

CHURCH PROPERTY TRUSTEES
ANNUAL PERFORMANCE REPORT
For the year ended 31 December 2017

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Church Property Trustees
ENTITY INFORMATION
For the year ended 31 December 2017

Legal Name of Entity: Church Property Trustees

Type of Entity and Legal Basis: Church Property Trustees is established under the Anglican (Diocese of Christchurch) Church Property Trust Act 2003. CPT is a registered charity.

Charities Registration Number: CC36062

CPT Purpose or Mission:

- To hold & administer trust property in accordance with the Act.
- To administer the Bishopric Estate, Dean & Chapter Estate and General Trust Estate.
- To administer local endowments & glebe land for the benefit of the particular parishes concerned.
- To maintain and administer a Reserve Fund.

CPT Structure:

Governance Structure:

The membership of Church Property Trustees comprises -

(a) the Bishop (Chair) & (b) 8 trustees, being members of the Church elected by the Synod.

CPT must comply with all canon & ecclesiastical laws & regulations.

Operational Structure:

Day to day operations of CPT are carried out by management comprising the General Manager and reporting to the General Manager are the Property Manager; Finance Manager - Facilities and Recovery Programme Manager.

Management operate under documented Delegations of Authority.

Main Sources of CPT Cash and Resources:

CPT relies on the following income sources to cover operating costs:

- Management fees on invested funds.
- Property Management grant from the General Trust Estate.
- Insurance management fee.
- Project Management fees on Earthquake Recovery Projects.

Main Methods Used by CPT to Raise Funds:

Not applicable.

CPT's Reliance on Volunteers and Donated Goods or Services:

CPT does not rely on volunteers and donated goods.

Contact Details

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Postal Address:	PO Box 4438 Christchurch 8140
Phone:	(03) 348 6960
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CHURCH PROPERTY TRUSTEES
STATEMENT OF SERVICE PERFORMANCE
For the year ended 31 December 2017

The function of Church Property Trustees (CPT) is to hold and administer trust property in accordance with the Anglican (Diocese of Christchurch) Church Property Trust Act 2003. CPT is therefore tasked with the prudent stewardship of the financial and property assets of the Diocese.

