

CATHOLIC DIOCESE OF CHRISTCHURCH

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2010

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Directory

Bishop	<i>Most Reverend Barry Jones DD</i>
Bishop Emeriti	<i>Most Reverend John Cunneen DD Most Reverend Basil Meeking DD</i>
Vicar General	<i>Reverend Rick Loughnan</i>
Chancellor	<i>Reverend Monsignor James Harrington</i>
College of Consultors	<i>Reverend Peter Costello Reverend Simon Eccleton Reverend John Fitzmaurice Reverend Monsignor James Harrington Reverend Rick Loughnan Reverend Monsignor Gerard O'Connor</i>
Diocesan Management and Finance Board	<i>Geoff Bailey, Chairman Greg Bevin Stephen Boock Most Reverend Barry Jones DD Rex Lynch George Macfarlane Barbara Matthews Brian Phillips Murray Winder</i>
Diocesan Education Council	<i>Rex Lynch, Chairman Reverend John Fitzmaurice Robin Kilworth David Lamb (RIP 27.08.09) Reverend Monsignor Gerard O'Connor</i>
Diocesan Welfare Council	<i>Murray Winder, Chairman Charlotte Boyes Mary Caldwell Brian Cowan Brian Dilger Joan Doocey John Kennedy Lynda Macdonald Kerry McCashin Reverend Kevin Wei</i>

Executive Directory

Managers

Diocesan Financial Administrator	Paddy Beban
Catholic Education Office	Mike Nolan
Diocesan Youth Team	Chris Lysaght
Catholic Social Services	Jon Brian
Finance	Janice Rennell
Pastoral Planning Office	Mike Stopforth

Auditor

Ernst & Young
 34-36 Cranmer Square
 Christchurch

Solicitors

Cavell Leitch Law
 Level 15
 Clarendon Towers
 Cnr Oxford Terrace & Worcester Street
 Christchurch

Investment Advisors

JB Were Pty. (NZ) Ltd
 Level 6
 HSBC Tower
 62 Worcester Boulevard
 Christchurch

Bankers

Westpac
 Level 4
 Canterbury Centre
 166 Cashel Street
 Christchurch

Engineers

Eliot Sinclair & Partners Ltd
 Level 5
 Transport House
 151 Kilmore Street
 Christchurch

Opus International Consultants Ltd
 20 Moorhouse Avenue
 Christchurch

Location

Cathedral House
 122 Barbadoes Street
 Christchurch

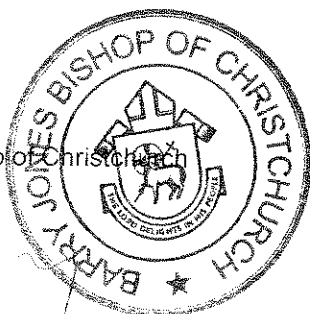
**Catholic Diocese of Christchurch
Statement of Financial Position
As At 30 June 2010**

	Notes	30 June 2010 '000	30 June 2009 '000
Current Assets			
Cash and Cash Equivalents		2,439	1,904
Trade and Other receivables	3	631	402
Inventories		23	19
Other Financial Assets	5	11,311	9,743
Property Under Development		459	1,310
Total Current Assets		14,863	13,378
Non Current Assets			
Other Financial Assets	5	18,750	14,571
Property, Plant and Equipment	6	121,887	120,565
Intangible Assets	7	15	5
Total Non Current Assets		140,652	135,141
Current Liabilities			
Trade and Other Payables	8	878	1,041
Borrowings	9	715	672
Total Current Liabilities		1,593	1,713
Non Current Liabilities	9	5,352	5,262
Net Assets		<u>148,570</u>	<u>141,544</u>
Total Equity	10	<u>148,570</u>	<u>141,544</u>

For and on behalf of the Board of Management and Finance, which authorised the issue of the financial report on 27 October 2010

+ 

+ Barry Jones
Roman Catholic Bishop of Christchurch



H G Bailey
Chairman

**Catholic Diocese of Christchurch
Statement of Changes in Equity
For the Year Ending 30 June 2010**

	<i>Notes</i>	2010 Actual '000	2009 Actual '000
Opening Equity		141,544	139,564
Net Operating Surplus for the period		6,263	1,765
Other Comprehensive Income		763	215
Total Comprehensive Income for the Period		<u>7,026</u>	<u>1,980</u>
Closing Equity	<i>10</i>	<u>148,570</u>	<u>141,544</u>



