# ST JOHN'S COLLEGE TRUST BOARD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED

## 31 DECEMBER 2019

# ST JOHN'S COLLEGE TRUST BOARD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

| **Page** | **Contents** |
|---|---|

# ST JOHN'S COLLEGE TRUST BOARD

**DIRECTORY**

**For the year ended 31 December 2019**

---



| | |
|---|---|
| **REGISTERED OFFICE** | Level 4<br>123 Carlton Gore Road<br>Newmarket<br>Auckland |
| **CHARITIES COMMISSION REGISTRATION NUMBER** | CC21706 |
| **INDEPENDENT AUDITOR** | KPMG<br>18 Viaduct Harbour Avenue<br>Auckland |

# ST JOHN'S COLLEGE TRUST BOARD
## Statement of Comprehensive Income
## For the year ended 31 December 2019

| | Notes | 2019 $000 | 2018 $000 |
|---|---|---|---|
| **Operating Revenue** | 2 | 24,251 | 21,791 |
| **Less Expenditure** | | | |
| **Operating Expenditure** | 3 | | |
| Management Expenses | | 1,894 | 1,743 |
| Property Expenses | | 4,497 | 3,576 |
| General Administration Expenses | | 207 | 289 |
| | | 6,598 | 5,608 |
| **Distributable Surplus for the Year** | | 17,653 | 16,183 |
| **Capital Gains** | 4 | 47,571 | 14,309 |
| **Non Distributable Discount Charge and Deemed Interest** | 7 | 497 | 567 |
| **Total Comprehensive Income for the Year** | | 65,721 | 31,059 |

The accompanying notes form part of these financial statements

KPMG

## ST JOHN'S COLLEGE TRUST BOARD

**Statement of Changes in Equity**
**For the year ended 31 December 2019**

| | 2019<br>$000 | 2018<br>$000 |
|---|---|---|
| **Equity at the Beginning of Year** | 477,527 | 462,080 |
| Total Comprehensive Income for the Year | 65,721 | 31,059 |
| Less Distributions to Beneficiaries | (15,924) | (15,612) |
| **Equity at End of Year** | 527,324 | 477,527 |

The accompanying notes form part of these financial statements

KPMG

# ST JOHN'S COLLEGE TRUST BOARD
## Statement of Financial Position
## As at 31 December 2019

| | Notes | 2019 $000 | 2018 $000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and Cash Equivalents | 6 | 3,575 | 1,624 |
| Term Deposits | | - | 600 |
| Loan | 7 | 200 | 200 |
| Trade and Other Receivables | 5 | 517 | 395 |
| Property Held for Sale | 18 | 15,750 | 1,400 |
| | | 20,042 | 4,219 |
| **Non Current Assets** | | | |
| Loan | 7 | 11,020 | 9,785 |
| Property, Plant & Equipment | 8 | 43,938 | 43,518 |
| Investments | 9 | 200,382 | 175,800 |
| Investment Property | 10 | 254,176 | 245,819 |
| | | 509,516 | 474,922 |
| **Total Assets** | | 529,557 | 479,141 |
| **Current Liabilities** | | | |
| Trade Payables | 12 | 2,114 | 1,495 |
| | | 2,114 | 1,495 |
| **Non-Current Liabilities** | | | |
| Rental Bond | | 119 | 119 |
| | | 119 | 119 |
| **Equity** | | | |
| Non Distributable Reserves | 13 | 486,535 | 438,964 |
| Distributable Reserves | 13 | 40,789 | 38,563 |
| Total Equity | 13 | 527,324 | 477,527 |
| **Total Funds Employed** | | 529,557 | 479,141 |

For and on behalf of the Board

**Chairman** **Date**

The accompanying notes form part of these financial statements

KPMG

## ST JOHN'S COLLEGE TRUST BOARD
**Statement of Cash Flows**
**For the year ended 31 December 2019**

| | Notes | 2019 $000 | 2019 $000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Cash was provided from: | | | |
| Receipts from Rental Customers | | 15,828 | 13,783 |
| Interest Received | | 641 | 830 |
| Dividends | | 3,077 | 1,647 |
| **Cash Provided** | | 19,546 | 16,260 |
| Cash was Applied to: | | | |
| Payments to Suppliers | | (5,896) | (5,110) |
| **Cash Applied** | | (5,896) | (5,110) |
| **Net Cash Inflow from Operating Activities** | 14 | 13,650 | 11,150 |
| **Cash Flows from Investing Activities** | | | |
| Cash was provided from: | | | |
| Proceeds from Sale of Financial Assets | | 9,965 | 6,467 |
| Proceeds from Sale of Investment Property | | 1,843 | 1,375 |
| **Cash Provided** | | 11,808 | 7,842 |
| Cash was Applied to: Purchase of | | | |
| Financial Assets Purchase of | | (5,027) | (2,736) |
| Investment Property | | (1,587) | (503) |
| Purchase of Property Plant & Equipment | | (969) | (472) |
| **Cash Applied** | | (7,583) | (3,711) |
| **Net Cash Inflow from Investing Activities** | | 4,225 | 4,131 |
| **Cash Flows from Financing Activities** | | | |
| Cash was Applied to: | | | |
| Distributions to Beneficiaries | | (15,924) | (15,612) |
| **Cash Applied** | | (15,924) | (15,612) |
| **Net Cash Outflow from Financing Activities** | | (15,924) | (15,612) |
| Net Increase (Decrease) in Cash Held | | 1,951 | (331) |
| Cash and Cash Equivalents Balance at 1 January | | 1,624 | 1,955 |
| **Cash and Cash Equivalents Balance at 31 December** | | 3,575 | 1,624 |

The accompanying notes form part of these financial statements

KPMG

## 1 Statement of Accounting Policies

### Reporting Entity

The financial statements are in respect of the St John's College Trust Board (the Trust).

