FUNDS HELD AND ADMINISTERED BY CHURCH PROPERTY TRUSTEES

SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The Church Property Trustees

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The Church Property Trustees

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FUNDS HELD AND ADMINISTERED BY CHURCH PROPERTY TRUSTEES
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2016

The Church Property Trustees

	NOTE	Balanced Growth Fund 2016	Balanced Growth Fund 2015	Mohaka Forest Fund 2016	Mohaka Forest Fund 2015	Fixed Income Fund 2016	Fixed Income Fund 2015	Reserve Fund 2016	Reserve Fund 2015	Insurance Proceeds Fund 2016	Insurance Proceeds Fund 2015	Cathedral Insurance Proceeds Fund 2016	Cathedral Insurance Proceeds Fund 2015	Total Funds Under Management 2016	Total Funds Under Management 2015
		$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
INCOME															
Net Return from Investments		1,336	1,283	549	952	1,465	1,771	55	105	1,961	2,975	1,694	2,180	7,060	9,267
Expense Recovery		-	-	64	30	-	-	-	-	-	-	-	-	64	30
Hedge (Foreign Currency)		-	-	-	-	-	-	-	-	154	35	171	41	325	76
Total Income		1,336	1,283	613	982	1,465	1,771	55	105	2,115	3,011	1,865	2,221	7,449	9,372
EXPENSES															
Insurance		-	-	20	12	-	-	-	-	-	-	-	-	20	12
Interest Paid		-	-	-	-	-	-	-	-	92	67	-	93	92	160
Management Fees - External	3	163	116	27	1	202	84	5	-	234	102	244	92	875	395
Management Fees - CPT	3	106	102	13	13	186	181	9	-	246	262	228	225	789	783
Net Return Adjustment (2014)	4	-	-	-	-	-	-	-	-	-	-	-	492	-	492
Rates		-	-	4	4	0	-	-	-	-	-	-	-	4	4
Total Expenditure		269	218	64	30	389	265	15	-	572	431	472	902	1,780	1,846
Net Surplus/(Deficit)		1,067	1,065	549	952	1,077	1,506	40	105	1,542	2,580	1,393	1,318	5,669	7,526
FUND ALLOCATIONS															
Bishopric Estate		172	188	-	-	-	-	-	-	-	-	-	-	172	188
Dean and Chapter Estate		74	75	-	-	-	-	-	-	-	-	-	-	74	75
General Trust Estate		335	323	505	876	-	-	-	-	-	-	-	-	839	1,199
Parishes & Anglican Organisations		486	479	44	76	1,313	1,278	-	-	-	-	-	-	1,842	1,833
Fixed Income Fund		-	-	-	-	-	-	(196)	333	-	-	-	-	(196)	333
Reserve Fund		-	-	-	-	(236)	228	236	(228)	-	-	-	-	-	-
Land & Buildings held in Trust		-	-	-	-	-	-	-	-	1,542	2,580	-	-	1,542	2,580
Cathedral Trust		-	-	-	-	-	-	-	-	-	-	1,393	1,318	1,393	1,318
Net Surplus/(Deficit) Allocated		1,067	1,065	549	952	1,077	1,506	40	105	1,542	2,580	1,393	1,318	5,669	7,526

These statements are to be read in conjunction with the accompanying notes on pages 3 to 10 and the Independent Auditor's Report on pages 11 to 12.