**Catholic Diocese of Christchurch
Statement of Comprehensive Income
For the Year Ending 30 June 2010**

2009 Actual		Notes	2010 Budget (Unaudited)	2010 Actual
'000			'000	'000
	Operating Income			
916	Grants and Donations		664	863
547	Allocations		550	560
2,563	Government Grants	13	2,732	2,946
2,299	Investment Income		2,001	5,068
2,419	Other Income	14	2,631	3,060
<u>8,744</u>	Total		<u>8,578</u>	<u>12,497</u>
	Less Expenditure			
2,094	Employee Benefits & Expenses		2,213	2,171
409	Consultancy		314	460
1,779	Depreciation & Amortisation		1,586	1,794
537	School Maintenance		100	317
159	Finance Costs		198	161
2,502	Other Expenses		1,512	1,825
<u>7,480</u>	Total		<u>5,923</u>	<u>6,728</u>
1,264	Net Operating Surplus		2,655	5,769
501	Non Operating Revenue	15	454	494
1,765	Total Surplus recognised for period	18	3,109	6,263
1,454	Internal Recoveries		1,346	1,423
(1,454)	Less Internal Charges		(1,346)	(1,423)
<u>0</u>			<u>0</u>	<u>0</u>
(2,704)	Net Transfers (to)/from Special Funds		(555)	(2,057)
<u>(939)</u>	Net Surplus (after internal transfers)	16	<u>2,554</u>	<u>4,206</u>
	Other Comprehensive Income			
	Fair Value gains/losses on Available for Sale Assets			
(17)	Unrealised Gains Reserve on Shares		0	113
232	Unrealised Gains Reserve on Bonds		0	650
<u>215</u>	Total Other comprehensive Income		<u>0</u>	<u>763</u>
(2,641)	Capital Expenditure	17	(4,507)	(3,241)
442	Loan Principal Receipts		998	1,073
(213)	Loan Principal Repayments		(230)	(474)
<u>(3,136)</u>	Total Comprehensive Income		<u>(1,185)</u>	<u>2,327</u>
	(after internal transfers and capital expenditure)			
	Net Cost by Activity			
(680)	Ministry of Liturgy		(875)	(785)
138	Ministry of the Word		1,838	412
(495)	Ministry of Charity		(556)	(533)
98	Overheads		2,147	5,112
<u>(939)</u>	Total Net Cost		<u>2,554</u>	<u>4,206</u>

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

**Catholic Diocese of Christchurch
Statement of Cash Flows
For the Year Ended 30 June 2010**

	2010	2009
	Note '000	'000
Cash Flows From Operating Activities		
Cash was provided from:		
Grants and Donations Received	863	916
Allocations Received	560	547
Government Grants Received	2,946	2,563
Investment Income Received	5,162	2,361
Net GST Received	0	440
Other Income Received	1,655	1,724
	<u>11,186</u>	<u>8,551</u>
Cash was applied to:		
Payments to employees and suppliers	4,553	5,768
Interest Paid	161	159
Net GST Payments	493	0
	<u>5,207</u>	<u>5,927</u>
Net Cash Inflow (Outflow) From Operating Activities	18 5,979	2,624
Cash Flows From Investing Activities		
Cash was provided from:		
Disposal of Property, Plant & Equipment	2,062	4,670
	<u>2,062</u>	<u>4,670</u>
Cash was applied to:		
Acquisition of Property, Plant & Equipment	3,007	4,790
Increase in Investments	5,149	2,451
	<u>8,156</u>	<u>7,241</u>
Net Cash Inflow (Outflow) From Investing Activities	(6,094)	(2,571)
Cash Flows From Financing Activities		
Cash was provided from:		
Advance of Term Liabilities	1,124	443
	<u>1,124</u>	<u>443</u>
Cash was applied to:		
Repayment of Term Liabilities	474	213
	<u>474</u>	<u>213</u>
Net Cash Inflow (Outflow) From Financing Activities	650	230
Net Increase (Decrease) In Cash Funds	535	283
Cash balance as at 1 July 2009	1,904	1,621
Cash balance as at 30 June 2010	<u>2,439</u>	<u>1,904</u>
This total is recorded in the financial statements as:		
Cash and Cash Equivalents	<u>2,439</u>	<u>1,904</u>

Catholic Diocese of Christchurch
Statement of Cost of Services - Ministry of Liturgy : "To Sanctify"
For the Year Ending 30 June 2010

2009 Actual '000		2010 Budget (Unaudited) '000	2010 Actual '000
	Operating Income		
187	Grants and Donations	146	121
170	Other Income	123	146
<u>357</u>	Total	<u>269</u>	<u>267</u>
	Less Expenditure		
351	Personnel Costs	380	383
7	Consultancy	10	1
111	Depreciation	111	112
1	Interest on Loans	0	0
540	Other	626	605
<u>1,010</u>	Total	<u>1,127</u>	<u>1,101</u>
(653)	Net Operating (Deficit)	(858)	(834)
<u>0</u>	Non Operating Revenue	<u>0</u>	<u>0</u>
(653)	Total (Deficit) recognised for period	(858)	(834)
5	Internal Recoveries	9	51
(108)	Less Internal Charges	(104)	(156)
<u>(103)</u>		<u>(95)</u>	<u>(105)</u>
76	Net Transfers (to)/from Special Funds	78	154
<u>(680)</u>	Net (Deficit)	<u>(875)</u>	<u>(785)</u>
(18)	Capital Expenditure	(95)	(81)
0	Loan Principal Receipts	0	0
0	Loan Principal Repayments	0	0
<u>(698)</u>	Net Operating (Deficit)	<u>(970)</u>	<u>(866)</u>
	(after internal transfers and capital expenditure)		
	Net Cost by Activity		
(269)	Pastoral Initiatives	(304)	(272)
(93)	Pastoral Planning Office	(113)	(97)
(78)	Chaplaincy	(113)	(73)
(104)	Priestly Formation	(239)	(188)
(136)	Cathedral	(106)	(155)
0	Cathedral Music	0	0
<u>(680)</u>	Total Net Cost	<u>(875)</u>	<u>(785)</u>