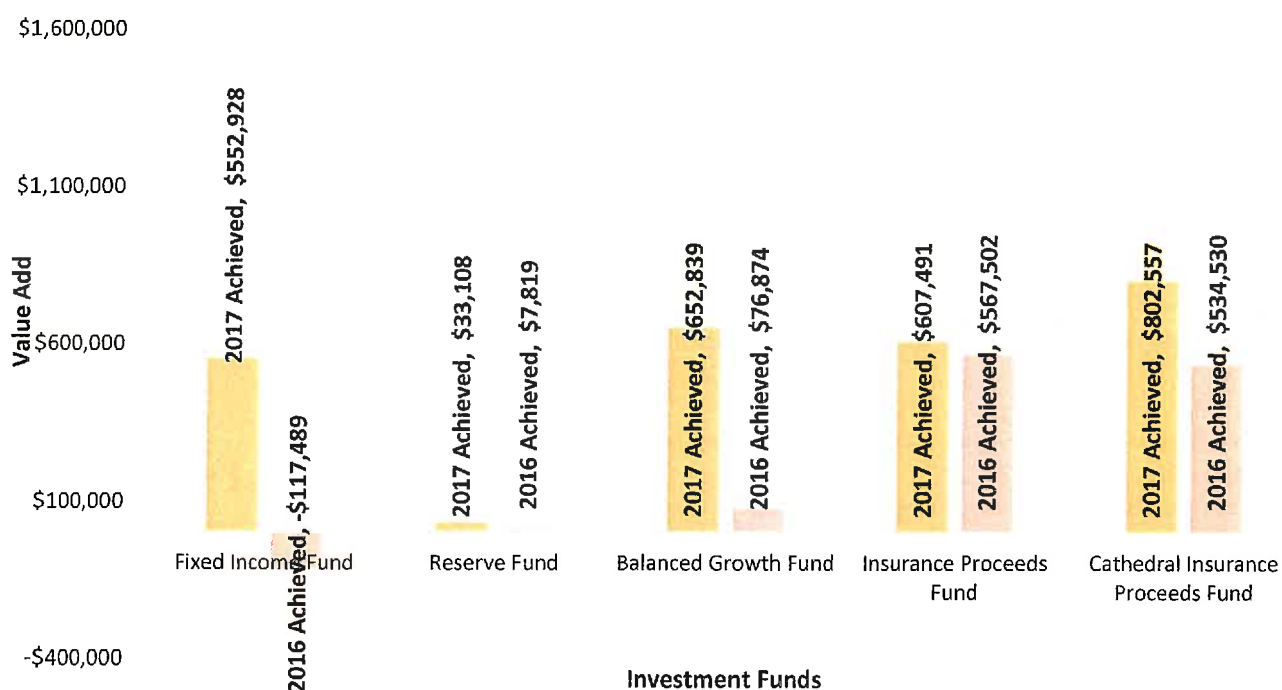
Financial Assets

CPT administers approximately \$142m of funds held in trust. CPT has developed a Statement of Investment Policy and Objectives [SIPO] that, among other things, serves as the basis for monitoring the on-going performance of funds invested.

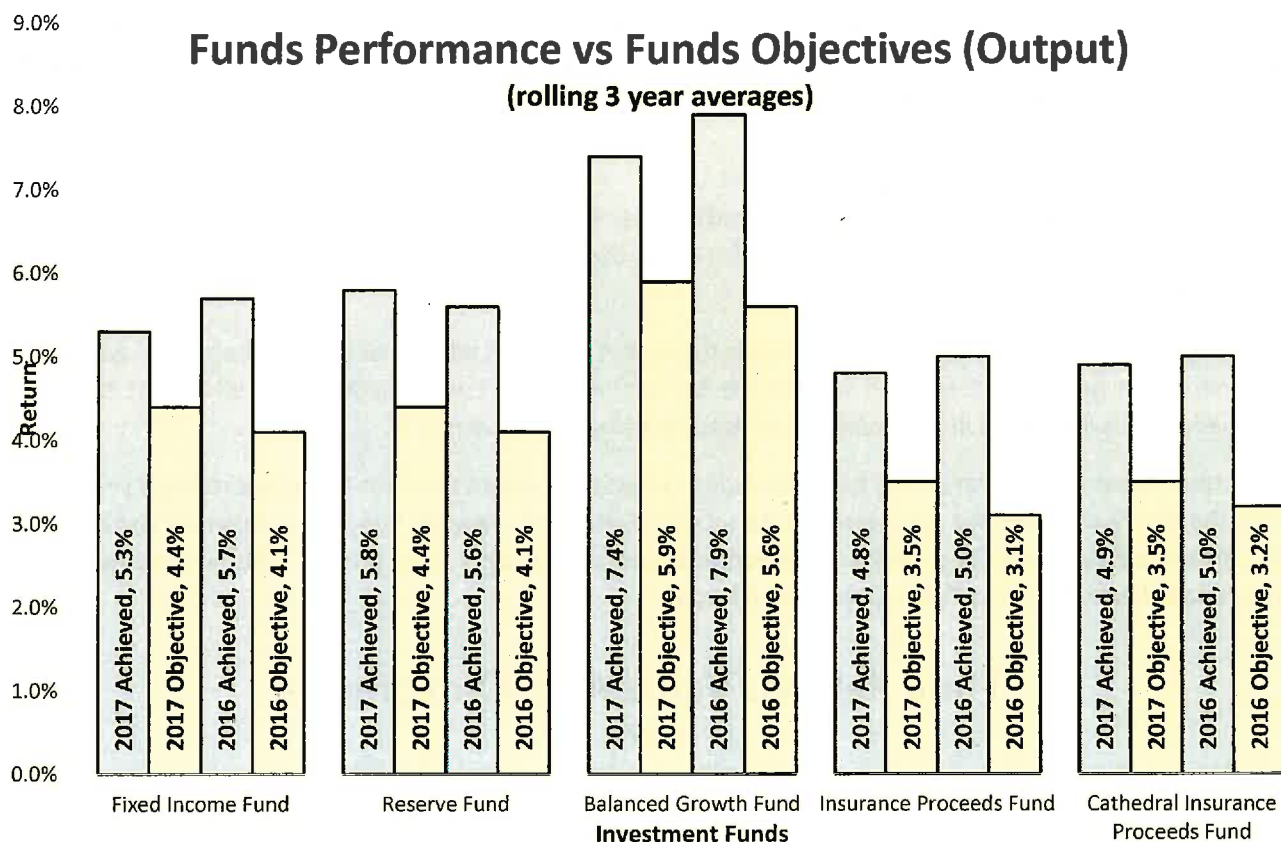
The 'outcome' (what CPT is seeking to achieve) is the extent to which additional income (benefit) is generated, over and above fund objectives, and is available for furthering the trust objectives for which the funds are employed. This is illustrated in the graph "Fund Returns Value Add (Outcome)".

