



Trustees Of Church Property

Report to Synod 2016 (as at 30 June 2016)

The Trustees of Church Property during the reporting period were:

- The Right Reverend Gregory Thompson (Bishop of Newcastle)
- Mr John Kilpatrick AM (Expiration of Term 01/11/2015)
- Mr Malcolm McDonald (Resigned 02/02/2016)
- Mrs Jayne Drinkwater
- Mr Allan Geoffrey Seccombe
- Mr Richard Turnbull
- Mr Alan Green (Appointed 26/02/2016)

Cessation of Term –

Mr John Kilpatrick completed his term as a Trustee on the 1st November 2015.

Mr Malcolm McDonald resigned as a member of Trustees of Church Property due to personal reasons on 2nd February 2016.

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.

Permanent Endowments (Formerly known as Permanent Trusts)

The Trustees hold the real estate, bequests, endowment fund monies and Tyrrell Endowment Funds 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 Endowment Funds** – comprise the capital of the Bishop Tyrrell Trusts either established during his life time or established through his Will.
2. **Morpeth Endowment Funds** – 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 Endowments Fund** – 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 Endowment Funds** consist of the capital bequests received on behalf of parishes, organisations or other areas of ministry in the Diocese. The income generated by the Endowment Funds is available to the beneficiary but the capital is not available. The proceeds of land sales are often held in Permanent Endowment Funds as is the capital of a number of endowments created by the Synod, the Trustees and the Diocesan council. The following capital is held in Endowment Funds:

	2015	2014	2013	2012	2011
Diocesan Endowments	8,462,753	8,383,652	8,295,610	6,973,938	7,551,929
Parish Endowments	18,820,425	16,785,047	16,684,875	15,217,093	14,527,724
Sundry Endowments	155,443	154,784	154,144	142,070	141,524
	27,438,621	25,323,483	25,134,629	22,333,101	22,221,177

- (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.

Revaluation of Real Estate Assets

A valuation was performed on land and buildings owned the Trustees of Church Property. Prior to this valuation, properties were recorded on the balance sheet at cost. The financial statements as at 31 December 2015 now reflect current market value at that date.

Financial Statements

At 31 December 2015 the Pooled Investment held the following funds:

	2015	2014	2013	2012	2011
Tyrrell Endowment Funds	8,603,172	8,530,482	8,458,416	8,466,448	8,398,678
Morpeth Endowment Funds	7,466,347	7,466,347	7,466,347	7,466,347	7,466,347
General Endowment Funds	27,438,621	25,323,483	25,134,629	22,333,101	22,221,177
Temporary Trusts	Nil	Nil (see 3b above)	2,671,992	5,149,806	3,250,441
Reserves	5,014,079	5,061,510	4,352,025	747,519	(1,173,060)
Total	48,522,219	48,381,822	48,085,422	44,163,221	40,163,583

These funds were invested as follows:

	2015	%	2014	%	2013	%
Real Estate	16,955,278	34.9	10,517,807	22.7	10,515,887	21.9
Payables	-1,071,642	-2.2	-330,019	-0.7	-234,116	-0.5
Interest Bearing Deposits	10,173,161	21.0	13,336,680	28.8	16,081,362	33.4
Notes and Debentures	10,405	0.0	62,255	0.1	86,359	0.2
Intra Entity Loans	149,376	0.3	1,655,781	3.6	-302,027	-0.6
Cash and Receivables	3,716,742	7.7	1,643,589	3.5	2,972,289	6.2
Motor Vehicles & Equipment	84,634	0.2	134,076	0.3	137,501	0.3
Direct Equities	18,504,265	38.1	19,361,654	41.7	18,826,154	39.2
Total	48,522,219	100	46,381,822	100	48,085,422	100

Ord Minnett

Ord Minnett has 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 November 2015. The policy will be reviewed annually in consultation with Ord Minnett.