Catholic Diocese of Christchurch
Statement of Cost of Services - Ministry of The Word : "To Teach"
For the Year Ending 30 June 2010

2009 Actual		2010 Budget (Unaudited)	2010 Actual
'000		'000	'000
	Operating Income		
153	Grants and Donations	25	7
2,483	Government Grants	2,660	2,863
72	Investment Income	53	53
966	Other Income	790	1,552
<u>3,674</u>	Total	<u>3,528</u>	<u>4,475</u>
	Less Expenditure		
694	Personnel Costs	757	709
127	Consultancy	98	156
1,531	Depreciation	1,354	1,555
537	School Maintenance	100	317
158	Interest on Loans	198	161
351	Other	345	346
<u>3,398</u>	Total	<u>2,852</u>	<u>3,244</u>
276	Net Operating Surplus	676	1,231
<u>0</u>	Non Operating Revenue	<u>0</u>	<u>0</u>
<u>276</u>	Total Surplus recognised for period	<u>676</u>	<u>1,231</u>
471	Internal Recoveries	509	512
(534)	Less Internal Charges	(554)	(571)
<u>(63)</u>		<u>(45)</u>	<u>(59)</u>
(75)	Net Transfers (to)/from Special Funds	1,207	(760)
<u>138</u>	Net Operating Surplus/(Deficit)	<u>1,838</u>	<u>412</u>
(2,246)	Capital Expenditure - Diocesan Schools	(4,282)	(2,472)
(78)	Capital Expenditure - Other	(25)	(437)
(2,324)	Total Capital Expenditure	(4,307)	(2,909)
442	Loan Principal Receipts	998	1,073
(213)	Loan Principal Repayments	(230)	(474)
<u>(1,957)</u>	Net (Deficit)	<u>(1,701)</u>	<u>(1,898)</u>
	(after internal transfers and capital expenditure)		
	Net Cost by Activity		
64	Catholic Education Office	(4)	12
117	Attendance Dues	100	372
303	Diocesan Schools	2,104	334
(269)	Youth and Young People	(265)	(210)
(77)	Tertiary Chaplaincy	(97)	(96)
0	CCJP	0	0
<u>138</u>	Total Net Cost	<u>1,838</u>	<u>412</u>

Catholic Diocese of Christchurch
Statement of Cost of Services - Ministry of Charity : "To Care For"
For the Year Ending 30 June 2010

2009 Actual '000		2010 Budget (Unaudited) '000	2010 Actual '000
	Operating Income		
403	Grants and Donations	343	365
80	Government Grants	72	83
247	Other Income	237	240
<u>730</u>	Total	<u>652</u>	<u>688</u>
	Less Expenditure		
478	Personnel Costs	510	511
13	Consultancy	13	23
67	Depreciation	64	64
402	Other	393	417
<u>960</u>	Total	<u>980</u>	<u>1,015</u>
(230)	Net Operating Surplus	(328)	(327)
<u>0</u>	Non Operating Revenue	<u>0</u>	<u>0</u>
(230)	Total Surplus recognised for period	(328)	(327)
35	Internal Recoveries	42	22
(273)	Less Internal Charges	(265)	(274)
<u>(238)</u>		<u>(223)</u>	<u>(252)</u>
(27)	Net Transfers (to)/from Special Funds	(5)	46
<u>(495)</u>	Net Operating Surplus/(Deficit)	<u>(556)</u>	<u>(533)</u>
(59)	Capital Expenditure	(14)	(2)
0	Loan Principal Receipts	0	0
0	Loan Principal Repayments	0	0
<u>(554)</u>	Net Operating Surplus/(Deficit) (after internal transfers and capital expenditure)	<u>(570)</u>	<u>(535)</u>
	Net Cost by Activity		
30	Welfare - Catholic Social Services	(38)	(4)
(6)	Welfare - Other	(18)	0
(302)	Governance	(276)	(302)
(120)	Bishop's Conference	(123)	(125)
(10)	Catholic Shop	(6)	0
(11)	Tribunal	(12)	(12)
(69)	Thanks Giving	(77)	(79)
(7)	Inform	(6)	(11)
<u>(495)</u>	Total Net Cost	<u>(556)</u>	<u>(533)</u>

Catholic Diocese of Christchurch
Statement of Cost of Services - Overhead Activities
For the Year Ending 30 June 2010