FUNDS HELD AND ADMINISTERED BY CHURCH PROPERTY TRUSTEES
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2016

The Church Property Trustees

	NOTE	Balanced Growth Fund		Mohaka Forest Fund		Fixed Income Fund		Reserve Fund		Insurance Proceeds Fund		Cathedral Insurance Proceeds Fund		Total Funds Under Management	
		2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
		$000	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000
FUND ASSETS															
Cash and Cash Equivalents	5	**258**	1,068	**3**	-	**230**	1,760	**1,010**	485	**420**	1,129	**114**	589	**2,034**	5,030
Managed Funds	6	**19,658**	17,920	**-**	-	**34,657**	29,389	**541**	271	**38,681**	44,117	**41,867**	40,263	**135,405**	131,960
Bonds	7	**-**	-	**-**	-	**-**	-	**310**	834	**-**	-	**-**	-	**310**	834
Private Equity	8	**839**	530	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**839**	530
Receivables	9	**48**	3	**74**	-	**469**	45	**2**	232	**29**	235	**31**	217	**653**	732
Forestry	8	**-**	-	**4,751**	-	**-**	-	**-**	-	**-**	-	**-**	-	**4,751**	-
Total Fund Assets		**20,804**	19,521	**4,828**	-	**35,356**	31,195	**1,863**	1,821	**39,130**	45,480	**42,012**	41,069	**143,993**	139,086
FUND LIABILITIES															
Payables		**143**	10	**77**	-	**113**	293	**237**	-	**24**	-	**23**	-	**617**	303
Parishes & Anglican Organisations		**8,790**	8,781	**380**	336	**36,143**	32,238	**-**	-	**40,743**	46,859	**41,989**	41,069	**128,046**	129,284
General Trust Estate		**7,214**	6,025	**4,371**	3,866	**-**	-	**-**	-	**1,459**	1,367	**-**	-	**13,044**	11,258
Bishopric Estate		**3,312**	3,358	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**3,312**	3,358
Dean and Chapter Estate		**1,345**	1,348	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**1,345**	1,348
Total Fund Liabilities		**20,804**	19,521	**4,828**	4,202	**36,256**	32,532	**237**	-	**42,225**	48,226	**42,012**	41,069	**146,363**	145,550
Net Fund Current Assets/(Liabilities)		**-**	-	**-**	(4,202)	**(900)**	(1,337)	**1,626**	1,821	**(3,095)**	(2,746)	**-**	-	**(2,370)**	(6,464)
NON-CURRENT FUND ASSETS															
Reserve Fund		**-**	-	**-**	-	**1,626**	1,821	**-**	-	**-**	-	**-**	-	**1,626**	1,821
Forestry	8	**-**	-	**-**	4,202	**-**	-	**-**	-	**-**	-	**-**	-	**-**	4,202
Loans & Mortgages	13	**-**	-	**-**	-	**900**	1,337	**-**	-	**3,095**	2,746	**-**	-	**3,996**	4,083
Total Non-Current Fund Assets		**-**	-	**-**	4,202	**2,526**	3,158	**-**	-	**3,095**	2,746	**-**	-	**5,622**	10,106
NON-CURRENT FUND LIABILITIES															
Fixed Income Fund		**-**	-	**-**	-	**-**	-	**1,626**	1,821	**-**	-	**-**	-	**1,626**	1,821
Future Distributions Payable		**-**	-	**-**	-	**1,626**	1,821	**-**	-	**-**	-	**-**	-	**1,626**	1,821
Total Non-Current Fund Liabilities		**-**	-	**-**	-	**1,626**	1,821	**1,626**	1,821	**-**	-	**-**	-	**3,251**	3,642
Net Fund Non-Current Assets/(Liabilities)		**-**	-	**-**	4,202	**900**	1,337	**(1,626)**	(1,821)	**3,095**	2,746	**-**	-	**2,370**	6,464
Net Assets	14	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-

For and on behalf of the Board of Trustees who authorised the issue of these financial statements on 11 May 2017

S J Wakefield

C G Moffitt

1. GENERAL INFORMATION

These financial statements have been prepared for each of the funds managed by Church Property Trustees (CPT), comprising the Balanced Growth Fund, Mohaka Forest Fund, Fixed Income Fund, Reserve Fund, Insurance Proceeds Fund and Cathedral Insurance Proceeds Fund.

The financial statements are presented in New Zealand dollars.

