catholic diocese of christchurch

to sanctify - to teach - to care for

CDF

Christchurch Catholic Diocesan Development Fund

Financial Statements

For the Year Ended 31 March 2020

Christchurch Catholic Diocesan Development Fund

Financial Statements

For the Year Ended 31 March 2020

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Solicitors

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Bankers

Westpac
83 Cashel St
Christchurch 8011

Auditors

Ernst & Young
93 Cambridge Terrace
Christchurch 8013

Catholic Development Fund
Statement of Financial Position
As at 31 March 2020

Actual 2019 '000		Note	Actual 2020 '000
	Assets		
9,026	Cash at Bank and in hand	*8*	732
19,761	Financial Assets at Fair Value through OCI	*10*	26,249
2,935	Financial Assets at Amortised Cost	*9*	4,651
3	Other Assets		8
31,725	**Total Assets**		31,640
	Liabilities		
58	Trade and Other Payables		46
3,542	Call Account Deposits	*11*	3,596
23,148	Term Deposits	*11*	24,377
26,748	**Total Liabilities**		28,019
4,977	**Net Assets**		3,621
	Equity		
4,585	Retained Earnings		3,650
392	Fair Value through Equity Reserve		(29)
4,977	**Total Equity**		3,621

For and on behalf of the Board of Trustees which authorised the issue of the financial report on 30 June 2020:

Mr Michael Schimanski
Trustee

Mr Terry Foote
Trustee

Catholic Development Fund
Statement of Comprehensive Income
For the Year Ending 31 March 2020

Actual 2019 '000		Note	Actual 2020 '000	Budget 2020 '000 (Unaudited)
	Operating Revenue			
1,665	Investment Income	6	1,128	1,299
1,665	**Total Operating Revenue**		1,128	1,299
	Less Operating Expenses			
635	Interest and Commissions	7	615	623
1,030	**Operating Surplus**		513	676
206	Other Expenses	7	148	176
824	**Net Surplus**		365	500
	Attributable to			
824	Roman Catholic Bishop of Christchurch		365	500
	Other Comprehensive Income			
(166)	Net fair value unrealised gains/(losses) on Financial Assets as Fair Value through OCI		(421)	0
16	Other income-Movement in Fair Value Reserve (FVOCI Financial Assets)		0	0
840	**Total Comprehensive Income**		(56)	500
	Attributable to			
674	Roman Catholic Bishop of Christchurch		(56)	500

The attached notes form part of, and should be read in conjunction with these financial statements.

Catholic Development Fund
Statement of Changes in Equity
For the Year Ending 31 March 2020

Actual 2019 '000		Note	Actual 2020 '000	Budget 2020 '000 (Unaudited)
	Retained Earnings			
4,245	**Balance at 1 April as previously reported**		4,569	4,569
824	Surplus/ (Deficit) for the year		365	500
(500)	Distribution to Catholic Diocese of Christchurch	14	(1,300)	0
4,569	**Balance at 31 March**		3,634	5,069
	Fair Value through Equity Reserve			
558	**Balance at 1 April as previously reported**		408	408
(166)	Unrealised Valuation Gains/ (Losses) taken to Equity		(421)	0
16	Movement in FV Reserve		0	0
408	**Balance at 31 March**		(13)	408
4,977	**Total Equity 31 March**		3,621	5,477

The attached notes form part of, and should be read in conjunction with these financial statements.

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Catholic Development Fund
Statement of Cash Flows
For the Year Ending 31 March 2020

Actual 2019 '000		Note	Actual 2020 '000
	Cash Flows from Operating Activities		
	Cash was provided from:		
118	Interest Received - Loans		201
1,547	Interest Received - Investments		927
1,665			1,128
	Cash was applied to:		
626	Interest Paid		635
165	Payments to Suppliers and Employees		161
791			796
874	**NET CASH INFLOW FROM OPERATING ACTIVITIES**	*13*	**332**
	Cash Flows from Investing Activities		
	Cash was provided from:		
19,269	Realisation of Investments		12,654
19,269			12,654
	Cash was applied to:		
12,910	Purchase of Investments		21,283
12,910			21,283
6,359	**NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES**		**(8,629)**
	Cash Flows from Financing Activities		
	Cash was provided from:		
608	Net Increase in Deposits Received		1,303
608			1,303
	Cash was applied to:		
0	Net Decrease in Deposits Received		0
500	Distribution to Roman Catholic Bishop of Christchurch		1,300
500			1,300
108	**NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES**		**3**
7,341	**NET INCREASE / (DECREASE) IN CASH HELD**		(8,294)
1,685	Plus Opening Cash brought forward		9,026
9,026	**CASH HELD AT YEAR END**		**732**
3	Cash and Bank Current		8
9,023	Call Accounts		724
9,026	**ENDING CASH CARRIED FORWARD**	*8*	**732**

CDF

Catholic Development Fund

Notes to the Financial Statements

For the Year Ended 31 March 2020

1. Corporate Information

The financial statements of the Christchurch Catholic Diocesan Development Fund (the Fund) for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the trustees on 30 June 2020.