The 'output' (what CPT has delivered) for funds held in trust is the extent to which the actual rolling 3 year return meets the policy objective for each fund (Fixed Income Fund (FIF), Reserve Fund (RF), Balanced Growth Fund (BGF), Insurance Proceeds Fund (IPF) and Cathedral Insurance Proceeds Fund (CIPF)). This is illustrated in the graph "Funds Performance vs Funds Objectives (Output)".

Fund Returns Value Add (Outcome)
(2017)



CHURCH PROPERTY TRUSTEES
STATEMENT OF SERVICE PERFORMANCE
For the year ended 31 December 2017



Property Assets

CPT holds and administers approximately \$190m of land and buildings ('real property'). The 'outcome' for the property division is to ensure that an insurance programme is in place for the year with all real property appropriately insured at competitive and affordable insurance premium rates. The 'output' for the property division is the extent to which the premium rate has remained constant or decreased and the increase in Diocesan owned properties insured. This is illustrated in the table below:

	2017	2016	2015
Insurer Premium Non Natural Disaster material damage rate (renewal period commences from 1 April each year)	0.045%	0.045%	0.06%
Non Domestic Buildings Insured	225	221	216
Domestic Buildings Insured	54	54	52
Number of Buildings not Insured	2	2	9

CHURCH PROPERTY TRUSTEES
STATEMENT OF SERVICE PERFORMANCE
 For the year ended 31 December 2017

Earthquake Recovery Programme:

CPT successfully negotiated an insurance settlement with Ansvar in December 2013 for the 2010 and 2011 earthquakes. A project management team was established in 2014 to manage the repairs and rebuilds of Diocesan damaged churches, halls and vicarages.

The 'outcome' for the Recovery Programme is to complete the earthquake repairs and rebuilds within the insurance proceeds received and within a realistic timeframe.

The 'output' for the Recovery Programme is continual progress in closing out on individual building repairs and rebuilds. Progress is illustrated in the table below:

	2017		2016	
	Number of Projects		Number of Projects	
Number of projects in the programme	236	100%	234	100%
Number of projects completed	163	69%	140	60%
Projects in planning, tender and construction phase	65	27%	58	25%
Number of projects not started yet	8	4%	36	15%

CHURCH PROPERTY TRUSTEES
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 31 December 2017

	NOTE	2017 \$	2016 \$
EXCHANGE REVENUE			
Revenue from providing goods or services		2,155,503	2,211,364
Interest, dividends and other investment revenue		57,391	22,980
TOTAL EXCHANGE REVENUE		2,212,894	2,234,344
EXPENSES			
Employee related costs		1,322,617	1,342,388
Costs related to providing goods or services		610,124	570,260
TOTAL EXPENDITURE		1,932,741	1,912,648
Surplus (Deficit) for the Year	3,4	280,152	321,696

CHURCH PROPERTY TRUSTEES
STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Bank accounts and cash		764,003	507,007
Other Current Assets			
Debtors & Prepayments		399,594	575,147
Goods & Services Tax	11	16,279,692	27,192
		<u>16,679,286</u>	<u>602,339</u>
Total Current Assets		17,443,289	1,109,346
NON CURRENT ASSETS			
Investments			
Other Investments - Mint	5	706,272	458,126
		<u>706,272</u>	<u>458,126</u>
Total Non Current Assets		706,272	458,126
TOTAL ASSETS		18,149,560	1,567,472
LIABILITIES			
CURRENT LIABILITIES			
Creditors	11	16,331,149	53,981
Employee Costs Payable		138,946	114,177
		<u>16,470,095</u>	<u>168,158</u>
Total Current Liabilities		16,470,095	168,158
TOTAL LIABILITIES		16,470,095	168,158
NET ASSETS		1,679,466	1,399,314

For and on behalf of the Board of Trustees who authorised the issue of the Financial statements
on 18th May 2018

