FUNDS HELD AND ADMINISTERED BY CHURCH PROPERTY TRUSTEES
SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

FUNDS HELD AND ADMINISTERED BY CHURCH PROPERTY TRUSTEES
SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Contents

FUNDS HELD AND ADMINISTERED BY CHURCH PROPERTY TRUSTEES
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	NOTE	Balanced Growth Fund 2018 $000	Balanced Growth Fund 2017 $000	Mohaka Forest Fund 2018 $000	Mohaka Forest Fund 2017 $000	Fixed Income Fund 2018 $000	Fixed Income Fund 2017 $000	Reserve Fund 2018 $000	Reserve Fund 2017 $000	Insurance Proceeds Fund 2018 $000	Insurance Proceeds Fund 2017 $000	Cathedral Insurance Proceeds Fund 2018 $000	Cathedral Insurance Proceeds Fund 2017 $000	Total Funds Under Management 2018 $000	Total Funds Under Management 2017 $000
INCOME															
Net Return from Investments	3	(51)	2,219	134	-	917	2,283	93	89	750	2,137	727	2,489	2,570	9,218
Expense Recovery		-	-	40	78	-	-	-	-	-	-	-	-	40	78
Total Income		(51)	2,219	174	78	917	2,283	93	89	750	2,137	727	2,489	2,611	9,296
EXPENSES															
Net Decrease in Investment Value		-	-	-	21	-	-	-	-	-	-	-	-	-	21
Insurance		-	-	2	5	-	-	-	-	-	-	-	-	2	5
Interest Paid		-	-	-	-	-	-	-	-	-	40	-	-	-	40
Legal fees		-	-	3	41	-	-	-	-	-	-	-	-	3	41
Management Fees - External	4	223	211	11	17	201	204	16	11	216	212	259	249	926	904
Management Fees - CPT	4	147	127	13	13	186	195	12	9	158	168	137	191	652	703
Rates		-	-	6	4	-	-	-	-	-	-	-	-	6	4
Other Expenses		-	-	3	-	-	-	-	-	-	-	-	-	3	-
Total Expenditure		370	337	38	101	387	399	27	20	374	420	395	441	1,590	1,718
Net Surplus/(Deficit)		(421)	1,882	136	(23)	530	1,884	66	69	376	1,717	332	2,048	1,021	7,578
FUND ALLOCATIONS															
Bishopric Estate		(75)	261	-	-	-	-	-	-	-	-	-	-	(75)	261
Dean and Chapter Estate		(23)	107	-	-	-	-	-	-	-	-	-	-	(23)	107
General Trust Estate		(189)	800	123	(20)	-	-	-	-	-	-	-	-	(66)	780
Parishes & Anglican Organisations		(136)	715	11	(2)	1,438	1,365	-	-	-	-	-	-	1,313	2,078
Fixed Income Fund		-	-	-	-	-	-	(842)	589	-	-	-	-	(842)	589
Reserve Fund		-	-	-	-	(908)	520	908	(520)	-	-	-	-	-	-
Land & Buildings held in Trust		-	-	-	-	-	-	-	-	377	1,717	-	-	377	1,717
Cathedral Trust		-	-	-	-	-	-	-	-	-	-	332	2,048	332	2,048
Net Surplus/(Deficit) Allocated		(423)	1,883	134	(21)	530	1,884	66	69	377	1,717	332	2,048	1,016	7,581

These statements are to be read in conjunction with the accompanying notes on pages 3 to 9 and the Independent Auditor's Report on pages 10 to 11.

