed includes financial covenants to be reported to the Statutory Supervisor on a monthly basis for the following financial information:

- Prior Charges Limitation,
- Secured Property to Debt Instrument Ratio,
- Minimum Capital Ratio,
- Liquidity Coverage Ratio,
- Counterparty Exposure Limit.

No breaches of the covenants have occurred on the reporting dates in the financial year.

## 12. Equity

	2017 ('000's)	2016 ('000's)
<b>Retained Earnings</b>		
Balance 1 April	3,302	3,389
Surplus/(Deficit) for the year	975	302
Transfer Special Reserve to Retained Earnings	0	295
Distribution to Catholic Diocese of Christchurch	(302)	(684)
<b>Balance as at 31 March</b>	<b>3,975</b>	<b>3,302</b>
<b>Special Reserve</b>		
Balance 1 April	0	295
Movements for the year	0	(295)
<b>Balance as at 31 March</b>	<b>0</b>	<b>0</b>
<b>Fair Value through Equity Reserve</b>		
Balance 1 April	812	873
Unrealised Valuation Gains/(Losses) taken to Equity	(437)	(61)
<b>Balance as at 31 March</b>	<b>375</b>	<b>812</b>
<b>Total Equity 31 March</b>	<b>4,350</b>	<b>4,114</b>

### Nature and Purpose of Reserves:

#### Fair Value through Equity Reserve:

This reserve records movements in the fair value of available for sale financial assets.

## 13. Capital Management

The Fund's capital is its equity, which comprise retained earnings and reserves. Equity is represented by net assets. When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to the Catholic Diocese of Christchurch. In August 2008 the Roman Catholic Bishop of the Diocese of Christchurch, through the diocese has resolved to maintain equity at an amount equivalent to 10% to total depositors funds or greater. Refer also to Note 3 – Financial Risk Management Objectives and Policies.

Under the 2016 Trust Deed with Covenant Trustees Ltd, the Fund is required to maintain a Capital Ratio of not less than 10%.

This level of equity is considered prudent and appropriate for the Fund.

## 14. Cash Flow Statement Reconciliation

### (a) Reconciliation of Net Surplus to Net Operating Cash Flows

	2017 (‘000’s)	2016 (‘000’s)
Net Surplus for the Period	975	302
<i>Adjustments to reconcile the Net Surplus to the Net Cash Inflow from Operating Activities</i>		
<i>Add:</i>		
Investment Write down	16	313
Decrease in Accounts Receivable	3	0
Increase in Trade Creditors	0	0
	<b>19</b>	<b>313</b>
<i>Deduct:</i>		
Decrease in Trade Creditors	28	51
Reversal of Impairment Loss	91	0
Increase in Accounts Receivable	0	3
	<b>119</b>	<b>54</b>
<b>Net Cash Inflow from Operating Activities</b>	<b>875</b>	<b>561</b>

### (b) Statement of Cash Flows

Cash inflows and outflows resulting from the sale and purchase of investments (including loans made) have been netted as have increases and decreases in deposits received. Disclosure of the gross receipts and payments is not essential to the understanding of these activities.

## 15. Related Party Disclosure

The Fund receives assistance from the Catholic Diocese of Christchurch in managing the day to day operations of the Fund. In October 2002 the Management and Finance Board of the Diocese resolved to stop charging the Fund for these services. The Trustees have not determined the final distribution to be made to the Bishop for the 2017 financial year. The Distribution made to the Bishop during the year to 31 March 2017 amounted to \$302,000, (2016: \$684,000). No debts were forgiven or written off during the period.

### Investments

The Catholic Diocese of Christchurch and Parishes within the Catholic Diocese of Christchurch invest in the Fund on standard terms that are available to other investors.

### Loans

The Catholic Diocese of Christchurch, Parishes within the Catholic Diocese of Christchurch and Diocesan Schools have loans from the Fund on standard terms. During the year no new loans were made to the



Diocese (2016- \$188,434), or Diocesan Schools and one new loan was made to Parishes of \$60,000. Interest charged and paid was at the rate of between 4.26% and 5.13%. These loans are unsecured but are underwritten by the Roman Catholic Bishop of Christchurch.

The following table provides the total amount of transactions which have been entered into with related parties in the current financial year.

Related Party (\$'000)	Amount Loaned at balance Date	Interest Received from Loans to Related Party	Deposits Received at Balance Date	Interest Paid on Deposits from Related Party	Distribution Paid to Related Party
<b>2017</b>					
Catholic Diocese of Chch	1,264	73	2,472	86	0
Roman Catholic Bishop of Chch	0	0	0	0	302
Parishes	70	3	12,056	383	
Diocesan Schools	0	0	0	0	0
<b>2016</b>					
Catholic Diocese of Chch	1,636	96	3,312	121	0
Roman Catholic Bishop of Chch	0	0	0	0	684
Parishes	38	2	11,956	511	
Diocesan Schools	0	0	0	0	0

Trustees and key management personnel hold small deposits with the fund on arms-length terms.

## 16. Significant Events After Balance Date

In May 2017 a capital repayment of \$91,372 was received in relation to the Solid Energy bonds which had previously been written down to a nil value. As a result impairment losses amounting to \$91,372 were reversed as at 31 March 2017 (*Refer Note 10*). (2016 – Nil)

## **Independent auditor's report to the Trustees of Christchurch Catholic Diocesan Development Fund**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Christchurch Catholic Diocesan Development Fund on pages 3 to 23, which comprise the statement of financial position of the Trust as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Trust, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 3 to 23 present fairly, in all material respects, the financial position of the Trust as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Trustees as a body. Our audit has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Trust in accordance with Professional and Ethical Standard 1 (revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor, we have performed other assurance services. We have no other relationship with, or interest in, the Trust. Partners and employees of our firm may deal with the Trust on normal terms within the ordinary course of trading activities of the business of the Trust.

#### **Information other than the financial statements and auditor's report**

Those charged with governance are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

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

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

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

### **Those charged with governance responsibilities for the financial statements**

Those charged with Governance are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

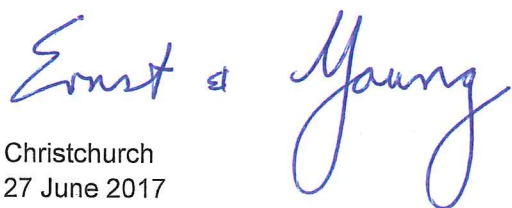
In preparing the financial statements, those charged with governance are responsible for assessing on behalf of the entity the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the Trust or cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities>. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Bruce Loader.



Christchurch  
27 June 2017