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

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

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, the requirements of the Financial Markets Conduct Act 2013 and in accordance with the Trust Deed.
The Fund meets the criteria for Declared-out Entities under the Non-bank Deposit Takers (Declared-out Entities) Regulations 2015.

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

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

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

(b) Statement of Compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS). The financial statements comply with International Financial Reporting Standards. For the purpose of complying with NZ GAAP the entity is a for profit entity.

EY

(c) New Accounting Standards and Interpretations

The Fund has adopted the following new and amended NZIFRS and interpretations as of 1 April 2019.

Reference	Title	Summary	Application date of standard	Impact on Fund's Financial Statements	Application date for Fund
NZ IFRS 16	Leases	NZ IFRS 16 is the new standard on the recognition, measurement, presentation and disclosure of leases	1 January 2019	Due to the nature of the Fund, there was no impact on the financial statements.	1 April 2019

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 2020. These are outlined below:

Reference	Title	Summary	Application date of standard	Impact on Fund's Financial Statements	Application date for Fund
Amendments to NZ IAS 1 and NZ IAS 8	Definition of Material	The amendments align the definition of 'material' across the standards and to clarify certain aspects of the definition of material in NZ IAS 1 Presentation of Financial Statements and NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	1 January 2020	The full financial impact of the adoption of this standard has not yet been fully assessed, but is expected to be immaterial.	1 April 2020
The Conceptual Framework for Financial Reporting	The New Zealand Equivalent to IASB Conceptual Framework for Financial Reporting	The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event.	1 January 2020	Due to the nature of the Fund, the implementation of the standard will not have an impact on the financial statements.	1 April 2020
NZ IFRS 17	Insurance Contracts	NZ IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of NZ IFRS 17 is the General (building block) Model, supplemented by: ▸ A specific adaptation for contracts with direct participation features (the Variable Fee Approach) ▸ A simplified approach (Premium Allocation Approach) mainly for short-duration contracts.	1 January 2023	Due to the nature of the Fund, the implementation of the standard will not have an impact on the financial statements.	1 April 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	The amendments clarify; ▸ What is meant by a right to defer settlement ▸ That a right to defer must exist at the end of the reporting period ▸ That classification is unaffected by the likelihood that an entity will exercise its deferral right ▸ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification	1 January 2022	The full financial impact of the adoption of this standard has not yet been fully assessed, but is expected to be immaterial.	1 April 2022

(d) Changes to Accounting Policies

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.

(e) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position and in the Statement of Cash Flows 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.

(f) Investments and Other Financial Assets

Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at: amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Fund manages financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Of the above, the Fund has financial assets at amortised cost (debt instruments) and financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).

Financial assets at amortised cost (debt instruments)

The Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Fund's financial assets at amortised cost includes loans.

Financial assets at fair value through OCI (debt instruments)

The Fund measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Fund's debt instruments at fair value through OCI includes bonds and capital notes (included in financial assets at fair value through OCI) and bank deposits.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Fund has transferred its rights to receive cash flows from the asset (i.e. sold)

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Note 5 - Significant Accounting Judgements, Estimates and Assumptions

The Fund recognises an allowance for expected credit losses (ECLs) for all debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

(g) Interest-bearing Loans and Borrowings (Call and Term Deposits)

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

Interest Expense

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

(h) 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.

i) Trade and Other Payables

Trade and other payables are initially measured at fair value, net of directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(j) The Effective Interest Rate Method