2009 Actual		2010 Budget (Unaudited)	2010 Actual
'000		'000	'000
	Operating Income		
173	Grants and Donations	150	370
547	Allocations	550	560
2,227	Investment Income	1,948	5,015
1,036	Other Income	1,481	1,122
<u>3,983</u>	Total	<u>4,129</u>	<u>7,067</u>
	Less Expenditure		
571	Personnel Costs	566	568
262	Consultancy	148	280
70	Depreciation	57	63
1,209	Other	173	457
<u>2,112</u>	Total	<u>944</u>	<u>1,368</u>
1,871	Net Operating Surplus	3,185	5,699
<u>501</u>	Non Operating Revenue	<u>454</u>	<u>494</u>
2,372	Total Surplus recognised for period	3,639	6,193
943	Internal Recoveries	786	838
<u>(539)</u>	Less Internal Charges	<u>(423)</u>	<u>(422)</u>
<u>404</u>		<u>363</u>	<u>416</u>
(2,678)	Net Transfers (to)/from Special Funds	(1,855)	(1,497)
<u>98</u>	Net Surplus (after internal transfers)	<u>2,147</u>	<u>5,112</u>
(240)	Capital Expenditure	(131)	(249)
0	Loan Principal Receipts	0	0
0	Loan Principal Repayments	0	0
<u>(142)</u>	Net Surplus	<u>2,016</u>	<u>4,863</u>
	(after internal transfers and capital expenditure)		
	Net Cost by Activity		
0	Diocesan Financial Administrator	(1)	0
5	Cathedral House Building	0	0
(1,540)	Other Diocesan Properties	(55)	41
0	Administration	0	0
0	Insurance	0	0
1,046	Other Income	1,006	1,049
587	Investment Income	1,197	4,022
<u>98</u>	Total Net Cost	<u>2,147</u>	<u>5,112</u>

CATHOLIC DIOCESE OF CHRISTCHURCH

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. Corporate Information

The Roman Catholic Bishop of the Diocese of Christchurch is a corporation sole established in civil law under the statutory authority of the Roman Catholic Bishops Empowering Act 1997. The Roman Catholic Bishop of the Diocese of Christchurch is domiciled in Christchurch, New Zealand.

These financial statements relate to the administration function and other prime responsibilities of the Roman Catholic Bishop of the Diocese of Christchurch. There are other assets which are owned by the Roman Catholic Bishop of the Diocese of Christchurch (Diocese) as a corporation sole, for example, parishes, which are not included in these financial statements.

The primary objective of the Diocese is to provide administration services for the Catholic community rather than making a financial return. Accordingly, the Diocese has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Diocese are for the year ended 30 June 2010. The financial statements were authorised for issue by the Management and Finance Board on 27 October 2010.

2. Statement of Accounting Policies

Basis of preparation:

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. The financial statements have also been prepared on a historical cost basis, except for investments, which have been measured at fair value; and land, buildings and property under development which have been measured at deemed cost.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of the Diocese is New Zealand dollars.

Statement of Compliance:

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities applying differential reporting.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Standards and interpretation issued and not yet adopted

Other Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Diocese for the annual reporting period ending 30 June 2010. These are outlined below:

Reference	Title	Summary	Application date of standard	Impact on Diocese's Financial Statements	Application date for Diocese
NZ IFRS 9	Financial Instruments	This standard is part of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . The standard applies to financial assets, their classification and measurement. All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value.	1 January 2013	The Diocese's financial assets are currently measured at fair value, the impact on the Diocese's financial statements is expected to be minimal.	1 April 2013
NZ IAS 24	Related party Disclosures (Revised 2009)	This Standard makes amendments to New Zealand Accounting Standard NZ IAS 24 <i>Related Party Disclosures</i> . The amendments simplify the definition of a related party and provide a partial exemption from the disclosure requirements for government-related entities.	1 January 2011	The impact of this standard on the Diocese's financial statements is expected to be minimal.	1 April 2011
Improvements to NZ Equivalents to IRFS	Amendments to NZ Accounting Standards arising from the Annual Improvements Project	The amendments to some standards result in accounting changes for presentational, recognition or measurement purpose	1 January 2010	The impact of this standard on the Diocese's financial statements is expected to be minimal.	1 July 2010

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

(a) Differential Reporting

The Catholic Diocese of Christchurch qualifies for differential reporting because it is not publicly accountable and the Roman Catholic Bishop of the Diocese of Christchurch is corporation sole under The Roman Catholic Bishops' Empowering Act 1997. The Bishop is the beneficial owner and governing body for the diocese. The Diocese has taken advantage of all differential reporting exemptions, with the exception of NZ IAS 7 Statement of Cash Flows.

(b) Goods and Services Tax (GST)

These financial statements have been prepared on a GST exclusive basis except for Receivables and Payables in the Statement of Financial Position, which are recorded at their GST inclusive values.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD)

is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to the investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

(c) Income Tax

The Catholic Diocese of Christchurch is exempt from income taxation under the provisions of section CW41 and CW42 of the Income Tax Act 2007.