Investment Policies
The philosophy and investment objectives for CPT, it's Committee for Audit, Risk & Finance (CARF), trusts, beneficiaries, investors and investment managers is outlined in the Statement of Investment Policy and Objectives (SIPO). It creates parameters for investment of funds under CPT administration on behalf of its trusts and other investors and serves as a basis for monitoring the on-going performance of the CPT funds and of the portfolios that make up those funds. CPT sets and approves the SIPO and delegates oversight of it to the CPT CARF.

An independent annual review of the investment strategy, including the distribution rate is conducted by Eriksen & Associates, independent investment advisors.

Balanced Growth Fund (BGF): Distributions to investors from the BGF are determined by CPT based on the long-term sustainable distribution rates recommended in the SIPO. Distributions are recognised in the financial statements when they are paid in cash. There are no capital reserves within the BGF as capital gains and losses are apportioned between investors according to units held at year end.

***Fixed Income Fund (FIF)*:** Interest is credited to investors in the FIF quarterly. Interest rate reviews are conducted regularly by CPT. The rate is set at a level to allow investors to receive a consistent income, with any net surplus or deficit being transferred to or from the Reserve Fund to allow income smoothing. The management of this fund is in line with the principles set out in section 31 of the Anglican (Diocese of Christchurch) Church Property Trust Act 2003 ("The Act").
The following table shows interest rates paid to investors during the financial year and benchmarked against the ANZ Bank 30 Day Term Deposit rate for deposits $5,000 and over. The investments administered by CPT on behalf of investors are predominately liquid and may be redeemed on 5 working days written notice.

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
FIF	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
ANZ	2.0%	1.5%	1.0%	1.0%	1.0%	1.0%	1.0%	0.75%	0.75%	0.75%	0.65%	0.65%

Reserve Fund: CPT maintains a reserve fund as outlined in section 36 of the Anglican (Diocese of Christchurch) Church Property Trust Act 2003. The annual income derived from investments in the reserve fund may be applied by CPT, with agreement of Standing Committee, in one or more of the following ways:

(1) To augment the Reserve Fund
(2) To stabilise or increase the income of the Fixed Income Fund
(3) To replace losses of capital in the Fixed Income Fund

Mohaka Forest Fund: CPT has established a forestry fund in line with section 31 of the Anglican (Diocese of Christchurch) Church Property Trust Act 2003 ("The Act").

Insurance Proceeds Fund and the Cathedral Insurance Proceeds Fund: CPT has established these investment funds in line with section 31 of the Anglican (Diocese of Christchurch) Church Property Trust Act 2003 ("The Act"). The Ansvar (or 'ACS') global insurance settlement (GIS) funds are invested in these funds. The GIS funds are held on the same trusts as those buildings deemed to be a total loss. The GIS funds received for the repair of buildings, not destroyed in the earthquakes, are held collectively to meet the insurance policy entitlements.

2. STATEMENT OF ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements have been prepared as Special Purpose Reports, in accordance with old generally accepted accounting practice in New Zealand, with the exception of the following Financial Reporting Standards:

- FRS33 Disclosure of Information by Financial Institutions, where the trustees have decided not to apply the disclosure requirements of this standard.

These financial statements show only the income, expenditure, assets and liabilities of the funds held and administered by CPT. They do not include any of the income, expenditure, assets or liabilities belonging to CPT itself.

2.2 Changes to accounting policy

There have been no changes in accounting policies. Policies have been applied on a basis consistent with those of the previous period.

2.3 Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

a) Revenue recognition

Revenue is recognised to the extent it is probable that economic benefit will flow to the funds and that the revenue can be reliably measured. For financial assets at fair value, interest income is included through the statement of financial performance.
Unrealised or realised gains/ (losses) from re-measurement of financial assets at fair value are included in revenue. Dividend/distribution income is recognised in the Statement of Financial Performance when the right to receive the dividend/distribution is established.

