



catholic diocese  
of christchurch

to sanctify - to teach - to care for



*Christchurch Catholic  
Diocesan Development Fund*

**Financial Statements**

For the Year Ended 31 March 2016



## *Christchurch Catholic Diocesan Development Fund*

# Financial Statements

For the Year Ended 31 March 2016

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## Trustees

Rob Farrell (Chairman)  
Richard Bailey (from 1.2.16)  
Philip Baird  
Jack O'Donnell (to 23.7.15 RIP)  
Simon Roughan  
Michael Schimanski

## Registered Office

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## Solicitors

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Christchurch

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## Investment Advisors

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## Bankers

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Addington  
Christchurch

## Auditors

*Ernst & Young*  
P O Box 2091  
Christchurch 8104

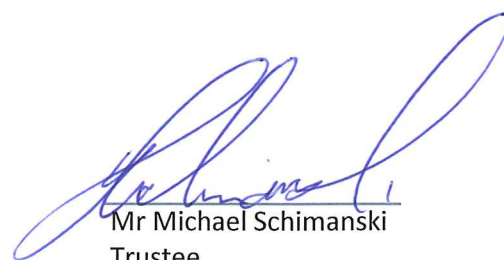
**Catholic Development Fund**  
**Statement of Financial Position**  
As at 31 March 2016

Actual 2015 '000		Note	Actual 2016 '000
	<b>Assets</b>		
3,930	Cash at Bank and in hand	8	4,115
2,837	Loans and Receivables	9	2,473
27,776	Available for Sale Financial Assets	10	26,921
34,543	<b>Total Assets</b>		33,509
	<b>Liabilities</b>		
53	Trade and Other Payables	11	46
3,929	Call Account Deposits	12	4,745
26,004	Term Deposits	12	24,604
29,986	<b>Total Liabilities</b>		29,395
4,557	<b>Net Assets</b>		4,114
	<b>Equity</b>		
4,557	Accumulated Funds	13	4,114
4,557	<b>Total Equity</b>		4,114

For and on behalf of the Board of Trustees which authorised the issue of the financial report on 28 June 2016.



Mr Rob Farrell  
Chairman



Mr Michael Schimanski  
Trustee



**Catholic Development Fund**  
**Statement of Comprehensive Income**  
For the Year Ending 31 March 2016

Actual 2015 '000		Note	Actual 2016 '000	Budget 2016 '000 (Unaudited)
	<b>Operating Revenue</b>			
1,984	Investment Income	6	1,671	1,586
<u>1,984</u>	<b>Total Operating Revenue</b>		<u>1,671</u>	<u>1,586</u>
	<b>Less Operating Expenses</b>			
911	Interest and Commissions	7	914	957
<u>1,073</u>	<b>Operating Surplus</b>		<u>757</u>	<u>629</u>
389	Other Expenses	7	455	169
<u>684</u>	<b>Net Surplus</b>		<u>302</u>	<u>460</u>
684	Attributable to Roman Catholic Bishop of Christchurch		302	460
	<b>Other Comprehensive Income</b>			
254	Net fair value unrealised gains/(losses) on available for sale financial assets		(61)	0
<u>938</u>	<b>Total Comprehensive Income</b>		<u>241</u>	<u>460</u>
938	Attributable to Roman Catholic Bishop of Christchurch		241	460

**Catholic Development Fund**  
**Statement of Changes in Equity**  
For the Year Ending 31 March 2016

Actual 2015 '000		Note	Actual 2016 '000	Budget 2016 '000 (Unaudited)
4,670	Balance at 1 April as previously reported		4,557	4,557
254	Other Comprehensive Income		(61)	0
684	Net Surplus for the Year		302	460
938	Total Comprehensive Income for the Year		241	460
938	Total Attributable to Roman Catholic Bishop of Christchurch		241	460
(1,051)	Distribution to Roman Catholic Bishop of Christchurch	16	(684)	0
4,557	Balance at 31 March	13	4,114	5,017