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

(k) Income Tax

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

(l) Other Taxes

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

(m) Presentation of the Statement of Financial Position

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

3. Financial Risk Management Objectives and Policies

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

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

Interest rate risk

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

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

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

A sensitivity of 200 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 200 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)			
	2020		2019		2020		2019	
	2%	(2%)	2%	(2%)	2%	(2%)	2%	(2%)
	'000	'000	'000	'000	'000	'000	'000	'000
Assets at Amortised Cost	83	(83)	49	(49)	83	(83)	49	(49)
Financial Assets at Fair Value through OCI	387	(387)	792	(792)	(643)	643	211	(211)
Call Account and Term Deposits	(665)	665	(531)	531	(665)	665	(531)	531
	(195)	**195**	**310**	**(310)**	**(1,225)**	**1,225**	**(271)**	**271**

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 and expected credit loss on Financial Assets at Fair Value through OCI 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

	2020 Total Loans	**2019 Total Loans**	**Estimated value of Security Held**
	('000's)	*('000's)*	*('000's)*
Loans to Organisations owned by the Roman Catholic Bishop of the Diocese of Christchurch *(refer note below)*	3,353	1,458	0
Loans to Other Organisations	1,297	1,475	36,431
Total Loans	**4,650**	**2,933**	**36,431**

Note - Included in the Loans to Other Organisations is a secured loan to a single entity of $1,297,000. Unsecured loans are underwritten by the Roman Catholic Bishop of Christchurch.

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

The terms and conditions for loans are:

- Loans are provided for terms ranging from 1 to 15 years.
- Interest rates currently range from 4.49% - 4.99% (2019 – 4.17% - 4.79%) 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 financial assets at fair value through OCI are:

- Investments are made for terms ranging from five months to 29 years.
- Interest rates range from 2.08% to 7.20% (2019 – 3.08% to 7.20%).
- Interest is paid at either annual, 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.

	2020 %	2019 %
AA+, AA, AA-	39%	37%
A+, A, A-	28%	30%
BBB+, BBB, BBB-	26%	25%
BB+, BB, BB-	0%	0%
Non S&P	7%	8%
	100%	**100%**

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.

2020	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)
ASSETS - Expected and Contractual Maturities							
Investments	0	10,392	7,928	909	201	10,339	29,769
Cash	732	0	0	0	0	0	732
Receivables	2	0	0	0	0	0	2
Loans	0	375	349	313	313	3,300	4,650
Total Assets	**734**	**10,767**	**8,277**	**1,222**	**514**	**13,639**	**35,153**
LIABILITIES - Expected Maturities							
Accounts Payable	46	0	0	0	0	0	46
Public Call Account Deposits	2,498	0	0	0	0	0	2,498
Public Term Deposits	0	4,137	2,579	0	0	0	6,716
Parish and Diocesan Deposits	1,099	2,155	1,842	1,377	877	11,295	18,645
Interest on Depositors Funds	0	220	74	0	0	0	294
Total Liabilities	**3,642**	**6,512**	**4,496**	**1,377**	**877**	**11,294**	**28,199**

Liquidity risk *(continued)*

LIABILITIES - Contractual Maturities

Accounts Payable	46	0	0	0	0	0	46
Public Call Account Deposits	2,498	0	0	0	0	0	2,498
Public Term Deposits	0	4,137	2,579	0	0	0	6,716
Parish and Diocesan Deposits	1,099	11,665	5,882	0	0	0	18,645
Interest on Depositors Funds	0	220	74	0	0	0	294
Total Liabilities	**3,642**	**16,022**	**8,535**	**0**	**0**	**0**	**28,199**

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 $15,000 without the consent of the Bishop.

2019	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)
ASSETS - Expected and Contractual Maturities							
Investments	0	3,756	5,949	1,637	722	10,326	22,390
Cash	9,026	0	0	0	0	0	9,026
Receivables	2	0	0	0	0	0	2
Loans	0	332	268	227	202	1,904	2,933
Total Assets	**9,028**	**4,088**	**6,217**	**1,864**	**924**	**12,230**	**34,351**
LIABILITIES - Expected Maturities							
Accounts Payable	58	0	0	0	0	0	58
Public Call Account Deposits	2,759	0	0	0	0	0	2,759
Public Term Deposits	0	3,856	2,638	0	0	0	6,494
Parish and Diocesan Deposits	783	3,466	826	826	1,676	9,727	17,304
Interest on Depositors Funds	0	97	222	0	0	0	319
Total Liabilities	**3,600**	**7,419**	**3,686**	**826**	**1,676**	**9,727**	**26,934**
LIABILITIES - Contractual Maturities							
Accounts Payable	58	0	0	0	0	0	58
Public Call Account Deposits	2,759	0	0	0	0	0	2,759
Public Term Deposits	0	3,856	2,638	0	0	0	6,494
Parish and Diocesan Deposits	783	9,081	7,440	0	0	0	17,304
Interest on Depositors Funds	0	97	222	0	0	0	319
Total Liabilities	**3,600**	**13,034**	**10,300**	**0**	**0**	**0**	**26,934**

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.