All other revenue is recognised on an accruals basis.

b) Expenses

All expenses are recognised in the Statement of Financial Performance on an accrual basis.

c) Income tax

Income tax payable (if any at all) is payable by the investing activities.

d) Goods and Services Tax
Where applicable all amounts are stated exclusive of goods and services tax (GST).

e) Financial Assets
Classification:
The financial instruments comprise investments and are categorised as managed funds, forestry, bonds, and private equity. They are stated at fair value with value changes recorded through the Statement of Financial Performance.

Recognition/derecognition:
CPT recognises financial assets on the date it becomes party to the contractual agreement and recognises changes in fair value from this date. Investments are derecognised when the right to receive cash flows from the investments have expired.

Measurement:
(i) Financial assets (managed funds, bonds and private equity)
Financial assets, except for Maui Capital Aqua Fund, are recorded at fair value through the Statement of Financial Performance. Transaction costs are expensed as incurred in the Statement of Financial Performance. Any changes in the fair values of financial assets are disclosed in the Statement of Financial Performance.

Maui Capital Aqua Fund is recorded at cost.

Where available, quoted market prices are used as a measure of fair value.

(ii) Forestry
The value of the Forestry investment is based on the determination of the net present value (NPV) of future cash flows at a discount rate of 7.0% (2015: 7.5%), associated with the development and harvesting of the forest, as determined by the Forestry Manager. The valuation by the Forestry Manager was received on 21 January 2017.
Forest land is valued at the August 2012 Rating Valuation.

The NPV of cash flows relating to the potential revenue from the sale of carbon credits under the Government's Emissions Trading Scheme has not been included in the valuation.

f) Receivables
Receivables may include amounts accrued for dividends, interest income and distributions. Dividends and distributions are accrued when the right to receive payment is established. Interest income is accrued at the reporting date from the time of the last payment.

g) Payables
Payables include liabilities and accrued expenses owing by the fund which are unpaid at balance date.

h) Cash and cash equivalent
Cash and cash equivalents include operational bank accounts and term deposits.

i) Financial liabilities
Financial liabilities include deposits from Parishes, other Anglican organisations and Estates.

j) Foreign currency translation
Items included in the funds' financial statements are measured in New Zealand dollars.

k) Derivative financial instruments
Foreign currency economic hedges are not recognised in the Statement of Financial Position. Any gains or losses are recognised in the Statement of Financial Performance on realisation of these hedges.

3. MANAGEMENT FEES

	Balanced Growth Fund		Mohaka Forest Fund		Fixed Income Fund		Reserve Fund		Insurance Proceeds Fund		Cathedral Insurance Proceeds Fund	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	%	%	$	$	%	%	%	%	%	%	%	%
Management Fees CPT	0.55%	0.55%	$12,500 per annum	$12,500 per annum	0.55%	0.55%	0.55%	0%	0.55%	0.55%	0.55%	0.55%
Management Fees External	Refer to ** below											

A management fee is deducted from funds. The internal CPT fee is used by CPT to pay for expenses (including audit fees). External management fees are paid on managed funds.
**Eriksen's & Associates charge a monthly retainer of $7,800 (2015: $7,500). This cost is currently allocated between the various funds based on the value of net assets.

4. NET RETURN ADJUSTMENT (2014)
In 2014 fund transfers were actioned in order to make the Cathedral Trust whole. At the time of calculating the interest allocation to the Cathedral Insurance Proceeds Fund, the interest rate used was the distribution rate of the Fixed Income Fund as the actual return on the Insurance Proceeds Fund was not known. The understanding was that once the net return rate was known then the interest calculation would need to be reworked and would result in an adjustment.
The actual net return rates were lower than the floating rates used in the initial calculation resulting in a correction by transfer of funds from the Cathedral Insurance Proceeds Fund back to the Insurance Proceeds Fund in 2015.