Bishop Housden Hall – 134 King Street Newcastle NSW

The following building upgrades to Bishop Housden Hall – 134 King Street, Newcastle have continued throughout much of 2016:

- The upgrading of the air conditioning and the removal of the outdated water cooling tower was completed in March 2016.
- The lift has been replaced due to the old lift being at the end of its working life. No spare parts were being produced or were available. The new elevator was commissioned in May 2016.
- The upgrade of the Fire Safety System is due for completion in November 2016.
- The Rooftop upgrade is expected to be completed by the end of November 2016; it will provide additional meeting and gathering space for the Diocesan use.

Bishopscourt

The contract of sale of Bishopscourt was exchanged on 22 May 2015 with an 18 month settlement period; completion is due on 22 November 2016. The Purchaser continues to reside at the property under a residential tenancy agreement until settlement.

Bishops Residence:

The purchase of a new residence for the Bishop settled on 16 October 2015. Following necessary renovation works to the property. The Bishop of Newcastle moved into the property on 11 December 2015.

Unitisation:

The decision to unitise was a joint decision of the Trustees of Church Property and the Diocesan Council in September 2015.

The Trustees of Church Property have now taken steps, in partnership with the Diocese of Melbourne, to transition to the unitisation of the Permanent Trust portfolio from 1 January 2016.

The Diocesan Office continues to work in partnership with the Melbourne Anglican Funds office.

Interest Rates

Interest was paid for the period 1/1/2015 to 31/12/2015 as follows:

Endowment Funds 3.75%
(Less an administrative fee of 5% of total interest)

The Trustees of Church Property, at their meeting of 3rd November 2016, declared the following distributions for 2017 (effective from 1/1/2017):

Endowment Fund 2.5 cents per unit
(Less an administrative fee of 5% of total distribution)

Additional Endowment Funds

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

No.	Name	Parish to which Trust refers	Balance as at 31-12-15
PO508	Parish of Murrurundi Endowment Trust 2015	Murrurundi	\$255,958

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.

Linda Wilson
Acting Secretary to the Trustees of Church Property
Acting Diocesan Business Manager



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

Financial Report
For the Year Ended
31 December 2015

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Trustees of Church Property for The 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 2015, 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

5 May 2016

Newcastle

Trustees of Church Property for The Diocese of Newcastle

ABN 31 876 908 346

Independent Audit Report to the Synod of the Anglican Diocese of Newcastle

Report on the Financial Report

We have audited the accompanying financial report being a special purpose financial report, of Trustees of Church Property for The Diocese of Newcastle, which comprises the statement of financial position as at 31 December 2015, the statement of surplus or deficit and other comprehensive income and statement of changes in funds for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Trustees' Declaration.

Trustees' Responsibility for the Financial Report

The Trustees are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the accounting policies outlined in Note 1 of the financial statements, the *Australian Charities and Not-for-profits Commission Act 2012*, and ensuring that they are appropriate to meet the needs of the Synod of the Anglican Diocese of Newcastle.

The Trustees responsibility also includes such internal control as the Trustees determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Trustees of Church Property for The Diocese of Newcastle

ABN 31 876 908 346

Independent Audit Report to the Synod of the Anglican Diocese of Newcastle

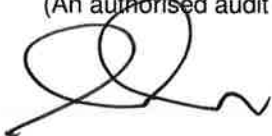
Audit Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of the Trustees of Church Property for The Diocese of Newcastle as at 31 December 2015, and its financial performance for the year then ended in accordance with the accounting policies described in Note 1 of the financial statements and the *Australian Charities and Not-for-profits Commission Act 2012*.

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 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

25 May 2016

Trustees of Church Property for The Diocese of Newcastle

ABN 31 876 908 346

Trustees' Declaration

The Trustees have determined that the entity is not a reporting entity and that these special purpose financial statements should be prepared in accordance with the accounting policies described in Note 1 of the financial statements.