C G Murfitt

S J Wakefield

CHURCH PROPERTY TRUSTEES
STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	2017 \$	2016 \$
ACCUMULATED FUNDS			
ACCUMULATED SURPLUSES			
Opening Balance		816,136	736,495
Surplus/(Deficit) for the year		280,152	321,696
Transfers to Special Purpose Funds	6	(311,693)	(332,283)
Transfers from Special Purpose Funds	6	145,000	90,228
Closing Balance		929,595	816,136
Special Purpose Funds			
Earthquake Revenue Protection Fund			
Opening Balance		583,178	341,123
Transfer from Accumulated Funds	6	311,693	332,283
Transfer to Accumulated Funds	6	(145,000)	(90,228)
Closing Balance		749,871	583,178
TOTAL ACCUMULATED FUNDS		1,679,466	1,399,314

CHURCH PROPERTY TRUSTEES
STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was received from:		
Revenue from providing goods & services	2,331,057	1,982,876
Interest, dividends and other investment revenue	9,245	10,977
	<u>2,340,302</u>	<u>1,993,854</u>
Net GST	11,237	(16,891)
Cash was applied to:		
Employee related costs	1,297,848	1,277,241
Costs related to providing goods or services	596,693	534,121
	<u>1,894,542</u>	<u>1,811,362</u>
Net Cash Flows from Operating Activities	<u>456,997</u>	<u>165,601</u>
CASH FLOWS FROM INVESTING & FINANCING ACTIVITIES		
Cash was received from:		
Receipts from the sale of property, plant and equipment	-	-
Receipts from reduction of investments	-	-
Receipts from advance of loans	-	-
	<u>-</u>	<u>-</u>
Cash was applied to:		
Payments to acquire property, plant and equipment	-	-
Payments to increase investments	200,000	446,123
Payments to repay loans	-	-
	<u>200,000</u>	<u>446,123</u>
Net Cash Flows from Investing and Financing Activities	<u>(200,000)</u>	<u>(446,123)</u>
Net Increase / (Decrease) in Cash	256,997	(280,522)
Opening Cash	507,007	787,528
Closing Cash	<u>764,004</u>	<u>507,007</u>
THIS IS REPRESENTED BY:		
Bank Accounts and Cash	<u>764,004</u>	<u>507,007</u>

CHURCH PROPERTY TRUSTEES
NOTES TO THE PERFORMANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

Reporting Entity

Church Property Trustees is constituted as a Body Corporate under "The Anglican (Diocese of Christchurch) Church Property Trustee Act 2003". This legislation defines the powers and responsibilities of the Church Property Trustees. Church Property Trustees is registered as a charitable entity under the Charities Act 2005, registration number CC36062.

2. STATEMENT OF ACCOUNTING POLICIES

2.1. Basis of Preparation

The financial statements have been prepared in accordance with the Church Property Trustees Act 2003. Church Property Trustees has elected to apply PBE SFR-A (NFP) Public Benefit Entity Simple Format Reporting - Accrual (Not-For-Profit) (PBE Tier 3) on the basis that it does not have public accountability and has total annual expenses of equal to or less than \$2,000,000. CPT has elected to apply PBE IPSAS 28, PBE IPSAS 29 and PBE IPSAS 30 for recognition and measurement of its investments. All transactions in the Performance Report are reported using the accrual basis of accounting. The Performance Report is prepared under the assumption that the entity will continue to operate in the foreseeable future.

2.2. Changes in Accounting Policies

There have been no changes in the accounting policies. All policies have been applied on a basis consistent with those used in previous years.

2.3. Specific Account Policies

(a) Revenue

Revenue is recorded when goods and services have been provided.

(b) Bank Accounts and Cash

Bank accounts and cash comprise cash on hand and deposits held on call and term deposit with banks.

(c) Debtors and Prepayments

Accounts receivable are stated at the amount owed less impairment. Prepayments are recorded at the amount relating to the future goods or services to be received.

(d) Goods and Services Tax

Church Property Trustees is registered for GST. The accounts are prepared on a GST exclusive basis except for accounts receivable and accounts payable.

(e) Financial Investments

Initial recognition and measurement:

CPT's investments are classified as financial assets at fair value through surplus or deficit. Investments are recognised initially at fair value.

Subsequent measurement:

Subsequently investments are carried in the statement of financial position at fair value with net changes in fair value presented as other investment expenses (negative net changes in fair value) or other investment revenue (positive net changes in fair value) in the statement of financial performance.

(f) Creditors and Accrued expenses

Creditors and accrued expenses are recorded on the receipt of goods and services and are measured at the amount owed.