FUNDS HELD AND ADMINISTERED BY CHURCH PROPERTY TRUSTEES
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2018

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

		Balanced Growth Fund		Mohaka Forest Fund		Fixed Income Fund		Reserve Fund		Insurance Proceeds Fund		Cathedral Insurance Proceeds Fund		Total Funds Under Management	
		2018	2017	2018	2017	2018	2017	2018	2017	2018 *	2017	2018	2017	2018	2017
	NOTE	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
FUND CURRENT ASSETS															
Cash		47	198	6	11	673	116	2	50	362	152	7	74	1,096	602
Managed Funds	5	23,658	25,573	-	-	31,271	34,059	2,279	1,343	43,509	35,496	41,828	43,044	142,547	139,515
Bonds	6	-	-	-	-	-	-	-	300	-	-	-	-	-	300
Private Equity Funds	7	1,522	1,234	-	-	-	-	-	-	0	-	1	-	1,523	1,234
Receivables	8	28	10	15	-	946	108	-	522	76	33	91	43	1,157	717
Forestry		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Fund Assets		25,256	27,016	21	11	32,890	34,284	2,281	2,216	43,948	35,681	41,926	43,161	146,322	142,368
FUND CURRENT LIABILITIES															
Payables		125	139	21	11	639	592	909	1	11	5	6	4	1,712	752
Parishes & Anglican Organisations		8,485	9,213	-	-	33,134	34,621	-	-	43,937	35,676	41,920	43,158	127,476	122,667
General Trust Estate	12	11,699	12,528	-	-	-	-	-	-	-	-	-	-	11,699	12,528
Bishopric Estate		3,612	3,734	-	-	-	-	-	-	-	-	-	-	3,612	3,734
Dean and Chapter Estate		1,335	1,402	-	-	-	-	-	-	-	-	-	-	1,335	1,402
Total Fund Liabilities		25,256	27,016	21	11	33,773	35,212	909	1	43,948	35,681	41,926	43,161	145,833	141,083
Net Fund Current Assets/(Liabilities)		-	-	-	-	(883)	(929)	1,372	2,215	-	-	-	-	489	1,286
NON-CURRENT FUND ASSETS															
Reserve Fund		-	-	-	-	1,373	2,215	-	-	-	-	-	-	1,373	2,215
Forestry		-	-	875	741	-	-	-	-	-	-	-	-	875	741
Loans & Mortgages	12	-	-	-	-	883	929	-	-	-	-	-	-	883	929
Total Non-Current Fund Assets		-	-	875	741	2,256	3,144	-	-	-	-	-	-	3,131	3,885
NON-CURRENT FUND LIABILITIES															
Fixed Income Fund	13	-	-	-	-	-	-	1,373	2,215	-	-	-	-	1,373	2,215
Parishes & Anglican Organisations		-	-	70	59	-	-	-	-	-	-	-	-	70	59
General Trust Estate		-	-	805	682	-	-	-	-	-	-	-	-	805	682
Future Distributions Payable	13	-	-	-	-	1,373	2,215	-	-	-	-	-	-	1,373	2,215
Total Non-Current Fund Liabilities		-	-	875	741	1,373	2,215	1,373	2,215	-	-	-	-	3,620	5,171
Net Fund Non-Current Assets/(Liabilities)		-	-	-	-	883	929	(1,373)	(2,215)	-	-	-	-	(489)	(1,286)
Net Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-

* *IPF net fund increase in 2018 of $8.267k due to $16,237k GST refund currently held in trust less $7.97k spent on projects.*

For and on behalf of the Board of Trustees who authorised the issue of these financial statements on [illegible]/06 2019.

C G Murfitt

S J Wakefield

These statements are to be read in conjunction with the accompanying notes on pages 3 to 9 and the Independent Auditor's Report on pages 10 to 11.

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 CARF.

An independent annual review of the investment strategy, including the distribution rate, is conducted by CPT's, independent investment advisors, EriksensGlobal.

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 $10,000 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-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
FIF	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%
ANZ	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Reserve Fund: CPT maintains a reserve fund as outlined in section 36 of the Act. 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"]. 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. The rights to the relevant credits have been transferred to Fortuna or its agent on the sale of the cutting rights during 2017.

Insurance Proceeds Fund and the Cathedral Insurance Proceeds Fund: CPT has established these investment funds in line with section 31 of the Act. The Ansvar [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 the following stated accounting policies:

2.2 Changes to accounting policy
There have been no changes to 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 entities.

d) Goods and Services Tax
Where applicable all amounts are stated exclusive of Goods & Services Tax [GST].

e) Financial Assets

Classification:
The financial instruments comprise investments and are categorised as managed funds, bonds, private equity and forestry. 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 funds)
Financial assets, except for Maui Capital Aqua Fund and Maui Capital Indigo 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 to the BGF ($389,000).
Where available, quoted market prices, entry or exit, buy or sell or midpoint, are used as a measure of fair value.

(ii) Forestry
The value of the Forestry investment is based on the estimation of the net present value (NPV) of future cash flows at a discount rate of 7.0% (2017: 7.0%), associated with the development and future harvesting of the forest, as determined by the Forestry Manager. The valuation excludes the cost of land rental from the valuation and is in this respect not prepared in accordance with the Institute of Forestry Guidelines for forest valuation. The valuation by the Forestry Manager was received on 21 January 2019.
Forest land is valued at the August 2017 Rating Valuation.
The NPV of cash flows relating to any revenue or future liabilities arising 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, and are measured at year end deposit value.

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. NET RETURN FROM INVESTMENTS

	Balanced Growth Fund		Mohaka Forest Fund		Fixed Income Fund		Reserve Fund		Insurance Proceeds Fund		Cathedral Insurance Proceeds Fund		Total Funds Under Management	
	2018 $000	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000
Net return from Investments	**(51)**	2,219	**134**	-	**917**	2,283	**93**	89	**530**	2,438	**434**	2,855	**2,057**	9,884
Hedge gain/(loss)	**-**	-	**-**	-	**-**	-	**-**	-	**220**	(301)	**293**	(366)	**513**	(667)
Net return from Investments after hedge gain/(loss)	**(51)**	2,219	**134**	-	**917**	2,283	**93**	89	**750**	2,137	**727**	2,489	**2,571**	9,218

The hedging gains and losses are mirrored by opposite gains and losses to the same approximate value in the net return from investments.
In late 2018 there was a significant fall in global equity values, leading to significantly reduced funds returns. Global equity values have since recovered, with strong performance in early 2019.