5. CASH AND CASH EQUIVALENTS

	Balanced Growth Fund		Mohaka Forest Fund		Fixed Income Fund		Reserve Fund		Insurance Proceeds Fund		Cathedral Insurance Proceeds Fund		Funds Under CPT Management	
	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000
Cash	258	1,068	3	-	230	718	1,010	485	420	1,129	114	589	2,034	3,987
Term Deposits	-	-	-	-	-	1,043	-	-	-	-	-	-	-	1,043
	258	1,068	3	-	230	1,760	1,010	485	420	1,129	114	589	2,034	5,030

6. MANAGED FUNDS

	Balanced Growth Fund		Mohaka Forest Fund **		Fixed Income Fund		Reserve Fund		Insurance Proceeds Fund		Cathedral Insurance Proceeds Fund		Total Funds Under Management	
	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000
AMPCI Global Multi -Asset Fund	12,100	11,947	-	-	6,273	5,890	-	-	9,138	8,581	8,698	8,168	36,209	34,586
AMPCI Fixed Interest Fund	-	-	-	-	5,655	3,939	-	-	-	-	-	-	5,655	3,939
AMPCI NZ Short Duration	-	-	-	-	6,232	6,012	-	-	8,234	10,936	8,961	8,645	23,427	25,593
Aspiring Asset Management Ltd	4,317	4,044	-	-	-	-	-	-	-	-	-	-	4,317	4,044
Harbour Income Fund	-	-	-	-	7,840	8,321	-	-	6,218	9,275	12,933	12,418	26,991	30,014
Harbour NZ Short Duration Fund	-	-	-	-	-	-	-	-	5,484	9,759	2,954	4,843	8,439	14,602
Mint Asset Management	2,813	1,288	-	-	-	-	541	271	-	-	-	-	3,353	1,560
Mint Diversified Fund	-	-	-	-	8,658	5,227	-	-	4,022	-	2,110	-	14,790	5,227
Milford Asset Management	428	640	-	-	-	-	-	-	-	-	-	-	428	640
Schroders RRF CPI +3.5%	-	-	-	-	-	-	-	-	5,584	5,565	6,211	6,189	11,795	11,755
	19,658	17,920	-	-	34,657	29,389	541	271	38,681	44,117	41,867	40,263	135,405	131,960

****Mohaka Forest Fund:**
Emissions Trading Scheme
CPT participates in the Emissions Trading Scheme in accordance with Schedule 6 of the Climate Change Response (Emissions Trading) Amendment Act 2008. The carbon credits held have not been recognised in the Statement of Financial Position as their cost is nil.

7. BONDS

	Balanced Growth Fund		Mohaka Forest Fund		Fixed Income Fund		Reserve Fund		Insurance Proceeds Fund		Cathedral Insurance Proceeds Fund		Total Funds Under Management	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000
NZ Government Stock	-	-	-	-	-	-	-	524	-	-	-	-	-	524
Rabobank Bond	-	-	-	-	-	-	310	310	-	-	-	-	310	310
	-	-	-	-	-	-	310	834	-	-	-	-	310	834

8. COMMITMENTS

Mohaka Forest Project (Majority Shareholder is the General Trust Estate)
The forest consists of 142 hectares of radiata pine and was established in 1995, with a sales process for cutting rights being undertaken in 2017. The projected costs to completion, including future silviculture operations related to the area destroyed by fire and subsequently replanted, have been estimated at $0 (2015 $49,103).

Private Equity:

	Total Commitment	First Call Date	Called/Invested	Uncalled Capital	Distributions	Asset Value at 31 December 2016	Asset Value at 31 December 2015
	$000	Date	$000	$000	$000	$000	$000
Knox Investment Fund IV	250	July-12	138	113	-	124	118
Maui Capital Indigo Fund	300	May-08	255	45	58	267	228
Maui Capital Aqua Fund	200	May-12	130	70	-	130	94
Continuity Capital Private Equity Fund No.2 LP	500	Feb-16	175	325	44	119	-
Pencarrow Bridge Fund LP	500	Nov-16	130	370	-	130	-
Pohutukawa II	300	Feb-10	186	54	237	69	90
	2,050		1,014	977	339	839	530

9. RECEIVABLES

Included in Accounts Receivable is the unrealised gain on foreign currency economic hedges in respect of Australian Dollar denominated investments. Contracted amounts entered by the following funds are as follows:

- Insurance Proceeds Fund to sell AUD 5,291,699 (2015: AUD 5,048,577) and
- Cathedral Insurance Proceeds Fund to sell AUD 5,885,032 (2015: AUD 5,614,652).