CHURCH PROPERTY TRUSTEES
NOTES TO THE PERFORMANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

(g) Employee costs payable

Employee costs payable are recorded when an employee has earned the entitlement and are measured at the amount to be paid.

(h) Taxation

Church Property Trustees is registered as a charitable entity under the Charities Act 2015 which exempts the entity from liability for income tax.

CHURCH PROPERTY TRUSTEES
NOTES TO THE PERFORMANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

3. NET OPERATING SURPLUS

	2017	2016
	\$	\$
EXCHANGE REVENUE		
Estates, Trusts, Funds and Facilities Management		
Estate Management fees	54,679	50,169
Investment fund Administration fees	703,208	789,062
Interest, dividends and other investment revenue	55,582	22,132
Cost recovery	194,527	165,883
Other Income	63,190	56,285
Total Exchange Revenue Estates, Trusts, Funds and Facilities Management	1,071,185	1,083,531
Earthquake Recovery Programme		
Cost recovery	1,139,900	1,149,965
Interest, dividends and other investment revenue	1,808	849
Total Exchange Earthquake Recovery Programme	1,141,708	1,150,813
TOTAL EXCHANGE REVENUE	2,212,894	2,234,344
EXPENSES		
Estates, Trusts, Funds and Facilities Management		
Accommodation	76,931	52,736
Administration Expenditure	65,389	71,523
IT & Software	29,924	24,221
Communication	23,150	26,925
Legal & Professional Fees	33,424	53,660
Compliance & Projects Expenditure	-	105,280
Grants	145,000	
Staff Expenses	419,448	420,635
Total Expenditure Estates, Trusts, Funds and Facilities Management	793,266	754,980
Earthquake Recovery Programme		
Accommodation	105,573	72,636
Administration Expenditure	66,683	91,374
IT & Software	34,884	35,543
Communication	17,530	27,664
Legal & Professional Fees	11,685	8,185
Compliance & Projects Expenditure	(50)	512
Staff Expenses	903,169	921,753
Total Expenditure Earthquake Recovery Programme	1,139,475	1,157,668
TOTAL EXPENDITURE	1,932,741	1,912,648
Surplus (Deficit) for the Year	280,152	321,696

CHURCH PROPERTY TRUSTEES
NOTES TO THE PERFORMANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

4. CHURCH PROPERTY TRUSTEES SURPLUS

The surplus of \$280,152 for 2017 (2016: \$321,696) was possible due to the size of the various investment portfolios managed by Church Property Trustees. As the Recovery project progresses, funds under management will run down as will the management fees levied on these funds.

5. INVESTMENT

The Revenue Protection Fund is supported with a \$706,272 investment with Mint Asset Management (2016: \$458,126).

6. SPECIAL PURPOSE FUND

A Revenue Protection Fund was set up in 2015 to assist the Recovery programme in the future. Funding for the Revenue Protection Fund comes from a portion (70%) of the CPT Management fee on the Insurance Proceeds fund and the Cathedral Insurance Proceeds fund plus any net return from the Revenue Protection Fund investment. In 2016 \$332,283 of the Church Property Trustees surplus was transferred to the Revenue Protection Fund. The fund contributed \$90k towards the Christchurch City Council District Plan Review costs in 2016. In 2017 \$311,693 of the Church Property Trustees surplus was transferred to the Revenue Protection Fund. The fund contributed \$145,000 to the Bishopric Estate in 2017.

7. CONTINGENT LIABILITIES

CPT did not have any contingent liabilities at balance date (2016: Nil).

8. CREDIT RISK

Financial instruments which potentially subject the Church Property Trustees to credit risk principally consist of bank balances, debtors and creditors. The normal investor risks are associated with the different asset classes.

9. COMMITMENTS

Church Property Trustees has the following operating lease obligations (2016: \$6,942).

	Within 12 Months	> 12 Months	Total
	\$	\$	\$
Motor Vehicle	\$7,089	\$12,406	\$19,496
Total	\$7,089	\$12,406	\$19,496

10. RELATED PARTIES

The Anglican Centre

Church Property Trustees shares premises, office equipment and staffing resources with the Diocese of Christchurch and Anglican Care. A service level agreement (SLA) was entered into in 2005 with the Anglican Centre. The purpose of the SLA is to reduce and apportion shared costs. The SLA cost allocations are agreed annually. SLA expenses in 2017 were \$409,231 (2016: \$411,338).