The Trustees declare that:

1. The financial statements and notes, as set out on pages 5 to 19, are in accordance with the accounting policies as described in Note 1 and the *Australian Charities and Not-for-profits Commission Act 2012*; and present fairly, in all material respects, the Trustees of Church Property for the Diocese of Newcastle's financial position as at 31 December 2015 and it's performance for the year ended on that date.
2. In the Trustees opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution by the Trustees made pursuant to s.60.15 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Trustee



Trustee



Dated 24 May 2016

Trustees of Church Property for The Diocese of Newcastle

ABN 31 876 908 346

Statement of Surplus or Deficit and Other Comprehensive Income For the Year Ended 31 December 2015

		2015	2014
	Note	\$	\$
Revenue	2	2,620,486	2,838,811
Depreciation	3	(30,102)	(34,985)
Diocesan Management fee		(256,250)	(250,000)
Trust Management fee		(143,900)	(140,389)
Insurance costs		(36,241)	(40,251)
Occupancy costs		(265,368)	(359,151)
Finance costs	3	(1,930,175)	(1,960,125)
Other expenses		(226,119)	(205,777)
Surplus / (deficit) for the year before income tax		(267,669)	(151,867)
Income tax expense	1(d)	-	-
Surplus / (deficit) for the year after income tax		(267,669)	(151,867)
Other comprehensive income			
Net gain on revaluation of land and buildings		5,760,755	-
Distribution from reserve fund to Diocesan General Fund and Budget Account		(4,887,564)	-
Unrealised gains / (losses) on shares and other equity instruments		(658,979)	855,366
Total comprehensive income for the year		(53,457)	703,499

The accompanying notes form part of these financial statements.

Trustees of Church Property for The Diocese of Newcastle

ABN 31 876 908 346

Statement of Financial Position

As at 31 December 2015

	Note	2015 \$	2014 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	1,632,658	1,206,207
Trade and other receivables	6	949,477	471,607
Financial assets	7	500,000	1,108,930
Non-current assets held for sale	8	1,219,444	-
TOTAL CURRENT ASSETS		4,301,580	2,786,745
NON-CURRENT ASSETS			
Financial assets	7	28,337,207	33,299,096
Property, plant and equipment	9	17,039,912	10,651,883
TOTAL NON-CURRENT ASSETS		45,377,119	43,950,979
TOTAL ASSETS		49,678,699	46,737,724
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	1,156,480	355,902
TOTAL CURRENT LIABILITIES		1,156,480	355,902
NON-CURRENT LIABILITIES			
Permanent Trust Liabilities	11	43,508,140	41,320,312
TOTAL NON-CURRENT LIABILITIES		43,508,140	41,320,312
TOTAL LIABILITIES		44,664,620	41,676,214
NET ASSETS		5,014,079	5,061,510
FUNDS			
Accumulated surplus		(4,958,927)	(1,459,905)
Trust funds	12	713,229	707,203
Revaluation reserve - land and buildings		5,760,755	-
Financial asset reserve		3,499,022	5,814,212
TOTAL FUNDS		5,014,079	5,061,510

The accompanying notes form part of these financial statements.

Trustees of Church Property for The Diocese of Newcastle

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Statement of Changes in Funds For the Year Ended 31 December 2015

2015

	Accumulated Surplus	Trust Funds	Revaluation reserve - land and buildings	Financial asset reserve	Total
Note	\$	\$	\$	\$	\$
Balance at 1 January 2015	(1,459,905)	707,203	-	5,814,212	5,061,510
Operating surplus / (deficit)	(267,669)	-	-	-	(267,669)
Other comprehensive income	-	-	5,760,755	(658,979)	5,101,776
Net movement in trust funds	-	6,026	-	-	6,026
Transfer to accumulated surplus	1,656,211	-	-	(1,656,211)	-
Distribution from reserve fund to Diocesan General Fund and Budget Account	(4,887,564)	-	-	-	(4,887,564)
Balance at 31 December 2015	(4,958,927)	713,229	5,760,755	3,499,022	5,014,079

2014

	Accumulated Surplus	Trust Funds	Revaluation reserve - land and buildings	Financial asset reserve	Total
Note	\$	\$	\$	\$	\$
Balance at 1 January 2014	(1,753,699)	701,217	-	5,404,507	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)	707,203	-	5,814,212	5,061,510

The accompanying notes form part of these financial statements.

