



Trustees Of Church Property

Report to Synod 2015 (as at 30 June 2015)

The Trustees of Church Property during the reporting period were:

- The Right Reverend Gregory Thompson (Bishop of Newcastle)
- Mr Keith Allen (Term expired 1/11/2014)
- Mr John Kilpatrick AM
- Mr Malcolm McDonald
- Mrs Jayne Drinkwater
- Mr Allan Geoffrey Seccombe
- Mr Richard Turnbull (Appointed 26/2/15)

Cessation of Term - Mr Keith Allen

Mr Keith Allen completed his term as a Trustee on the 1st November 2014. The Trustees noted Mr Allen's significant contribution as a Trustee over 25 years.

Trustee induction and succession planning

This matter has been a discussion item throughout 2014 and 2015. The intention is to develop a clear induction and succession planning process to assist the work of current and future trustees.

Trusts

The Trustees hold the real estate, bequests, trust monies and Tyrrell Trusts on behalf of the parishes and organisations of the Diocese. The Trustees implement their responsibilities under the Church Trust Property Act 1917 (as amended), the Bishop Tyrrell Trust Act and the Church Trust Property Ordinance 2012.

1. **Tyrrell Trusts** - comprise the capital of the Bishop Tyrrell Trusts either established during his life time or established through his Will.
2. **Morpeth Trusts** -were created following the sale of St Johns College Morpeth for the purpose of Theological education and ministry development as defined under the Morpeth Trusts Ordinance.
3. **General Trusts** - comprise the capital and, in some cases the accumulated interest, of bequests and other trust monies belonging to the parishes and diocesan organisations and for various diocesan purposes as defined under ordinance.
 - (a) **Permanent Trusts** consist of the capital bequests received on behalf of parishes, organisations or other areas of ministry in the Diocese. The income generated by the Trusts is available to the beneficiary but the capital is not available. The proceeds of land sales are often held in Permanent trusts as is the capital of a number of endowments created by the Synod, the Trustees and the Diocesan council. The following capital is held on Permanent Trust:

	2014	2013	2012	2011	2010
Diocesan Endowments	8,383,652	8,295,610	6,973,938	7,551,929	7,586,965
Parish Endowments	16,785,047	16,684,875	15,217,093	14,527,724	14,218,238
Sundry Endowments	154,784	154,144	142,070	141,524	140,996
	25,323,483	25,134,629	22,333,101	22,221,177	21,946,199

- (b) **Temporary Trusts** - Following advice, the Trustees of Church Property resolved at their meeting of 23 September 2014 that the management of all current and future temporary trusts be transferred to the Anglican Savings and Development Fund effective from the 1st November 2014.

Financial Statements

At 31 December 2014 the Pooled Investment held the following funds:

	2014	2013	2012	2011	2010
Tyrrell Trusts	8,530,482	8,458,416	8,466,448	8,398,678	8,331,635
Morpeth Trusts	7,466,347	7,466,347	7,466,347	7,466,347	7,580,384
General Trusts	25,323,483	25,134,629	22,333,101	22,221,177	21,946,199
Temporary Trusts	NIL (see 3b above)	2,671,992	5,149,806	3,250,441	3,948,114
Reserves	5,061,510	4,352,025	747,519	(1,173,060)	1,394,482
Total	46,381,822	48,085,422	44,163,221	40,163,583	43,200,814

These funds were invested as follows:

	2014	%	2013	%	2012	%
Real Estate	10,517,807	22.7	10,515,887	21.9	10,515,388	23.8
Payables	-330,019	-0.7	-234,116	-0.5	-281,325	-0.6
Interest Bearing Deposits	13,336,680	28.8	16,081,362	33.4	15,173,083	34.3
Notes and Debentures	62,255	0.1	86,359	0.2	270,653	0.6
Intra Entity Loans	1,655,781	3.6	-302,027	-0.6	1,024,868	2.3
Cash and Receivables	1,643,589	3.5	2,972,289	6.2	2,212,782	5.0
Motor Vehicles & Equipment	134,076	0.3	137,501	0.3	180,332	0.4
Direct Equities	19,361,654	41.7	18,826,154	39.2	15,067,440	34.1
Total	46,381,822	100	48,085,422	100	44,163,221	100

Ord Minnett

Ord Minnett have been managing the Direct Equity Portfolio as well as part of the Interest bearing deposits & hybrid portfolio since February 2011.