**Catholic Development Fund**  
**Statement of Cash Flows**  
For the Year Ending 31 March 2016

Actual 2015 '000		Note	Actual 2016 '000
	<b>Cash Flows from Operating Activities</b>		
	<i>Cash was provided from:</i>		
153	Interest Received - Loans		148
1,831	Interest Received - Investments		1,523
<u>1,984</u>			<u>1,671</u>
	<i>Cash was applied to:</i>		
862	Interest Paid		959
172	Payments to Suppliers and Employees		151
<u>1,034</u>			<u>1,110</u>
<b>950</b>	<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	15	<b>561</b>
	<b>Cash Flows from Investing Activities</b>		
	<i>Cash was provided from:</i>		
885	Net Realisation of Investments		849
<u>885</u>			<u>849</u>
	<i>Cash was applied to:</i>		
0	Purchase of Intangible Assets		1
0	Net Purchase of Investments		0
<u>0</u>			<u>1</u>
<b>885</b>	<b>NET CASH INFLOW/( OUTFLOW) FROM INVESTING ACTIVITIES</b>		<b>848</b>
	<b>Cash Flows from Financing Activities</b>		
	<i>Cash was provided from:</i>		
911	Net Increase in Deposits Received		0
<u>911</u>			<u>0</u>
	<i>Cash was applied to:</i>		
0	Net Decrease in Deposits Received		540
1,051	Distribution to Roman Catholic Bishop of Christchurch		684
<u>1,051</u>			<u>1,224</u>
<b>(140)</b>	<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>		<b>(1,224)</b>
1,695	<b>NET INCREASE / (DECREASE) IN CASH HELD</b>		185
2,235	Plus Opening Cash brought forward		3,930
<b>3,930</b>	<b>CASH HELD AT YEAR END</b>		<b>4,115</b>
6	Cash and Bank Current		5
3,924	Call Accounts		4,110
<u>3,930</u>	<b>ENDING CASH CARRIED FORWARD</b>	8	<b>4,115</b>



# *Catholic Development Fund*

## Notes to the Financial Statements

*For the Year Ended 31 March 2016*

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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 2016 were authorised for issue in accordance with a resolution of the trustees on 30 June 2016.

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 Reporting Act 2013 and in accordance with the Trust Deed. The financial statements have also 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 2015.

Reference	Title	Summary	Application date of standard	Impact on Fund's Financial Statements	Application date for Fund
NZ IFRS 1, FRS-44	2014 Omnibus Amendments to NZ IFRS	<p>The following standards are amended by this standard:</p> <p>NZ IFRS 1</p> <ul style="list-style-type: none"> <li>▶ Clarifies the application of paragraph 4A of NZ IFRS 1.</li> <li>FRS-44.</li> <li>▶ Requires an entity to disclose the statutory basis or other reporting framework, if any, under which the financial statements have been prepared.</li> </ul>	1 April 2015	The impact on the Fund's financial statements is minimal	1 April 2015



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 2016. These are outlined below:

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	The following standards are amended by this standard:  FRS-43: <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 expected to be 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 expected to be minimal	1 April 2016
IAS 7	Disclosure Initiative – Amendments to IAS 7	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.  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.	1 January 2017	The impact on the Fund's financial statements is expected to be minimal	1 April 2017

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 have 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. Available for sale financial assets are included in non-current assets except for maturities less than 12 months after balance date, which are included in current assets.

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.

These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

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) Plant and Equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – 4 years (ie at 25%)

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate at each financial year end.

### ***Derecognition***

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

## **(i) Intangibles**

Intangible assets are initially measured at cost. The cost of an intangible asset is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed at 3 years (ie at 33.3%). The cost of intangible assets is amortised using the straight line method over the useful life. The amortisation expense is recognised as an expense in the Statement of comprehensive income.

## **(j) Trade and Other Payables**

Trade and other payables are carried at amortised cost, due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid and arise when the Fund becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 60 days of recognition.