10. CONTINGENCIES

There are no contingent assets or liabilities at 31 December 2016.

11. CREDIT RISK

The funds are exposed to credit risk in that the failure of external counterparties to honour the terms and conditions of a contract may result in a financial loss to the funds. The funds are exposed to credit risk primarily through its investment activities. The maximum credit risk of financial instruments is considered to be their carrying value.

For the managed funds, Eriksen & Associates regularly review the credit risk and advise CPT of any suggested changes to minimise this risk.

Where CPT invests directly in cash, private equity, bonds and forestry, appropriate processes and risk controls are in place to diversify and mitigate credit risk.

None of the financial assets are past due or impaired.

12. RELATED PARTIES

Diocese of Christchurch
The Diocese of Christchurch invests in the Fixed Interest Fund and the Balanced Growth Fund on the same terms and conditions as other investors.

Explanation: Arms Length
Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

13. LOANS & MORTGAGES

Land & Building held in Trust (for Transitional Cathedral)
The balance of the loan from the Insurance Proceeds Fund to the Land and Buildings Trust (for the Transitional Cathedral) is $3,095,481. The loan is comprised of two tranches each at arms length interest rates (3.8% per annum which is representative of the return received by the insurance proceeds funds and 6.5% per annum which

is representative of the return received on investments held by the General Trust Estate). The loan is unsecured and interest due has been capitalised to the loan balance during the year

The mortgages still outstanding in the Fixed Income Fund relate to Christchurch-St Michaels, Lyttelton St Saviours (for the purchase of the Licence to Occupy) and Opawa St Martins. These mortgages are secured by the relevant land and buildings held in trust.

14. RESERVE FUNDS NET ASSETS

CPT maintains the Reserve Fund as outlined in section 36 of the Anglican (Diocese of Christchurch) Church Property Trust Act 2003. The accumulated income of the Reserve Fund will ultimately be applied by CPT to stabilise or increase the income of the FIF or to replace losses of capital in the FIF.

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Chartered Accountants

Independent Auditor's Report

To the Trustees of the Funds Held and Administered by Church Property Trustees

We have audited the accompanying financial statements of the following funds held and administered by Church Property Trustees (the "Funds"):

- Balanced Growth Fund
- Mohaka Forest Fund
- Fixed Income Fund
- Reserve Fund
- Insurance Proceeds Fund
- Cathedral Insurance Proceeds Fund

These financial statements comprise the statements of financial position of the Funds as at 31 December 2016, and their statements of financial performance for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Funds for the year ended 31 December 2016 are prepared, in all material respects, in accordance with the accounting policies stated at Note 2.

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 Funds 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 no relationship with, or interest in, the Funds. Partners and employees of our firm may deal with the Funds on normal terms within the ordinary course of trading activities of the business of the Funds.

Emphasis of matter – Basis of accounting and restriction on use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to enable the Funds to comply with the provisions of the Anglican (Diocese of Christchurch) Church Property Trust Act 2003. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Trustees of the Funds, Synod and each parish, ministry unit, and trust on whose behalf Church Property Trustees holds and administers investments and should not be used by any other party. Our opinion is not modified in respect of this matter.

Those Charged with Governance Responsibilities for the Financial Statements

Those charged with governance are responsible, on behalf of the Funds, for the preparation of the financial statements in accordance with the provisions of the Anglican (Diocese of Christchurch) Church Property Trust Act 2003 and for such internal control as management determines 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 Funds their 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 Funds or cease operations, or have no realistic alternative but to do so.

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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/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx. This description forms part of our auditor's report.