Ord Minnett address the Trustees on a regular basis to keep the trustees informed in relation to the portfolios and the financial markets.

Investment Policy

The Trustees of Church Property reviewed its investment policy in September 2014. The policy will be reviewed annually in consultation with Ord Minnett.

Bishop Housden Hall - 134 King Street Newcastle NSW

A plan was approved by the Trustees of Church Property for the refurbishment of the rooftop of Bishop Housden Hall 134 King Street Newcastle during 2015.

Other necessary capital works will also be completed at the same time in order to minimise cost and maximise outcome to the Diocese as a whole.

A development application for the improvements was being prepared for Newcastle City Council as this report went to print.

Bishopscourt

Following a decision by the Synod, the Diocesan council approved the sale of Bishopscourt at its February 2015 meeting. The matter was then referred to the Trustees of Church Property to approve the sale terms and process.

A marketing campaign was then conducted by the selected agent and expressions of interest were sought. Following this process, contracts were exchanged with the preferred purchaser on the 22nd May 2015 on an unconditional basis with completion due no later than the 22 November 2016.

The identification of the purchaser by the church is the subject of a confidentiality clause. The sale price, however, has been reflected in the year to date accounts for the Trustees of Church Property and will also be outlined in the 2015 audited accounts.

Essential maintenance and upkeep were carried out at Bishopscourt during the year.

Finally, a checklist was developed by the Trustees and a working party appointed to identify options for a new residence for the Bishop of Newcastle. This party continues to meet and inspect properties. It is envisaged that a suitable property will be sourced by the end of 2015.

Schools lending facility - ANZ Bank

The Trustees of Church property approved and signed a letter of variation from the ANZ Bank in November 2014. The variation granted a new 3 year term for the schools lending facility with the bank.

Episcopal Certificates

During 2014, work was finalized to restructure all remaining external lending arrangements removing Episcopal certificates as security for loans.

As from 15/11/14, no remaining episcopal certificates were on issue. This completes a significant project on behalf of the Trustees of Church Property and the Diocesan Council following the passing of the Episcopal Certificate Abolition Ordinance by the Diocesan Council in November 2013.

Interest Rates

Interest was paid for the period 1/1/2014 to 31/12/2014 as follows:

Tyrrell Trusts 4.50%pa
General Trusts 4.50%pa
Temporary Trusts 1.00%pa (until 31/10/14, then managed by the ASDF
from 1/11/14)
(Less an administrative fee of 5% of total interest)

The Trustees of Church Property, at their meeting of 25th November 2014, declared the following distributions for 2015 (effective from 1/1/2015):

Tyrrell Trusts 4.50%pa
General Trusts 4.50%pa
(Less an administrative fee of 5% of total interest)

Additional Trusts

The following new permanent trust was established since the previous annual report:

No.	Name	Parish to which Trust refers	Balance as at 31-12-14
PO507	St Peter's East Maitland Endowment	East Maitland	98,267

Conclusion

The Trustees wish to record their appreciation to the staff of the Diocesan office in their administration of trusts and for their provision of accounting services.



John Cleary
Secretary to the Trustees of Church Property
Diocesan Business Manager
6 July 2015



TRUSTEES OF CHURCH PROPERTY
FOR THE ANGLICAN DIOCESE OF NEWCASTLE
ABN 31 876 908 346

Financial Report
For the Year Ended
31 December 2014

Trustees of Church Property for The Anglican Diocese of Newcastle

ABN 31 876 908 346

Auditors Independence Declaration

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2014, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Cutcher & Neale Assurance Pty Ltd
(An authorised audit company)