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

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.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### ***Interest Expense***

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

## **(l) 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.

## **(m) Income Tax**

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

## **(n) Other Taxes**

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

## **(o) 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, depositors 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 is exempt until 30 November 2016 from specific requirements of the Reserve Bank Act 1989, due to the Deposit Takers (Charities) Exemption Notice 2015. The specific exemptions are stated below:

*"Sections 157I (the requirement to have a credit rating), 157L (governance requirements), 157M (risk management requirements), 157T and 157U (capital ratio requirements), 157X and 157Y (related party exposures requirements) and sections 157ZA and 157ZB (liquidity requirements) of the Reserve Bank Act 1989."*

Following the expiry of the exemption, the Fund intends to be 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)			
	2016		2015		2016		2015	
	1% '000	(1%) '000	1% '000	(1%) '000	1% '000	(1%) '000	1% '000	(1%) '000
Investment Income	28	(28)	28	(28)	28	(28)	28	(28)
Investment Income	279	(279)	355	(355)	279	(279)	355	(355)
Interest Expense	(339)	339	(278)	278	(339)	339	(278)	278
Available for Sale	0	0	0	0	(364)	364	(277)	277
	(32)	32	105	(105)	(396)	396	(172)	172

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

	<b>2016</b>	<b>2015</b>	<b>Estimated</b>
	<b>Total Loans</b>	<b>Total Loans</b>	<b>value of</b>
	<i>('000's)</i>	<i>('000's)</i>	<b>Security Held</b>
			<i>('000's)</i>
Loans to Organisations owned by the Roman Catholic Bishop of the Diocese of Christchurch ( <i>refer note below</i> )	1,674	1,842	0
Loans to Other Organisations	795	995	3,250
<b>Total Loans</b>	<b>2,469</b>	<b>2,837</b>	<b>3,250</b>

*Note – Included in the Loans to Other Organisations is a secured loan to a single entity of \$1,363. 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 4.63% - 5.13% (2015 – 4.81% - 5.50%) 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 3.71% to 7.00% (2015 – 3.71% to 8.00%).
- ▶ 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. (The comparative figures for 2015 have been restated to include cash).

	2016	2015
	%	%
AA+, AA, AA-	11%	5%
A+, A, A-	51%	58%
BBB+, BBB, BBB-	19%	16%
BB+, BB, BB-	6%	6%
Non S&P	13%	16%
	<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.

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)
<b>ASSETS – Expected and Contractual Maturities</b>							
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		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>
<b>LIABILITIES – Expected Maturities</b>							
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>



## Liquidity risk (Continued)

2016 (Continued)	On Demand ('000's)	0-6 Mths ('000's)	6-12 Mths ('000's)	12-18 Mths ('000's)	18-24 Mths ('000's)	+24 Mths ('000's)	Total ('000's)
<b>LIABILITIES – Contractual Maturities</b>							
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>

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.

2015	On Demand ('000's)	0-6 Mths ('000's)	6-12 Mths ('000's)	12-18 Mths ('000's)	18-24 mths ('000's)	+24 Mths ('000's)	Total ('000's)
<b>ASSETS – Expected and Contractual Maturities</b>							
Investments	0	9,678	3,047	1,185	1,159	14,596	29,665
Cash	3,930	0	0	0	0	0	3,930
Receivables	0	0	0	0	0	0	0
Loans	0	343	343	342	343	2,515	3,886
<b>Total Assets</b>	<b>3,930</b>	<b>10,021</b>	<b>3,390</b>	<b>1,527</b>	<b>1,502</b>	<b>17,111</b>	<b>37,481</b>

### LIABILITIES – Expected Maturities

Accounts Payable	53	0	0	0	0	0	53
Public Call Account Deposits	2,259	0	0	0	0	0	2,259
Public Term Deposits	0	4,383	4,005	0	0	0	8,388
Parish and Diocesan Deposits	1,660	881	881	881	881	14,101	19,285
Interest on Depositors Funds	0	141	305	0	0	0	446
<b>Total Liabilities</b>	<b>3,972</b>	<b>5,405</b>	<b>5,191</b>	<b>881</b>	<b>881</b>	<b>14,101</b>	<b>30,431</b>

### LIABILITIES – Contractual Maturities

Accounts Payable	53	0	0	0	0	0	53
Public Call Account Deposits	2,259	0	0	0	0	0	2,259
Public Term Deposits	0	4,383	4,005	0	0	0	8,388
Parish and Diocesan Deposits	1,660	10,788	6,837	0	0	0	19,285
Interest on Depositors Funds	0	141	305	0	0	0	446
<b>Total Liabilities</b>	<b>3,972</b>	<b>15,312</b>	<b>11,147</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,431</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.