Ernst & Young

Christchurch
11 May 2017

NGĀ KAITIAKI TAONGA O TE HĀHI
The Church Property Trustees
THE ANGLICAN DIOCESE OF CHRISTCHURCH

Anglican Centre, 10 Logistics Drive, Harewood, Christchurch 8050
P O Box 4438, Christchurch 8140, New Zealand
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11th May 2017

Ernst & Young
Box 2091
Christchurch

Attention: Bruce Loader

This letter of representation is provided in connection with your audit of the special purpose financial statements of **Funds Held and Administered by Church Property Trustees ("the entity")** for the year ended 31st December 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the special purpose financial statements present fairly, in all material respects, the financial position of Funds held and administered by Church Property Trustees as at 31st December 2016 and of its financial performance for the year then ended in accordance with the accounting policies disclosed in note 2 of the special purpose financial statements.

We understand that the purpose of your audit of our special purpose financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (New Zealand), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Special Purpose Financial Statements and Financial Records

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated 20th March 2017, for the preparation of the special purpose financial statements in accordance with the accounting policies outlined in note 2 of the special purpose financial statements.
2. The Funds has no requirement to prepare GAAP compliant financial statements under the Financial Reporting Act.
3. We acknowledge, as those charged with governance of the entity, our responsibility for the preparation of the special purpose financial statements. We believe the special purpose financial statements present fairly, in all material respects, the financial position of Funds held and administered by Church Property Trustees as at 31 December 2016 and of its financial performance for the year then ended in accordance with the accounting policies disclosed in note 2 of the special

purpose financial statements, and are free of material misstatements, including omissions. We have approved the special purpose financial statements.

4. The significant accounting policies adopted in the preparation of the special purpose financial statements are appropriately described in the special purpose financial statements.
5. As those charged with governance of the entity, we believe that the entity has a system of internal controls adequate to enable the preparation of accurate special purpose financial statements in accordance with the accounting policies outlined in note 2 of the financial statements that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the special purpose financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the entity's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the special purpose financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the special purpose financial statements or otherwise affect the financial reporting of the entity.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the special purpose financial statements.

D. Income tax

1. The Funds are exempt from liability for income tax.

E. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters,
   - Additional information that you have requested from us for the purpose of the audit, and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of Trustees, (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period under the audit to the most recent meeting.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the entity's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the special purpose financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the entity has complied with, all aspects of contractual agreements that could have a material effect on the special purpose financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

F. **Ownership of Assets**

1. The Funds have satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the entities assets, nor has any asset been pledged as collateral, other than those that are disclosed in the special purpose financial statements. All assets to which the entities have satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the special purpose financial statements.
3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in to the special purpose financial statements, we have no other line of credit arrangements.
4. We have assessed the carrying values of non-current and current assets, including: managed funds, bonds, private equity, loans and mortgages, and forestry to ensure that none are stated in excess of their recoverable amount.

G. **Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the special purpose financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no financial guarantees that we have given to third parties.

H. **Trust**

1. To the best of the Trustees' knowledge the funds have been held and administered in accordance with the Fund obligations.

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I. **Purchase and Sales Commitments and Sales Terms**

1. Losses arising from purchase and sales commitments have been properly recorded and adequately disclosed in the special purpose financial statements.
2. At the year end, the Funds had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Funds (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfilment of, or inability to fulfil, sales commitments, etc.).

J. **Use of Work of an Expert**

1. We agree with the findings of the expert engaged to value the Mohaka Forest and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the special purpose financial statements and the underlying accounting records. We did not give any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

K. **Independence**

1. We are not aware of any act or omission on the part of the entity that does or may impact on your ability to comply with your independence obligations as auditor of the entity. We have brought to your attention any items which we consider may affect your ability to remain independent of the entity and we will continue to work with you to maintain the independence of the audit relationship.

L. **Subsequent Events**

1. There have been no events subsequent to period end which require adjustment of or disclosure in the special purpose financial statements or notes thereto.

Yours faithfully,

S J Wakefield — Date: 11/5/2017

Trustee

C G Murfitt — Date: 11th May 2017

Trustee