M.J. O'Connor CA
Director

26 May 2015

Newcastle

Trustees of Church Property for The Anglican Diocese of Newcastle

ABN 31 876 908 346

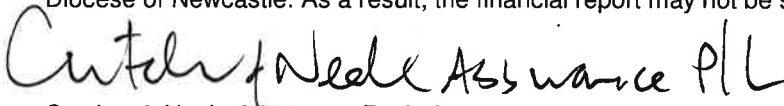
Independent Audit Report to the Synod of Anglican Diocese of Newcastle

Qualified Audit Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial report presents fairly, in all material respects, the financial position of Trustees of Church Property for The Anglican Diocese of Newcastle as at 31 December 2014, and its financial performance for the year then ended in accordance with the accounting policies as outlined in Note 1.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared to assist the Trustees of Church Property for The Anglican Diocese of Newcastle to meet its financial reporting responsibilities under the ordinances of the Anglican Diocese of Newcastle. As a result, the financial report may not be suitable for another purpose.



Cutcher & Neale Assurance Pty Ltd
(An authorised audit company)



M.J. O'Connor CA
Director

Newcastle

27 May 2015

Trustees of Church Property for The Anglican Diocese of Newcastle

ABN 31 876 908 346

Statement of Surplus or Deficit and Other Comprehensive Income For the Year Ended 31 December 2014

		2014	2013
	Note	\$	\$
Revenue	2	2,838,811	2,596,637
Depreciation	3	(34,985)	(45,049)
Bad and doubtful debts expense		-	(21,942)
Diocesan Management fee		(250,000)	(245,318)
Trust Management fee		(140,389)	(133,704)
Insurance costs		(40,251)	(38,073)
Occupancy costs		(359,151)	(260,722)
Finance costs	3	(1,960,125)	(1,661,143)
Other expenses		(205,777)	(223,987)
Surplus / (deficit) for the year before income tax		(151,867)	(33,300)
Income tax expense	1(d)	-	-
Surplus / (deficit) for the year after income tax		(151,867)	(33,300)
Other comprehensive income			
Unrealised gains / (losses) on shares and other equity instruments		855,366	2,936,589
Total comprehensive income for the year		703,499	2,903,289

The accompanying notes form part of these financial statements.

Trustees of Church Property for The Anglican Diocese of Newcastle

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Statement of Changes in Funds

For the Year Ended 31 December 2014

2014

	Accumulated Surplus	Financial Asset Reserve	Trust Funds	Total
	\$	\$	\$	\$
Balance at 1 July 2014	(1,753,699)	5,404,507	701,217	4,352,025
Operating surplus / (deficit)	(151,867)	-	-	(151,867)
Other comprehensive income	-	855,366	-	855,366
Net movement in trust funds	-	-	5,986	5,986
Transfer to accumulated surplus	445,661	(445,661)	-	-
Balance at 31 December 2014	(1,459,905)	5,814,212	707,203	5,061,510

2013

	Accumulated Surplus	Financial Asset Reserve	Trust Funds	Total
	\$	\$	\$	\$
Balance at 1 July 2013	(1,485,576)	2,233,095	43,415,702	44,163,221
Operating surplus / (deficit)	(33,300)	-	-	(33,300)
Other comprehensive income	-	2,936,589	-	2,936,589
Change in accounting policy	-	-	(42,714,485)	(42,714,485)
Transfer to accumulated surplus	(234,823)	234,823	-	-
Balance at 31 December 2013	(1,753,699)	5,404,507	701,217	4,352,025

The accompanying notes form part of these financial statements.

Trustees of Church Property for The Anglican Diocese of Newcastle

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Notes to the Financial Statements

For the Year Ended 31 December 2014

1 Summary of Significant Accounting Policies continued

(c) Critical accounting estimates and judgments continued

Key estimates - impairment continued

At each reporting date, the Trust assesses whether there is objective evidence that financial instruments have been impaired. Financial instruments classified as other financial assets are measured at fair value through profit and loss and financial instruments classified as shares and other equity instruments are held for long term investment and are measured at fair value through funds.

(d) Income Tax

No provision for income tax has been raised as the Trust is exempt from income tax under Div 50 of the Income Tax Assessment Act 1997.

(e) Revenue and other income

The Trust recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Trust and specific criteria have been met for each of the Trust's activities as discussed below.