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
2016				
Financial Assets at fair value through equity	('000's)	('000's)	('000's)	('000's)
Financial assets held for trading				
(i) Interest bearing securities				
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>

	Quoted Market Price Level 1	Valuation technique – market observable inputs Level 2	Valuation technique – non market observable inputs Level 3	Total
2015				
Financial Assets at fair value through equity	('000's)	('000's)	('000's)	('000's)
Financial assets held for trading				
(i) Interest bearing securities				
Bonds	6,335	0	301	6,636
Capital notes	10,316	0	0	10,316
Offshore Bond Fund	0	1,592	0	1,592
	<b>16,651</b>	<b>1,592</b>	<b>301</b>	<b>18,544</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 decided to classify 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 determined by JBWere (NZ) Pty Ltd by either the NZX Debt market or the Trading Banks market spread for those securities that do not trade on the NZ Debt market platform.

### Allowance for impairment loss on trade receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management.

## 6. Interest Income

	2016 (('000's))	2015 (('000's))
<i>Investment Income includes:</i>		
Interest from Loans	147	153
Interest from Other Investments	1,268	1,757
Net Gains/(Losses) on Investments	256	74
	<b>1,671</b>	<b>1,984</b>

## 7. Interest Expense

	2016 (('000's))	2015 (('000's))
<i>Interest and Commission expenses include:</i>		
Interest Expense - Parish & Diocese	632	543
Interest Expense - Public	282	368
	<b>914</b>	<b>911</b>
<i>Other Expenses include:</i>		
Auditor - Audit Fees	22	21
Auditor - Other Services	6	0
Depreciation	0	0
Amortisation Intangible Assets	0	3
Investment Advisors Fees	55	60
Impairment Loss (Refer to Note 10)	301	216
Loss on Realisation of Investments	12	37
Other Expenses	59	52
	<b>455</b>	<b>389</b>

## 8. Current Assets – Cash and Cash Equivalents

	2016 (‘000’s)	2015 (‘000’s)
Cash at bank and in hand (Current)	5	6
Cash at bank (Call)	4,110	3,924
<b>Total Cash at bank and in hand</b>	<b>4,115</b>	<b>3,930</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

	2016 (‘000’s)	2015 (‘000’s)
Total Loans	2,470	2,837
Other Receivables	3	0
<b>Total Loans and Receivables</b>	<b>2,473</b>	<b>2,837</b>

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

## 10. Available-for-sale Financial Assets

	Fair Value 2016 (‘000’s)	Fair Value 2015 (‘000’s)
Bank deposits	8,266	5,060
Finance Company Deposits	4,102	4,007
Bonds	7,056	6,636
Capital Notes	7,497	10,316
Offshore Bond Fund	0	1,757
<b>Total Loans and Receivables</b>	<b>26,921</b>	<b>27,776</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. We understand that they had been instructed by their Corporate Bank not to provide values of these bonds to the market. It was suggested that the value was ~80-85 cents capital on the issues and JBWere used this to value the issues. This level remained the same until March 2015. On 25 August 2015 in response to a news article suggesting the administrators of Solid Energy saw the recoverable value of the Solid Energy bonds was around 20 cents in the dollar face value JBWere started to revalue the bonds at this new level. 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. Since that time the Development Fund has received payments totalling \$6,737.01 in relation to the Solid Energy March 2018 bond holding. While there have been updates around the performance of Solid Energy, noting site closures and redundancies, there has been no update on the likely return to bank and bondholders and therefore JBWere recommended the remaining balance be written down to zero. The Fund holds a face value of \$500,000 of Solid Energy securities; an impairment loss was recognised as at 31 March 2016 of \$300,850 (2015 - \$216,379).

	2016 (('000's))	2015 (('000's))
<b>Reconciliation</b>		
Opening Carrying Amount	27,776	28,588
Allowance for Impairment Loss	0	0
Changes in Allowance for Impairment Loss	0	0
Amounts Written Off (at cost)	(301)	(216)
Additions/Disposals (at cost)	(494)	(850)
Movement in Valuation	(61)	254
<b>Closing Carrying Amount</b>	<b>26,920</b>	<b>27,776</b>

## 11. Current Liabilities – Trade and Other Payables

	2016 (('000's))	2015 (('000's))
Trade Creditors	46	53
<b>Closing Carrying Amount</b>	<b>46</b>	<b>53</b>

### (a) Trade payables

Trade payables are non-interest bearing and are normally settled on 30-day terms.