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

2020 **Financial Assets at Fair Value through OCI**	**Quoted Market Price** **Level 1** *('000's)*	**Valuation technique** **Market observable inputs** **Level 2** *('000's)*	**Valuation technique** **Non Market observable inputs** **Level 3** *('000's)*	**Total** *('000's)*
(i) Interest bearing securities				
Bonds	5,754	0	0	5,754
Capital notes	4,871	0	0	4,871
	10,625	**0**	**0**	**10,625**

2019 **Financial Assets at Fair Value through OCI**	**Quoted Market Price** **Level 1** *('000's)*	**Valuation technique** **Market observable inputs** **Level 2** *('000's)*	**Valuation technique** **Non Market observable inputs** **Level 3** *('000's)*	**Total** *('000's)*
(i) Interest bearing securities				
Bonds	5,170	0	0	5,170
Capital notes	6,041	0	0	6,041
	11,211	**0**	**0**	**11,211**

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 for Classification of and Valuation of Investments

The Fund has classified investments as 'Financial Assets at Fair Value through OCI' or as 'Financial Assets at Amortised Cost'. Movements in fair value of Financial Assets at Fair Value through OCI are recognised in other comprehensive income. The fair values of investments have been derived from either the NZX Debt market or the Trading Banks market spread for those securities that do not trade on the NZ Debt market platform. *(Refer to Note 10 for Fair Values of Investments at year end).*

Provision for Expected Credit Losses of Financial Assets

The Fund uses a provision matrix to calculate Estimated Credit Losses (ECLs) for financial assets at fair value through OCI and financial assets at amortised cost. The provision rates are based on the probability of default over the next 12 months for each S&P rating bracket.

The provision matrix is based on the Fund's historical observed default rates. The Fund will calibrate the matrix to adjust the historical credit loss experience with forward-looking information, if required. For instance if forecast economic conditions expect a decline in investment markets. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Fund's historical credit loss experience and forecast of economic conditions may also not be representative of Fund's current financial asset at fair value through OCI portfolio.

Significant Accounting Judgements for Expected Maturities

Management has had to exercise judgement in determining the timing of expected maturities of depositor's funds. In particular, this has included estimating when both Parishes and the Catholic Diocese of Christchurch may drawdown funds to meet their obligations with regards to various rebuild projects which are currently underway or planned. In determining this, management has considered the timing of these projects, any delays or holds placed upon the projects, the amount relevant parishes would need to contribute to any such building project and the value of funds they hold in CDF. While best efforts have been made to ensure this information is as accurate and up-to-date as possible, the actual drawdowns may differ from those which have been expected.

6. Investment Income

Investment Income includes:	**2020** ('000's)	**2019** ('000's)
Interest from Loans	201	118
Interest from Other Investments	896	1,252
Net Gains on Investments	12	275
Recovery of Impairment Loss on Financial Assets *(Refer Note 10)*	19	20
	1,128	**1,665**

7. Interest Expense

Interest and Commission expenses include:	2020 ('000's)	2019 ('000's)
Interest Expense - Parish & Diocese	452	432
Interest Expense - Public	163	203
	615	**635**

Other Expenses include:	2020 ('000's)	2019 ('000's)
Auditor – Financial Audit Fees	41	35
Auditor – Other Fees*	0	3
Investment Advisors Fees	45	54
Loss on Realisation of Investments	0	25
Expected Credit Loss	0	16
Other Expenses	62	73
	148	**206**

*Includes fees in relation to audit of the term deposit register, audit of risk assessment and AML/CFT.