(d) Revenue Recognition

1. 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 Diocese and the revenue can be reliably measured.
2. Interest income is recognised 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.
3. Dividends are recognised when received.
4. Gifts, donations and bequests are recorded as income for the year in which they are received.
5. Property Sales are recognised at the date of settlement.

(e) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(f) Trade and Other Receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Diocese will not be able to collect all amounts due according to the original terms of receivables. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest rate computed at initial recognition.

(g) Inventory

Inventory represents Catholic Shop inventory on hand as at balance date. Inventories are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the First In First Out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

The write down from cost to current replacement cost or net realisable value is recognised in the income statement.

(h) Property Under Development

Property under Development represents unsold lots, as at balance date, in the Catherine Fields subdivision in Rolleston. It is measured at the deemed cost of the original land, plus development expenditure incurred to balance date, less the cost of sections sold.

(i) Financial Assets

The Diocese classifies its financial assets into the following categories: loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determine the classification of investments at initial recognition and re-evaluate this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the income statement.

Purchases and sales of investments are recognised on trade-date, the date on which the Diocese commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Diocese has transferred substantially all the risks and rewards of ownership.

1. Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the income statement. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

Currently, the Diocese has short term deposits and trade and other receivables in this category.

2. Available for sale financial assets

These are non-derivative financial assets, principally equity securities and fixed interest deposits that are designated as available for sale or are not classified as loans and receivables. After initial recognition available for sale assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised as profit or loss.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The fair value of available for sale financial assets has been determined by Goldman Sachs JB Were (NZ) Ltd. Equity investments are at market value as determined by the various stock exchanges that the assets are held on, eg NZX, ASX, FTSE, NYSE. For fixed interest deposits, market value is determined by either the NZX Debt market or the Trading Banks market spread data for those securities that do not trade on the NZ Debt market platform.

Currently, the Diocese has equity securities and fixed interest deposits in this category.

(j) Impairment of Financial Assets

At each balance date the Diocese assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the income statement.

(i) Available for Sale Financial Assets

For available for sale financial assets, classed as fair value through equity, a significant or prolonged decline in the fair value of the investment below its cost is considered an indicator of impairment. If such evidence exists the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement.

(ii) Loans and receivables

Impairment of a loan or a receivable is established when there is objective evidence that the Diocese will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/client, probability that the debtor/client will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. Impairment losses are recognised directly against the instruments carrying amount.

(k) Property, Plant & Equipment

Property, plant and equipment consist of:

- Land and Buildings;
- School Improvements;
- Computer equipment;
- Furniture, fixtures and equipment;
- Motor vehicles and
- Work in Progress.

Property, plant and equipment are shown at cost less accumulated depreciation and accumulated impairment losses. Cost represents the value of the consideration given to acquire the asset and the value of other directly attributable costs that have been incurred in bringing the asset to the location and condition necessary for its intended use.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the income statement.

Depreciation

Depreciation is provided on a straight line basis on all property plant and equipment excluding land and work in progress at rates that will write off the cost (or deemed cost) of the assets to their estimated residual values over their estimated useful lives. The depreciation rates are as follows:

Buildings	50 years	2%
Computer Equipment	3 years	33%
Furniture, Fixtures and Equipment	20 years	5%
Motor Vehicles	4 years	25%
School improvements	5 -60 years	1.7% - 20%

The estimated useful lives and residual values are reviewed at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(l) Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(m) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Diocese conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or circumstances indicate that the impairment may have reversed.

(n) Foreign Currencies

Transactions in foreign currencies are initially recorded in the functional currency by applying a rate of exchange ruling at the date of the transaction.

At balance date foreign monetary assets are translated at the closing rate, and exchange variations arising from these translations are recognised in the income statement.

(o) Provisions

Provisions are recognised when the Diocese has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Diocese expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(p) Employee benefits

Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave, sick leave and retirement entitlements when there is a present obligation arising from a past event.

Short-term benefits

Employee benefits that the Diocese expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay, which are expected to approximate to the remuneration rate expected to apply at the time of settlement.

These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken at balance date and expected to be taken within the next 12 months and accumulating sick leave.

The Diocese recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Diocese anticipate it will be used by staff to cover those future absences.

(q) Intangible assets*Software*

Software is a finite life intangible asset and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives between 1 and 3 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period

Costs associated with maintaining computer software are recognised as an expense when incurred.

Software Licenses

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use, the specific software.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the income statement

The useful lives and associated amortisation rates for software have been estimated as follows:

Software	3 years	33%
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(r) Trade and Other Payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the borrowings.

Borrowings are classified as current liabilities unless the Diocese has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred. The Diocese does not currently hold qualifying assets but if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(t) Government Grants

Government Grants are recorded as income in the income statement when they are received. Any surplus/deficit remaining in the cost centre at balance date is transferred to/from equity by way of a special reserve relating to that cost centre.