4. MANAGEMENT FEES

	Balanced Growth Fund		Mohaka Forest Fund		Fixed Income Fund		Reserve Fund		Insurance Proceeds Fund		Cathedral Insurance Proceeds Fund	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	%	%	$	$	%	%	%	%	%	%	%	%
Management Fees CPT	0.55%	0.55%	$12,500 per annum	$12,500 per annum	0.55%	0.55%	0.55%	0.55%	0.45%	0.55%	0.135% **	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.

*EriksensGlobal charge a monthly retainer of $7,800 (2017: $7,800). This cost is currently allocated between the various funds based on the value of net assets.

** The management fee for the Cathedral Insurance Proceeds Fund reduced from 0.55% to 0.135% in August 2018.

5. MANAGED FUNDS

	Balanced Growth Fund		Mohaka Forest Fund		Fixed Income Fund		Reserve Fund		Insurance Proceeds Fund		Cathedral Insurance Proceeds Fund **		Total Funds Under Management	
	2018 $000	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000
AMPCI Global Multi -Asset Fund	**9,529**	12,833	-	-	**6,090**	6,241			**6,858**	8,519	**9,001**	9,225	**31,477**	36,818
AMPCI Fixed Interest Fund	-	-	-	-	**4,546**	4,352			**2,921**	-	-	-	**7,467**	4,352
AMPCI NZ Short Duration	-	-	-	-	**3,249**	6,854			-	5,708	**4,069**	7,974	**7,317**	20,536
Aspiring Asset Management Ltd	**4,797**	4,978	-	-	-	-			-	-	-	-	**4,797**	4,978
Castle Point 5 Oceans Fund	**2,353**	2,426	-	-	1,834	-	-	-	**4,201**	-	**2,991**	-	**11,379**	2,426
Harbour Income Fund	-	-	-	-	**7,467**	8,152	-	-	**7,866**	7,179	**9,336**	13,696	**24,669**	29,027
Harbour NZ Short Duration Fund	-	-	-	-	-	-	-	-	**2,497**	4,215	**3,116**	3,040	**5,613**	7,255
Harbour Australasian	**613**	-	-	-	-	-	-	-	-	-	-	-	**613**	7,255
Mint Asset Management	**1,327**	1,241	-	-	-	-	-	-	-	-	-	-	**1,327**	1,241
Mint Diversified Fund	**1,776**	1,947	-	-	**8,086**	8,460	**1,200**	675	**14,197**	4,747	**6,688**	2,269	**31,947**	18,098
Milford Asset Management	**3,265**	2,148	-	-	-	-			-	-	-	-	**3,265**	2,148
QuayStreet Asset Management	-	-	-	-	-	-	**1,080**	668	-	-	-	-	**1,080**	668
Schroders RRF CPI +3.5%	-	-	-	-	-	-			**4,969**	5,128	**6,628**	6,840	**11,597**	11,968
	23,658	25,573	-	-	**31,271**	34,059	**2,279**	1,343	**43,509**	35,496	**41,828**	43,044	**142,547**	139,515

** Cathedral Insurance Proceeds Fund includes the Cathedral settlement proceeds, donations received, and Cathedral Maintenance & Insurance Fund [CMIF] endowment.

6. BONDS

	Balanced Growth Fund		Mohaka Forest Fund		Fixed Income Fund		Reserve Fund		Insurance Proceeds Fund		Cathedral Insurance Proceeds Fund		Total Funds Under Management	
	2018 $000	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000
Rabobank Bond	-	-	-	-	-	-	-	300	-	-	-	-	-	300
	-	-	-	-	-	-	-	300	-	-	-	-	-	300

7. PRIVATE EQUITY FUNDS

	Total Commitment	**Called/Invested**	**Uncalled Capital**	**Distributions**	**Asset Value at 31 December 2018**	Asset Value at 31 December 2017
	$000	**$000**	**$000**	**$000**	**$000**	$000
Private Equity Funds	**3,050**	**1,848**	**1,142**	**510**	**1,234**	1,522

8. 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 4,709,526 (2017: AUD 4,595,354) and
- Cathedral Insurance Proceeds Fund to sell AUD 6,281,301 (2017: AUD 6,129,027).

9. CONTINGENCIES

There are no contingent assets or liabilities at 31st December 2018.

10. 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, EriksensGlobal 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.

11. RELATED PARTIES

Diocese of Christchurch
The Diocese of Christchurch invests in the FIF and the BGF on the same terms and conditions as other investors.

Explanation: Arm's 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.

12. LOANS & MORTGAGES

The net loan from the Insurance Proceeds Fund to the Land & Buildings Trust (as trustee of the Hereford Street site for the Transitional Cathedral) at December 2016 was $1,636m. An arrangement was entered into during 2017 which resulted in CPT as trustee of the General Trust Estate purchasing the loan balance of $1,663m (having accumulated interest during the year) from the Insurance Proceeds Fund.

The mortgages in the FIF relate to Christchurch-St Michael, Lyttelton (for the purchase of the St Saviours Cottages Licence to Occupy), Northwest Christchurch and Opawa-St Martins. These mortgages are secured by the relevant land and buildings held in trust.

All mortgages due are current.

13. RESERVE FUNDS NET ASSETS

CPT maintains the Reserve Fund as outlined in section 36 of the Act. 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.