8. Current Assets – Cash and Cash Equivalents

	2020 ('000's)	2019 ('000's)
Cash at bank and in hand (Current)	8	3
Cash at bank (Call)	724	9,023
Total Cash at bank and in hand	**732**	**9,026**

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. Financial Assets at Amortised Cost

	2020 ('000's)	2019 ('000's)
Total Loans	4,649	2,933
Other Receivables	2	2
Total Loans and Receivables	**4,651**	**2,935**

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

10. Financial Assets at Fair Value through OCI

	Fair Value 2020 ('000's)	Fair Value 2019 ('000's)
Bank deposits	15,625	8,550
Finance Company Deposits	0	0
Bonds	5,754	5,170
Capital Notes	4,870	6,041
Total Financial Assets at Fair Value through OCI	**26,249**	**19,761**

(Refer to Note 3 for terms and conditions of Financial Assets at Fair Value through OCI)

Impairment Loss

Solid Energy

In September 2015 the creditors of Solid Energy voted in favour of an orderly sell down over the following 2½ years. During the 2015/16 financial year JB Were recommended the remaining balance be written down to zero. The Fund held a face value of $500,000 of Solid Energy securities, costing $522,546; impairment losses were recognised as at 31 March 2015 and 2016 writing this value down to zero. Subsequent to this, capital has been recovered totalling $349,737, with $18,920 being recovered in the year ended 31 March 2020 (2019: $330,817). The total net loss related to the investment is $172,809.

Reconciliation Financial Assets at Fair Value through OCI	2020 ('000's)	2019 ('000's)
Opening Carrying Amount	19,761	27,923
Allowance for Impairment Loss	0	0
Changes in Allowance for Impairment Loss	0	0
Reversal of Impairment Loss	0	0
Amounts Written Off (at cost)	0	0
Additions/Disposals (at cost)	6,910	(7,996)
Movement in Valuation	(422)	(166)
Closing Carrying Amount	**26,249**	**19,761**

11. Interest-bearing Depositor's Funds

	2020 ('000's)	2019 ('000's)
Call Account Deposits	3,596	3,542
Term Deposits	24,377	23,148
Closing Carrying Amount	**27,973**	**26,690**

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)
2020		
Accounts Payable	N/A	46
Call Account Deposits	0 - 1.50%	3,596
Term Deposits	1.00% - 2.40%	24,377
Closing Carrying Amount		**28,019**
2019		
Accounts Payable	N/A	58
Call Account Deposits	0-1.50%	3,542
Term Deposits	1.00%-2.60%	23,148
Closing Carrying Amount		**26,748**

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 of Christchurch.

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

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

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

No breaches of the covenants have been reported during the financial year.

Nature and Purpose of Reserves:

Fair Value through Equity Reserve:

This reserve records movements in the fair value of Financial Assets at Fair Value through OCI.

12. Capital Management

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

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

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

13. Cash Flow Statement Reconciliation

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

	2020 *('000's)*	**2019** *('000's)*
Net Surplus for the Period	365	824
Adjustments to reconcile the Net Surplus to the Net Cash Inflow from Operating Activities		
Add:		
Investment Write down	0	25
Movement in FV Reserve (FVOCI Financial Assets)	0	16
Decrease in Accounts Receivable	0	1
Increase in Trade Creditors	0	8
	0	**50**
Deduct:		
Decrease in Trade Creditors	33	0
Reversal of Impairment Loss	0	0
Increase in Accounts Receivable	0	0
	33	**0**
Net Cash Inflow from Operating Activities	**332**	**874**

(b) Statement of Cash Flows – Reconciliation of Depositors Balances

Depositors Balances	**2020** *('000's)*	**2019** *('000's)*
Balance 1 April	26,690	26,073
New deposits	6,798	3,911
Interest	615	635
Withdrawals	(6,130)	(3,929)
Balance as at 31 March	**27,973**	**26,690**

14. 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 2020 financial year. The Distribution made to the Bishop during the year to 31 March 2020 amounted to $1,300,000 (2019: $500,000). 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 and Parishes within the Catholic Diocese of Christchurch have loans from the Fund on standard terms. During the year no new loans were made to the Diocese (2019: Nil), or to Parishes (2019: Nil). Two new loans were made to Diocesan Schools totalling $2,300,000 (2019: $900,000). Interest charged and paid was at the rate of between 4.29% and 4.99%. These loans are unsecured but are underwritten by the Roman Catholic Bishop of Christchurch.

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

Related Party *($'000)*	Category of Related Party	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
2020						
Catholic Diocese of Chch	Entity Under Common Control	3,300	130	4,925	92	0
Roman Catholic Bishop of Chch	Other Related Party	0	0	0	0	1,300
Parishes	Entity Under Common Control	52	2	11,098	351	0
Key Management Personnel	Key Management Personnel	0	0	39	1	0
2019						
Catholic Diocese of Chch	Entity Under Common Control	1,402	70	2,328	58	0
Roman Catholic Bishop of Chch	Other Related Party	0	0	0	0	500
Parishes	Entity Under Common Control	56	2	12,438	359	0
Key Management Personnel	Key Management Personnel	0	0	37	1	0

15. Significant Events After Balance Date

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020 and on 25th March 2020, New Zealand was placed in a mandatory lockdown as a result.