The Diocese receives government grants relating to Diocesan schools and from Child Youth and Family. There is an obligation to use the grants for the purpose they were granted for.

(u) Suspensory Loans

Suspensory Loans in respect of diocesan schools have been recorded at their historic value less the proportion of the loan forgiven by the Government to date. Suspensory Loans are forgiven over a twenty-five year period from the date that the loans were originally advanced.

3. Trade and other Receivables

	2010 '000	2009 '000
Trade & Other Debtors	451	272
(less Provision for Impairment of Debtors)	(3)	(16)
Interest Receivable	0	94
GST Receivable	132	0
Prepayments	51	52
Total	631	402

4. Provision for Impairment of Debtors

	2010 '000	2009 '000
As at 1 July	16	0
Arising during the year	3	16
Used during the year	(16)	(0)
As at 30 June	3	16

This provision relates to debtors where it is evident that not all amounts due will be able to be collected.

5. Other Financial Assets

	2010 '000	2009 '000
Catholic Development Fund Deposits	8,094	5,231
Bonds & Notes	13,500	12,562
Mortgage	0	540
Loans	4	0
Catholic Development Fund Equity (see Note 19)	5,353	3,402
Shares	3,110	2,579
Total	30,061	24,314
Less Current Portion	(11,311)	(9,743)
Total Non Current Investments	18,750	14,571

For details of impairment of Financial Assets refer to Notes 10 and 16.

6. Property Plant & Equipment

30 June 2010	Cost '000	Current Yr Depn. '000	Accum Depn '000	Book Value '000
Land	45,479	0	0	45,479
Buildings	22,952	460	1,799	21,153
Buildings (Work in Progress)	77	0	0	77
Furniture & Equipment	658	67	350	308
Motor Vehicles	349	40	297	52
School Improvements	59,082	1,224	5,401	53,681
School Improvements (Work in progress)	1,137	0	0	1,137
Total	129,734	1,791	7,847	121,887

30 June 2009	Cost '000	Current Yr Depn. '000	Accum Depn '000	Book Value '000
Land	45,204	0	0	45,204
Buildings	22,912	459	1,340	21,572
Buildings (Work in Progress)	40	0	0	40
Furniture & Equipment	506	71	287	219
Motor Vehicles	346	50	257	89
School Improvements	55,859	1,193	4,177	51,682
School Improvements (Work in progress)	1,759	0	0	1,759
Total	126,626	1,773	6,061	120,565

Land and buildings contained in fixed assets to the value of \$338,000 have been donated for specific use as a tertiary chaplaincy centre. Should the Diocese cease to use the building for the purpose specified in the original terms of the donation, ownership of the building will revert to the previous owners. Diocesan management consider the likelihood of this occurring to be remote.

7. Intangible Assets

	Cost or Revaluation '000	Current Yr Depn. '000	Accum Depn '000	Book Value '000
30 June 2010				
Software	103	3	88	15
30 June 2009				
Software	90	5	85	5

8. Trade and Other Payables

	2010 '000	2009 '000
Creditors & Accruals	578	453
GST Payable	0	338
Employee Entitlements	155	116
Other Current Liabilities	145	134
Total	878	1,041

9. Borrowings

Pre-suspensory and Suspensory Loans are secured over school land and buildings. The majority of the Other Loans and Mortgages are unsecured, being in respect of properties owned by the Catholic Diocese.

Pre-Suspensory loans are with Ichthus Limited. The interest rate is 7.5% p.a. These loans will be repaid by the year 2013.

Suspensory Loans are forgiven by the Government over a twenty-five year period; these loans are interest free and will be forgiven by the year 2023. Loans forgiven in 2010 amounted to \$401,000 (2009: \$402,000).

Other Loans are held with the Catholic Development Fund. The current interest rates on these loans vary from 0% p.a. to 8.5% p.a.

	2010 '000	2009 '000
Pre-suspensory Loans	218	393
Suspensory Loans	3,123	3,524
Other Loans	2,479	1,748
Future GST Liability	247	269
Total	6,067	5,934
Less Current Portion	(715)	(672)
Total Non Current Liabilities	5,352	5,262

10. Equity

Equity is made up of general equity, special purpose funds and unrealised gain reserves.

The special purpose funds result from:

- bequests that have restrictions over their use;
- contractual funding for specific purposes;
- decisions taken by the Diocesan Management and Finance Board to set funds aside for a specific purpose.

Sufficient cash and investment balances are retained to cover these special purpose funds.

The unrealised gains reserves are used to record increments and decrements in the fair value of available for sale assets.