Trustees of Church Property for The Diocese of Newcastle

ABN 31 876 908 346

Notes to the Financial Statements

For the Year Ended 31 December 2015

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The Trustees have prepared the financial statements on the basis that the entity is a non-reporting entity because there are no users dependent on general purpose financial statements. These financial statements are therefore special purpose financial statements that have been prepared in order to meet the reporting requirements of the Synod of the Anglican Diocese of Newcastle.

The financial statements have been prepared in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Interpretations) that have a material effect with the following exceptions:

AASB 7 - Financial Instruments: Disclosures
AASB 101 - Presentation of Financial Statements
AASB 107 - Statement of Cash Flows
AASB 116 - Property, Plant and Equipment
AASB 124 - Related Party Disclosures
AASB 132 - Financial Instruments: Presentation
AASB 140 - Investment Property

The significant accounting policies disclosed below are those which the Trustees have determined are appropriate to meet the needs of Synod. Such accounting policies are consistent with the previous period unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes.

(b) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(c) Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

Key estimates - impairment

The entity assesses impairment at each reporting date by evaluating conditions specific to the entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the assets is determined. Fair value less costs to sell or current replacement cost calculations performed in assessing recoverable amounts incorporate a number of key estimates.

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

Trustees of Church Property for The Diocese of Newcastle

ABN 31 876 908 346

Notes to the Financial Statements

For the Year Ended 31 December 2015

1 Summary of Significant Accounting Policies continued

(d) Income Tax

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

(e) Revenue and other income

The entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the entity'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 Diocese of Newcastle

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Notes to the Financial Statements

For the Year Ended 31 December 2015

1 Summary of Significant Accounting Policies continued

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows. The amount of the provision is recognised in the statement of surplus or deficit and other comprehensive income.

(i) Property, Plant and Equipment

Each class of property, plant and equipment, except buildings is carried at cost or fair values as indicated less, where applicable, accumulated depreciation and impairment losses.

Property

Land and buildings acquired at arm's length are valued at cost at the date of acquisition. Land and buildings acquired at no cost or for a nominal consideration are recognised at fair value as at the date of acquisition.

Land and buildings are carried at fair value on the Statement of Financial Position.

Land and Buildings require an independent valuation at least every two years.

Plant and equipment

Plant and equipment is measured on a cost basis. Cost includes expenditure that is directly attributable to the asset.

Depreciation

The depreciable amount of all fixed assets, but excluding buildings and freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use.

Trustees of Church Property for The Diocese of Newcastle

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Notes to the Financial Statements

For the Year Ended 31 December 2015

1 Summary of Significant Accounting Policies continued

(i) Property, Plant and Equipment continued

The depreciation rates used for each class of depreciable asset are shown below:

Class of Fixed Asset	Depreciation rate
Plant and Equipment	5%-33%
Motor Vehicles	20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted appropriately, at the end of each reporting period.

(j) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Assets classified as held for sale are not amortised or depreciated.

(k) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the entity during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(l) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

(m) Trust 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.

Trustees of Church Property for The Diocese of Newcastle

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Notes to the Financial Statements For the Year Ended 31 December 2015

2 Revenue

	2015	2014
	\$	\$
Revenue from ordinary operations		
- Interest received	280,545	360,285
- Dividends received	1,705,706	1,695,071
- Rent received	487,883	624,467
- Bishops Court trust income	30,131	38,295
- Trust management fee income	96,509	94,912
- Sundry income	19,711	25,780
Total Revenue	<u>2,620,486</u>	<u>2,838,811</u>

3 Surplus for the Year

(a) Expenses

Finance costs - interest paid:

- Diocesan Trusts	377,852	434,888
- Parish Trusts	796,947	753,645
- Tyrrell Trusts	748,441	744,941
- Temporary Trust	-	19,725
- Sundry Trust and Bank	6,934	6,926
- Total finance costs	<u>1,930,174</u>	<u>1,960,125</u>

Depreciation

- Depreciation - plant and equipment	10,014	14,700
- Depreciation - motor vehicles	20,088	20,285
Total depreciation expense	<u>30,102</u>	<u>34,985</u>

4 Auditors' Remuneration

During the year the following fees were paid or payable for services provided by the auditor:

Assurance services

- Audit fees - Cutcher & Neale	15,750	15,300
- other assurance services	12,200	25,640
	<u>27,950</u>	<u>40,940</u>

Trustees of Church Property for The Diocese of Newcastle

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Notes to the Financial Statements For the Year Ended 31 December 2015

5 Cash and cash equivalents

	2015	2014
	\$	\$
Cash at bank and in hand	<u>1,632,658</u>	<u>1,206,207</u>

6 Trade and other receivables

CURRENT		
Sundry receivables	821,406	364,249
Prepayments	3,520	6,240
ATO receivables	48,153	25,882
Inter-entity payables - other Diocesan entities	36,685	8,344
Interest receivable	39,713	66,892
Total trade and other receivables	<u>949,477</u>	<u>471,607</u>

7 Financial assets

CURRENT		
Other financial assets - at cost (b)	500,000	1,000,000
Loans and receivables	-	108,930
Total current assets	<u>500,000</u>	<u>1,108,930</u>
NON-CURRENT		
Other financial assets - at cost (a), (b)	3,636,000	3,636,000
Available for sale financial assets	24,551,831	28,124,589
Loans and receivables	149,376	1,538,507
Total non-current assets	<u>28,337,207</u>	<u>33,299,096</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 9(b).

(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 Diocese of Newcastle

ABN 31 876 908 346

Notes to the Financial Statements For the Year Ended 31 December 2015

7 Financial assets continued

(c) Shares and other equity instruments - at fair value

Listed equity instruments are re-valued based on quoted market values monthly. Realised and un-realised gains/(losses) on shares and other listed equity instruments are recognised within other comprehensive income. Dividends on shares are recognised in comprehensive income on the date the dividend is declared. Equity instruments are not held for speculative or trading purposes. Financial assets allocated to the investment portfolio have been disclosed as non-current assets.

8 Non-current assets held for sale

	2015	2014
	\$	\$
Land and buildings held for sale - at cost less deposit held	<u>1,219,444</u>	-

9 Property, plant and equipment

LAND AND BUILDINGS

Work in progress	278,130	1,920
Land and buildings at fair value (i)	<u>16,677,148</u>	10,515,887
Total land and buildings	<u>16,955,278</u>	10,517,807

Plant and equipment

At cost	454,986	515,557
Accumulated depreciation	<u>(438,262)</u>	(476,365)
Total plant and equipment	<u>16,724</u>	39,192

Motor vehicles

At cost	77,822	108,053
Accumulated depreciation	<u>(9,912)</u>	(13,169)
Total motor vehicles	<u>67,910</u>	94,884

Total property, plant and equipment	<u>17,039,912</u>	<u>10,651,883</u>
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(i) A valuation was performed at 31 December 2015 on land and buildings owned by the Trustees of Church Property for the Diocese of Newcastle. Prior to this valuation properties were recorded at cost.

Trustees of Church Property for The Diocese of Newcastle

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Notes to the Financial Statements For the Year Ended 31 December 2015

9 Property, plant and equipment continued

(a) 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 and Buildings	Plant and Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Year ended 31 December 2015					
Balance at the beginning of year	1,920	10,515,887	39,192	94,884	10,651,883
Additions	276,210	2,100,277	7,218	41,467	2,425,172
Disposals - written down value	-	(480,327)	(19,672)	(48,353)	(548,352)
Transfers to held for sale	-	(1,219,444)	-	-	(1,219,444)
Depreciation expense	-	-	(10,014)	(20,088)	(30,102)
Revaluation increment	-	5,760,755	-	-	5,760,755
Balance at the end of the year	278,130	16,677,148	16,724	67,910	17,039,912

	Capital Works in Progress	Land and Buildings	Plant and Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Year ended 31 December 2014					
Balance at the beginning of year	-	10,515,887	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 the end of the year	1,920	10,515,887	39,192	94,884	10,651,883

(b) 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.