We have not seen a significant impact on our operations to date and the scale and duration of these developments remain uncertain as at the date of this report.

This event will likely impact on our future earnings, cash flow and financial condition however, it is not possible to estimate the impact of the outbreak's near-term and longer-term effects therefore, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak at this time.

As a result, no adjustments have been made to financial statements as at 31 March 2020 for the impacts of COVID-19. (2019: Nil).

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

Opinion

We have audited the financial statements of Christchurch Catholic Diocesan Development Fund Trust ("the trust") on pages 3 to 24, which comprise the statement of financial position of the trust as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the trust, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 3 to 24 present fairly, in all material respects, the financial position of the trust as at 31 March 2020 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

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

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

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

We perform other assurance services for the trust. We have no other relationship with, or interest in, the trust. Partners and employees of our firm may deal with the trust on normal terms within the ordinary course of trading activities of the business of the trust.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Financial Assets at Fair Value through OCI

Why significant	How our audit addressed the key audit matter
▶ Financial assets at Fair Value represent 83% of the trust's total assets. ▶ As disclosed in Note 2(f) of the financial statements, these financial assets are recognised at fair value through Other Comprehensive Income in accordance with NZ IFRS 9: Financial Instruments. ▶ Market volatility can have a significant impact on the value of these financial assets and the financial statements; therefore, the recognition and valuation of investments is considered a key area of audit focus. At and subsequent to 31 March 2020 financial markets were significantly impacted by the COVID-19 pandemic and during this period they have experienced greater than usual volatility. ▶ Disclosures regarding the trust's investments at 31 March 2020 are included in Note 3 to the financial statements.	Our audit procedures included: ▶ Gaining an understanding of the processes used to record financial asset transactions and the revaluation of the investment portfolio. ▶ Obtaining and considering the Independent Assurance Reports on Controls for the trust's Investment Custodian. We considered the implications of any control deficiencies for our audit. We relied on these controls to gain assurance over the recognition and valuation of the investment balances. ▶ Receiving third party confirmations directly, for each underlying investment holding, of the number of securities or units held by the trust and their respective exit prices at balance date. We agree the recorded holdings to those confirmations and recalculated the resulting investment valuations. ▶ Obtaining verification of bonds and capital notes terms through external sources. ▶ Assessing whether the disclosures in the financial statements appropriately reflected the trust's exposure to financial instrument risk with reference to NZ IFRS 7 Financial Instruments: Disclosures.

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Expected maturity of Parish and Diocesan deposits impact on liquidity risk

Why significant	How our audit addressed the key audit matter
▶ At 31 March 2020, the trust had $28,199,000 of depositor funds due to contractually mature within the 12 months after balance date. The expected maturities for Diocesan and Parish deposits are significantly longer dated than their contractual maturities due to the Diocesan and Parish Norms implemented by the Bishop. However, the Diocese and Parishes are entering a lengthy period of substantial expenditure relating to Cathedral and Church rebuilds that will require withdrawal of some of these depositor funds and creates additional uncertainty as to the timing of expected withdrawals. ▶ Should the trust incorrectly estimate the expected repayment profile of deposits it may not have sufficient cash on hand to settle its liabilities and so may need to sell or otherwise settle financial assets at fair value earlier than anticipated and at values below those otherwise anticipated. ▶ Details of the contractual and expected maturities are disclosed in Note 3 to the financial statements.	Our audit procedures included: ▶ Evaluating the assumptions applied by the trust in assessing the expected maturities of Parish and Diocesan deposits, including comparison to historical withdrawals and deposits rates, and consideration of expected withdrawals of depositor funds relating to the Diocesan cathedral and churches rebuild plan. ▶ Assessing whether the disclosures in the financial statements adequately reflect the trust's contractual and expected maturities for all assets and liabilities.

Information other than the financial statements and auditor's report

The trustees of the trust are responsible for the Annual Report, which includes information other than the financial statements and auditor's report which is expected to be made available to us after the date of this auditor's report.

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

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

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When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

Trustees' responsibilities 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 the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/. This description forms part of our auditor's report.

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

Ernst + Young

Chartered Accountants
Christchurch
01 July 2020