Equity	2010 '000	2009 '000
General Equity	126,378	122,172
Special Purpose Funds	21,460	19,403
Unrealised Gains Reserves	732	(31)
Total Equity	148,570	141,544

Special Purpose Funds

	2010	2009
Education - Diocesan School Capital & Maintenance Programme	3,894	2,909
Education - Attendance Dues	(21)	(25)
Education - General	529	510
Youth	39	39
Youth & Education	119	114
Catholic Social Services	781	768
Pastoral - Missionary	218	206
Pastoral - Ongoing Formation, Education & Seminary	1,171	964
Aged Care - Armstrong Village	604	571
Bishop's Capital Health Fund (90% Income distributed to Clergy Health Fund)	214	206
Gamblins Rd (Income distributed to Cathedral College Proprietors Trust Board)	1,018	1,018
CCJP	15	16
Darfield Parish	100	100
Chatham Island Parish	14	16
Property Reserve	12,444	11,669
Cathedral Music	28	75
Other	293	247
Total Special Purpose Funds	21,460	19,403

<i>Unrealised Gains Reserves</i>	2010 '000	2009 '000
<i>Unrealised Gains Reserve on Shares</i>		
Opening Balance	(158)	(141)
Movement during the year	113	(17)
Closing Balance	(45)	(158)
<i>Unrealised Gains Reserve on Bonds</i>		
Opening Balance	127	(105)
Movement during the year	650	232
Closing Balance	777	127
Total Unrealised Gains Reserves	732	(31)

The Diocese has identified a small number of bonds and shares with a significant and prolonged decline in fair value below cost. Consequently the cumulative loss on these assets has been removed from equity and recognised in the Statement of Financial Performance. Refer to Note 16 for further details.

11. Capital Management

The Diocese capital is its equity, which comprises 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. It is the policy of the Diocese to fund operational expenses from operational income each year. Some non operational expenditure is funded from reserves. Special purpose reserves may be used to fund or partially fund activities that meet the criteria (special purpose) of the reserve.

Capital is also managed in terms of the Diocese's Treasury Policy which is reviewed from time to time by the Bishop's advisors.

The Diocese is not subject to any external capital requirements.

12. Financial Instruments

Detail of the significant accounting policies and method adopted, including the criteria for recognition and the basis in which income and expenses are recognised in respect of each class of financial asset, and financial liability are disclosed in the Statement of Accounting Policies.

	Cash & Cash Equivalents	Trade & Other Receivables	Other Financial Assets	Total Financial Assets
30 June 2010				
Loans and Receivables	2,439	631	0	3,070
Available For Sale	0	0	30,061	30,061
Total Financial Assets	2,439	631	30,061	33,131

	Trade & Other Payables	Borrowings	Total Financial Liabilities
Recorded at Amortised Cost	878	6,067	6,945
Total Financial Liabilities	878	6,067	6,945
Net Exposure	2,439	(247)	26,186

	Cash & Cash Equivalents	Trade & Other Receivables	Other Financial Assets	Total Financial Assets
30 June 2009				
Loans and Receivables	1,904	402	0	2,306
Available For Sale	0	0	24,314	24,314
Total Financial Assets	1,904	402	24,314	26,620

	Trade & Other Payables	Borrowings	Total Financial Liabilities
Recorded at Amortised Cost	1,041	5,934	6,975
Total Financial Liabilities	1,041	5,934	6,975
Net Exposure	1,904	(639)	21,075

13. Government Grants

Government Grants are received from the Ministry of Education for major capital and maintenance work to be undertaken within the Diocesan schools; and from the Child Youth and Family service for foster care and other services provided by Catholic Social Services.

14. Other Income

	2010 '000	2009 '000
Education (Attendance Dues, Religious Education Fees & Foreign Fee Paying Students)	1,005	745
Catholic Shop Sales	160	159
Cathedral Trust	0	9
Prison Chaplaincy Service	63	64
Programmes & Events (Youth & Education)	51	52
Gain on Property Sales	1,096	988
Other Income	685	402
Total	3,060	2,419

15. Non Operating Revenue

Non Operating Income includes items of a non operating nature and is separately disclosed so as not to distort the results from normal operating activities. Non operating revenue is made up of the reduction in school loans and the amount forgiven on suspensory loans during the financial year.

16. Net Operating Surplus/(Deficit)

	2010	2009
	<i>'000</i>	<i>'000</i>
<i>After Charging:</i>		
Auditor's Fees - Audit Fees	17	21
Employee Benefits and Expenses	2,012	1,921
Donations Expense	38	20
Interest Expense	160	159
Lease Expense	40	10
Provision for Doubtful Debts	3	16
Bad Debts Written Off	5	20
Loss on Sale of Assets	0	0
Impairment Loss on Investments	166	354
<i>Including:</i>		
Interest Revenue	1,330	1,453
Dividend Revenue	102	142
Gain on Sale of Assets	1,211	988

17. Capital Expenditure

	2010	2009
	<i>'000</i>	<i>'000</i>
Diocesan Schools	2,592	2,246
Land & Buildings	366	86
Property Under Development	115	186
Computer Equipment	108	39
Vehicles	3	0
Other Plant & Equipment	44	79
Intangible Assets	13	5
	3,241	2,641