Trustees of Church Property for The Diocese of Newcastle

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Notes to the Financial Statements For the Year Ended 31 December 2015

10 Trade and other payables

	2015	2014
	\$	\$
CURRENT		
Trade payables	868,331	344,383
Unexpended funds	10,065	-
GST payable	10,885	11,519
Inter-entity payables - other Diocesan entities	267,199	-
	<u>1,156,480</u>	<u>355,902</u>

11 Permanent Trust Liabilities

NON-CURRENT		
Permanent trust liabilities	<u>43,508,140</u>	<u>41,320,312</u>

12 Trust Funds

Tyrrell Trust Endowments	<u>713,229</u>	<u>707,203</u>
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(a) Purpose of Trust Funds

Trust funds are established by bequest or other instrument to the Trustees of Church Property for the Diocese of Newcastle. Trust funds are maintained for the charitable purposes established by the instrument forming the trust.

(b) Movements in Trusts

Tyrrell Trust Endowments		
Balance at beginning of year	707,203	701,217
Transfers in/(out)	6,026	5,986
Balance at end of year	<u>713,229</u>	<u>707,203</u>

13 Financial Risk Management

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

Trustees of Church Property for The Diocese of Newcastle

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Notes to the Financial Statements For the Year Ended 31 December 2015

13 Financial Risk Management continued

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

	2015	2014
	\$	\$
Financial Assets		
Cash and cash equivalents	1,632,658	1,206,207
Trade and other receivables	949,478	471,607
Other financial assets - current	500,000	1,000,000
Loans and receivables - current	-	108,930
Other financial asset - non-current	3,636,000	3,636,000
Shares and other equity instruments	24,551,831	28,124,589
Loans and receivables - non-current	149,376	1,538,507
Total financial assets	31,419,343	36,085,840
Financial Liabilities		
Trade and other payables	1,156,480	355,902
Financial liabilities	43,508,140	41,320,312
Total financial liabilities	44,664,620	41,676,214

Financial risk management policies

The Trustees have overall responsibility for the establishment of the entity's financial risk management framework. This includes the development of policies covering specific areas such as interest rate risk, credit risk and market risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the entities' activities.

The day-to-day risk management is carried out by the entity's finance function under policies and objectives which have been approved by the Trustees. The Business Manager has been delegated the authority for designing and implementing processes which follow the objectives and policies.

The Trustees receive bi-monthly reports which provide details of the effectiveness of the processes and policies in place.

Trustees of Church Property for The Diocese of Newcastle does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Mitigation strategies for specific risks faced are described below:

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Trustees of Church Property for The Diocese of Newcastle

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Notes to the Financial Statements For the Year Ended 31 December 2015

13 Financial Risk Management continued

Credit risk continued

Credit risk is managed through a collection policy accordingly based on the amount, ageing and circumstances related to the outstanding amounts. The level of debt and the doubtful debts provision is reviewed regularly by the Trustees. Any debts required to be formally recovered by legal action by management are done so in accordance with the collection policy.

The Trustees do not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into.

Liquidity risk

Liquidity risk arises from the possibility that the Trustees of Church Property for The Diocese of Newcastle might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Trustees manage this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operation, investing and financing activities which are monitored on a monthly basis;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Typically, Trustees of Church Property for the 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 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.

Trustees of Church Property for The Diocese of Newcastle

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Notes to the Financial Statements For the Year Ended 31 December 2015

13 Financial Risk Management continued

Market risk continued

(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.

Trustees of Church Property for The Diocese of Newcastle

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Statement by the Secretary of Trustees of Church Property for the Diocese of Newcastle

The accounting records have been maintained, and in my opinion, the financial statements as presented give a true and fair view of the operations of the Trustees of Church Property for the Diocese of Newcastle for the year ended 31 December 2015, and the state of its affairs at that date, in compliance with applicable Australian Accounting Standards, *Australian Charities and Not-for-profits Commission Act 2012* and other mandatory professional requirements as set out in Note 1 of the financial statements.



A handwritten signature in black ink, appearing to read 'John Cleary', is written over a horizontal dotted line. The signature is fluid and cursive, starting with a vertical stroke on the left and ending with a small flourish on the right.

John Cleary - Secretary

Dated 24 May 2016