Wynn Williams

Jeremy Johnson, (the Diocesan Chancellor) is a Partner at Wynn Williams. Wynn Williams provided legal services to Church Property Trustees to the value of \$30,098 (2016: \$53,260). The transactions were at an arms length basis.

Deloitte

Steven Wakefield, (a member of the Board of Trustees) was a Partner at Deloitte. Deloitte provided services to Church Property Trustees to the value of \$12,114 (2016: \$17,909). The transactions were at an arms length basis. Steven retired from Deloitte in 2017.

11. EVENTS AFTER BALANCE DATE

At the initiation of CPT a GST review has been conducted by Inland Revenue and has been completed subsequent to year end. A GST refund of \$16,263,736.71 (including use of money interest totalling \$1,313,148.65) was received by CPT in May 2018. CPT are working with its tax advisors to undertake a reconciliation of the funds received. This subsequent event has been adjusted for in the Statement of Financial Position of CPT by recording a GST receivable. Legal advice is currently being obtained by CPT to determine how the refund should be applied. An accrual for the full amount has been recorded in the Statement of Financial Position of CPT.

Independent Auditor's Report to the Trustees of Church Property Trustees

Report on the Annual Performance Report

We have audited the annual performance report of Church Property Trustees (the "body corporate") on pages 1 to 12, which comprises the entity information, the statement of service performance, the statement of financial performance and statement of cash flows for the year ended 31 December 2017, the statement of financial position of the body corporate as at 31 December 2017, and the statement of accounting policies and other explanatory information.

In our opinion:

- ▶ the reported outcomes and outputs, and quantification of the outputs to the extent practicable, in the statement of service performance are suitable;
- ▶ the accompanying annual performance report on pages 1 to 12 presents fairly, in all material respects
 - ▶ the entity information for the year ended 31 December 2017;
 - ▶ the service performance for the year then ended; and
 - ▶ the financial position of the body corporate as at 31 December 2017, and its financial performance, and cash flows for the year then ended

in accordance with Public Benefit Entity Simple Format Reporting - Accrual (Not-For-Profit) issued by the New Zealand Accounting Standards Board.

This report is made solely to the members of the body corporate, as a body. Our audit has been undertaken so that we might state to the body corporate's 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 body corporate and the body corporate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for Opinion

We conducted our audit of the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the annual performance report in accordance with International Standards on Auditing (New Zealand), and the audit of the entity information and statement of service performance in accordance with the International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000 (Revised). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Performance Report section of our report.

We are independent of the body corporate 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.

Ernst & Young provided other services in relation to the review of project modeling to the body corporate. Partners and employees of our firm may deal with the body corporate on normal terms within the ordinary course of the trading activities of the body corporate.

Information Other than the Annual Performance Report and Auditor's Report

The trustees are responsible for the Annual Report, which includes information other than the annual performance report and auditor's report.

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

In connection with our audit of the annual performance report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual performance report or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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.

Trustees' Responsibility for the Annual Performance Report

The trustees are responsible on behalf of the body corporate for

- ▶ Identifying outcomes and outputs, and quantifying the outputs to the extent practicable, that are relevant, reliable, comparable and understandable, to report in the statement of service performance;
- ▶ the preparation and fair presentation of the annual performance report on behalf of the entity which comprises
 - ▶ the entity information;
 - ▶ the statement of service performance; and
 - ▶ the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report

in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) issued in New Zealand by the New Zealand Accounting Standards Board, and

- ▶ for such internal control as the trustees determine is necessary to enable the preparation of the annual performance report that is free from material misstatement, whether due to fraud or error.

In preparing the annual performance report, the trustees are responsible on behalf of the body corporate for assessing the body corporate'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 the trustees either intend to liquidate the body corporate or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the annual performance report is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAE (NZ) 3000 (Revised) 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 this annual performance report.

As part of an audit in accordance with ISAs (NZ) and ISAE (NZ) 3000 (Revised), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the annual performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the use of the going concern basis of accounting by the trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the body corporate's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual performance report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the body corporate to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the annual performance report, including the disclosures, and whether the annual performance report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Perform procedures to obtain evidence about and evaluate whether the reported outcomes and outputs, and quantification of the outputs to the extent practicable, are relevant, reliable, comparable and understandable.

We communicate with the trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst + Young

Christchurch
23 May 2018