Revenue is measured at the fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the tax authority.

Interest revenue is recognised as it accrues.

Dividend revenue is recognised when the right to receive a dividend has been established.

The profit on the sale of non current assets is included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(f) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and are subject to insignificant risk of change in value and bank overdrafts.

Trustees of Church Property for The Anglican Diocese of Newcastle

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Notes to the Financial Statements For the Year Ended 31 December 2014

1 Summary of Significant Accounting Policies continued

(j) Financial instruments continued

Investments in Marketable Securities

All investments are initially recognised at the fair value of the consideration paid. After initial recognition, investments (classified as either current or non-current) are measured at their fair value. The fair value of listed securities is determined by reference to the last sale price at the close of business at reporting date. Gains on current financial investments are recognised in the statement of surplus or deficit and other comprehensive income.

Financial instruments classified as shares and other equity instruments are held for dividend yield and have been classified as non-current assets. Unrealised gains and losses on these securities are recognised as a separate component of funds until the investment is sold, collected or otherwise disposed of.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments.

Impairment

Objective evidence that a financial asset is impaired includes default by a debtor, evidence that the debtor is likely to enter bankruptcy or adverse economic conditions in the stock exchange. At the end of each reporting period, the Trust assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the statement of surplus or deficit and other comprehensive income.

Trustees of Church Property for The Anglican Diocese of Newcastle

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Notes to the Financial Statements

For the Year Ended 31 December 2014

1 Summary of Significant Accounting Policies continued

(n) Trust liabilities

Temporary trusts are reported as current liabilities and permanent trusts as non-current liabilities.

These liabilities represent trust accounts that are invested on behalf of other Diocesan entities. It is not expected that the permanent trusts will be called upon within the following twelve months.

This classification is consistent with Diocesan Council's support for the past and current practice of the Trustees of Church Property to seek the best possible long term returns on the permanent trusts by investing in a level of non-cash assets which provide for a mixture of growth and income.

Diocesan Council recognise the permanent nature of the trusts and expect only to liquidate permanent trust funds in exceptional circumstances.

2 Revenue

	2014	2013
	\$	\$
Revenue from ordinary operations		
- Interest received	360,285	387,991
- Dividends received	1,695,071	1,531,213
- Rent received	624,467	544,123
- Bishops Court trust income	38,295	26,351
- Trust management fee income	94,912	83,055
- Sundry income	25,780	23,904
Total Revenue	<u>2,838,811</u>	<u>2,596,637</u>

Trustees of Church Property for The Anglican Diocese of Newcastle

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Notes to the Financial Statements For the Year Ended 31 December 2014

6 Trade and other receivables

	2014	2013
	\$	\$
CURRENT		
Sundry receivables	370,489	277,388
ATO receivables	92,774	141,877
Inter-entity receivables - other Diocesan entities	8,344	-
Total trade and other receivables	<u>471,607</u>	<u>419,265</u>

7 Financial assets

	2014	2013
CURRENT		
Other financial assets - at cost (b)	1,000,000	5,485,538
Loans and receivables	108,930	-
Total current assets	<u>1,108,930</u>	<u>5,485,538</u>
NON-CURRENT		
Other financial assets - at cost (a), (b)	3,636,000	3,636,000
Available for sale financial assets	28,124,589	25,872,047
Loans and receivables	1,538,507	-
Total non-current assets	<u>33,299,096</u>	<u>29,508,047</u>

(a) Assets pledged as security

The value of assets pledged as security include the following:

Other financial assets - at cost	<u>3,636,000</u>	<u>3,636,000</u>
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Trustees of Church Property have provided cash deposits as security for the combined Diocesan Schools borrowing facilities. These deposits have been reported as non-current assets as they are expected to be in place for the term of the loans. The Trustees have discretion as to the form of the security and have also provided mortgage security as disclosed in Note 8.

(b) Other financial assets - at cost

Term deposits are recorded at amortised cost. Interest income is recognised in the statement of surplus or deficit and other comprehensive income.