18. Reconciliation of Net Surplus with Cash flows from Operating Activities

	2010	2009
	<i>'000</i>	<i>'000</i>
Net Surplus	6,263	1,765
Add/(Less) Non Cash Items:		
Depreciation and Amortisation	1,794	1,778
Non Operating Revenue (Loans forgiven)	(494)	(501)
(Gain)/Loss on Sale of Asset	(1,211)	(988)
Impairment Loss on Investment	165	354
	6,517	2,408

Movements in Other Working Capital Items:

Decrease/(Increase) in Prepayments	1	(10)
Decrease/(Increase) in Accounts Receivable	(98)	353
Decrease/(Increase) in Stock	(4)	10
Decrease/(Increase) in GST Receivable	(493)	440
(Decrease)/Increase in Accounts Payable	138	(912)
(Decrease)/Increase in Holiday Pay	39	(6)
(Decrease)/Increase in Income in Advance	(2)	2
	(419)	(123)
Less Fixed Assets in Accounts Payable	(119)	339
	(119)	338
Net Cash Flow from Operating Activities	5,979	2,624

19. Catholic Development Fund

The Catholic Development Fund (CDF) is a charitable Trust that is administered by the Catholic Diocese. It provides a facility for investors to deposit funds, and a loan facility for Catholic objectives. The investment in the CDF has been reflected in the financial statements on an equity accounting basis, on the basis that the Diocese has the capacity to affect, but not unilaterally control, the operating activities of the fund.

The Roman Catholic Bishop of the Diocese of Christchurch provides a guarantee in respect of depositors funds placed with the Catholic Development Fund. The likelihood of this guarantee being called is considered to be remote.

Catholic Development Fund

	2010 '000 (31 March)	2009 '000 (31 March)
Surplus	820	67
Distribution to Diocese	400	172
Capital Injection from the Diocese	0	2,800
Unrealised gains/(losses) in fair value of Available for Sale Financial Assets	1,530	832
Diocese Investment in CDF:		
Opening Carrying Amount	(30 June) 3,403	(30 June) 0
Closing Carrying Amount	5,353	3,402

20. Related Party Transactions

The Catholic Diocese of Christchurch invests funds in the Catholic Development Fund. The Diocese provides assistance to the Fund in managing its day to day operations. In October 2002 the Management and Finance Board of the Diocese resolved to stop charging the Fund for these services. An annual distribution was received from the Fund. Interest on deposits is received from and interest on loans has been paid to the Fund. No debts were forgiven or written off during the period.

During the year, The Catholic Diocese purchased the professional services of Mackay, Bailey, Butchard Ltd. Mr Geoff Bailey, a Partner of Mackay, Bailey, Butchard, is a board member of the Diocesan Board of Management and Finance. The Diocese purchased \$403 worth of professional services during the 2009/2010 financial year.

21. Contingent Liabilities

A contingent liability exists in respect of suspensory loans, which become repayable to the extent of any outstanding balance on a loan if a school closes before the loan is forgiven. The suspensory loans recorded as a non current liability in the Statement of Financial Position as at 30 June 2010 were \$3,123,077 (2009: \$3, 523,794). The likelihood of any schools closing is considered remote.

22. Commitments

As at 30 June 2010 there are commitments for the following:

	2010 '000	2009 '000
Capital Commitments		
School Improvements	2,983	169
Property Under Development	0	53
Total Capital Commitments	2,983	222
Lease Commitments		
Within one year	36	9
Two to five years	11	5
Total Lease Commitments	47	14

The Diocese has entered into a long term lease arrangement for certain school land. The lease has a term of 21 years from 1 March 1990 with the right of renewal.

23. Events Subsequent to Balance Date

On 4 September 2010 a magnitude 7.1 earthquake struck Christchurch and Canterbury. The Cathedral of the Blessed Sacrament and a number of Diocesan schools were significantly damaged. It is expected that insurance proceeds will cover the costs of rebuilding or repair.

Independent Auditor's Report

To the Roman Catholic Bishop of Christchurch

Report on the Financial Statements

We have audited the financial statements of the Catholic Diocese of Christchurch ("the Diocese") on pages 4 to 26, which comprise the statement of financial position of the Diocese as at 30 June 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Bishop as a corporation sole, in accordance with the Roman Catholic Bishop's Empowering Act 1997 and other relevant legislation by which the Bishop is governed. Our audit has been undertaken so that we might state to the Bishop 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 Bishop as a corporation sole, for our audit work, for this report, or for the opinions we have formed.

Diocesan Management and Finance Board's Responsibility for the Financial Statements

The Diocesan Management and Finance Board are responsible for the preparation and fair presentation of the financial statements, in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Diocesan Management and Finance Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation and fair presentation of the financial statements 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, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interest in the Diocese

Partners and employees of our firm may deal with the Diocese on normal terms within the ordinary course of trading activities of the business of the Diocese.

Opinion

In our opinion, the financial statements on pages 4 to 26:

- ▶ comply with generally accepted accounting practice in New Zealand; and
- ▶ present fairly, in all material respects, the financial position of the Diocese as at 30 June 2010 and the financial performance and cash flows for the year then ended.



27 October 2010
Christchurch