### (b) Interest rate and liquidity risk

Information regarding interest rate and liquidity risk of current payables is set out in note 3.

## 12. Interest-bearing Depositors Funds

	2016 (‘000’s)	2015 (‘000’s)
Call Account Deposits	4,745	3,929
Term Deposits	24,604	26,004
<b>Closing Carrying Amount</b>	<b>29,349</b>	<b>29,933</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>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>
<b>2015</b>		
Accounts Payable	N/A	53
Call Account Deposits	0-2.10%	3,929
Term Deposits	2.00%-3.60%	26,004
<b>Closing Carrying Amount</b>		<b>29,986</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.



### 13. Equity

	2016 ('000's)	2015 ('000's)
<b>Retained Earnings</b>		
Balance 1 April	3,389	3,756
Surplus/(Deficit) for the year	302	684
Transfer Special Reserve to Retained Earnings	295	0
Distribution to Catholic Diocese of Christchurch	(684)	(1,051)
<b>Balance as at 31 March</b>	<b>3,302</b>	<b>3,389</b>
<b>Special Reserve</b>		
Balance 1 April	295	295
Movements for the year	(295)	0
<b>Balance 31 March</b>	<b>0</b>	<b>295</b>
<b>Fair Value through Equity Reserve</b>		
Balance 1 April	873	619
Unrealised Valuation Gains/(Losses) taken to Equity	(61)	254
<b>Balance at 31 March</b>	<b>812</b>	<b>873</b>
<b>Total Equity 31 March</b>	<b>4,114</b>	<b>4,557</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.

### 14. 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.

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

The Fund is not subject to any externally imposed capital requirements.

## 15. Cash Flow Statement Reconciliation

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

	2016 (‘000’s)	2015 (‘000’s)
Net Surplus for the Period	302	683
<i>Adjustments to reconcile the Net Surplus to the Net Cash Inflow from Operating Activities</i>		
<i>Add:</i>		
Investment Write down	313	216
Amortisation of Software	0	0
Decrease in Accounts Receivable	0	0
Increase in Trade Creditors	0	51
	<b>313</b>	<b>267</b>
<i>Deduct:</i>		
Decrease in Trade Creditors	51	0
Increase in Accounts Receivable	3	0
	<b>54</b>	<b>0</b>
<b>Net Cash Inflow from Operating Activities</b>	<b>561</b>	<b>950</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.

## 16. 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 2016 financial year. The Distribution made to the Bishop during the year to 31 March 2016 amounted to \$684,000, (2015: \$1,051,000). 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 one new loan was made to the Diocese of \$188,434 (2015- nil), and no new loans were made to Parishes or to Diocesan Schools. Interest charged and paid was at the rate of between 4.63% and 5.6%.

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>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
<b>2015</b>					
Catholic Diocese of Chch	1,789	91	3,732	131	0
Roman Catholic Bishop of Chch	0	0	0	0	1,051
Parishes	53	3	11,872	513	
Diocesan Schools	0	0	0	0	0

There are no related party transactions with Trustees or key management personnel.

## 17. Significant Events After Balance Date

There were no significant events after balance date affecting the financial statements. (2015 – Nil)



## **Independent Auditor's Report**

### **To the Trustees of Christchurch Catholic Diocesan Development Fund**

#### **Report on the Financial Statements**

We have audited the financial statements of Christchurch Catholic Diocesan Development Fund on pages 3 to 24 which comprise the statement of financial position of Christchurch Catholic Diocesan Development Fund as at 31 March 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the trustees as a body, in accordance with Section 461G (1) of the Financial Markets Conduct Act 2013. Our audit has been undertaken so that we might state to the trustees members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **The Trustees' Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interest in, Christchurch Catholic Diocesan Development Fund.

Partners and employees of our firm may deal with the Christchurch Catholic Diocesan Development Fund on normal terms within the ordinary course of trading activities of the Christchurch Catholic Diocesan Development Fund.

#### **Opinion**

In our opinion, the financial statements on pages 3 to 24 present fairly, in all material respects, the financial position of Christchurch Catholic Diocesan Development Fund as at 31 March 2016 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.



28 June 2016  
Christchurch