Trustees of Church Property for The Anglican Diocese of Newcastle

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Notes to the Financial Statements

For the Year Ended 31 December 2014

8 Property, plant and equipment continued (price of items).

(a) Assets pledged as security

The following assets have been pledged as security:

First registered mortgage over the premises at 134 King Street Newcastle, 34 Brown Street Newcastle, 48 Newcomen Street Newcastle and 50 Church Street Newcastle New South Wales.

(b) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Capital Works in Progress	Land	Buildings	Plant and Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$
Year ended 31 December 2014						
Balance at the beginning of year	-	3,907,766	6,608,121	53,891	83,610	10,653,388
Additions	1,920	-	-	-	70,659	72,579
Disposals - written down value	-	-	-	-	(39,100)	(39,100)
Depreciation expense	-	-	-	(14,700)	(20,285)	(34,985)
Balance at 31 December 2014	1,920	3,907,766	6,608,121	39,192	94,884	10,651,883
Year ended 31 December 2013						
Balance at the beginning of year	-	3,907,766	6,607,622	73,267	107,065	10,695,720
Additions	-	-	499	7,818	37,394	45,711
Disposals - written down value	-	-	-	-	(42,993)	(42,993)
Depreciation expense	-	-	-	(27,194)	(17,856)	(45,050)
Balance at the end of the year	-	3,907,766	6,608,121	53,891	83,610	10,653,388

9 Trade and other payables

	2014	2013
	\$	\$
CURRENT		
Trade payables	344,383	254,375
GST payable	11,519	14,464
Inter-entity payables - other Diocesan entities	-	302,027
	355,902	570,866

Trustees of Church Property for The Anglican Diocese of Newcastle

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Notes to the Financial Statements

For the Year Ended 31 December 2014

12 Change in Accounting Policy

In the previous year the Trustees changed an accounting policy to reclassify trust funds from funds to financial liabilities. Trust funds that were held on behalf of other entities were previously recognised directly within funds. The change in accounting policy for the year ended 31 December 2013 results in the reclassification of the Trust Funds from funds to liabilities. Some inter-entity payables have also been reclassified from non-current payables to current liabilities. The change in accounting policy has resulted in decreased funds and net assets of \$42,714,485 and non-current financial liabilities have been recognised to the value of \$5,149,806 and \$38,973,193 respectively in the current year. There is nil effect on total comprehensive income or total assets for the year ended 31 December 2013.

13 Financial Risk Management

The main risks of the Trust is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and equity price risk.

The Trust's financial instruments consist of deposits with banks, commercial bills, debentures, equity instruments, accounts receivable and payable.

The totals for each category of financial instruments as detailed in the accounting policies to these financial statements, are as follows:

	2014	2013
	\$	\$
Financial Assets		
Cash and cash equivalents	1,206,207	2,588,038
Trade and other receivables	471,607	419,265
Other financial assets - current	1,000,000	5,485,538
Loans and receivables - current	108,930	-
Other financial asset - non-current	3,636,000	3,636,000
Shares and other equity instruments	28,124,589	25,872,047
Loans and receivables - non-current	1,538,507	-
Total financial assets	36,085,840	38,000,888
Financial Liabilities		
Trade and other payables	355,902	570,866
Financial liabilities	41,320,312	43,731,374
Total financial liabilities	41,676,214	44,302,240

Trustees of Church Property for The Anglican Diocese of Newcastle

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Notes to the Financial Statements

For the Year Ended 31 December 2014

13 Financial Risk Management continued

- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with APRA regulated financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Typically, Trustees of Church Property for The Anglican Diocese of Newcastle ensures that it has sufficient cash on demand to meet expected operational expenses for a specified period.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Interest rate risk

The Trustees of Church Property for The Anglican Diocese of Newcastle is exposed to interest rate fluctuations on its cash at bank and cash on deposit. The Trustees, through reports prepared by Management and external investment advisors, monitor interest rates for cash at bank and on deposit to maximise interest income.

(ii) Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held.

Such risk is managed through diversification of investments across industries and geographic locations.

(iii) Net fair values

Carrying amounts of financial assets and liabilities recorded in the financial statements represent their net fair values, as determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.