The financial statements of the Trust are a general purpose report which has been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards. The St John's College Trust is a trust domiciled in New Zealand and registered under the Charities Act 2005. The financial statements have been prepared in accordance with the requirements of the Charities Act 2005 and the Financial Reporting Act 2013.

### Financial Period

The financial statements are for the 12 month period ended 31 December 2019. The comparative period is for the 12 months ended 31 December 2018.

### Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards and other applicable financial reporting standards as appropriate for profit oriented entities. The financial statements were approved by the Trust Board on 17 June 2020.

### Measurement Base

The financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties which are measured at fair value.

Capital gains and losses on the revaluation or sale of investments and investment properties are included in the calculation of the Trust's total comprehensive income for the year. However they are not classified as part of the reserves available for distribution to the beneficiary.

### Changes in Accounting Policies

There has been no changes in accounting policies.

### Specific Accounting Policies

The following specific accounting policies have been followed by the Trust in the preparation of the financial statements:

**(a) Taxation**
The Trust is registered as a Charitable Trust (registration number CC21706) and is exempt from Income Tax under the Income Tax Act 1994.

**(b) Goods and Services Tax (GST)**
All items in the Statement of Financial Position are stated exclusive of GST, with the exception of receivables and payables, which include GST. All items in the Statement of Comprehensive Income and the Statement of Cash Flows are stated exclusive of GST. Non recoverable GST is reported as an operating expense. The GST component of cashflows arising from investing activities and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cashflow.

KPMG

### 1 Statement of Accounting Policies (Continued)

**Specific Accounting Policies (Continued)**

**(c) Property, Plant & Equipment**

All property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

**(d) Impairment of Tangible Assets**

At the end of each reporting period, the Trust reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

**(e) Depreciation**

Depreciation is provided for on a straight line basis on all non investment property, plant and equipment, other than freehold land, at depreciation rates calculated to allocate the assets' cost over their estimated useful lives and is charged to the Statement of Comprehensive Income.

Major depreciation periods are :

| | |
|---|---|
| Buildings | 50 years |
| Equipment | 3-8 years |

**(f) Statement of Cash Flows**

The Statement of Cash Flows is prepared exclusive of recoverable GST, which is consistent with the method used in the Statement of Comprehensive Income.

Definitions of the terms used in the statement of cash flows:

"Investing activities" are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

"Financing activities" are those activities relating to changes in the equity structure of the Trust and those activities relating to the cost of servicing the Trust's equity capital.

"Operating activities" include all transactions and other events that are not investing or financing activities.

**(g) Cash & Cash Equivalents**

Cash and cash equivalents includes bank, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

KPMG

**1 Statement of Accounting Policies (Continued)**

**Specific Accounting Policies (Continued)**

**(h) Investment Property**

Investment property is property held either to earn rental income, for capital appreciation or for both. Investment property is initially measured at cost and subsequently measured at fair value with any change therein recognised in the Statement of Comprehensive Income. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. In accordance with the valuation policy of the Trust, complete property valuations are carried out at least annually by independent registered valuers. The fair values are based on market values being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Investment properties are derecognised when they have been disposed of and any gains or losses incurred on disposal are recognised in the Statement of Comprehensive Income in the year of derecognition.

**(i) Revenue**

Revenue is comprised of rental and investment income. Rental income is recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount. Distribution income from investments is recognised when the Trust's right to receive payment has been established.

**(j) Foreign Currency Transactions**

Transactions denominated in foreign currencies are translated at the New Zealand rate of exchange ruling at the transaction date. At balance date foreign monetary assets are translated at the closing rate and exchange variations arising from these transactions are included in the Statement of Comprehensive Income.

**(k) Functional Currency and Presentation Currency**

The presentation currency for the Trust is New Zealand Dollars. The functional currency of the Trust is also New Zealand Dollars.

**(l) Key Judgements and Sources of Estimation Uncertainty**

In the application of the Trust's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on going basis.

KPMG

**1 Statement of Accounting Policies (Continued)**

**Specific Accounting Policies (Continued)**

**(l) Key Judgements and Sources of Estimation Uncertainty (Continued)**

Investment Property

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is applied to the net annual cash flows to arrive at the property valuation. The valuation takes into account occupancy rates, 100.0% (2018: 98.33%), capitalisation rates ranging from 4.75%-6.13% (2018: 5%-6.5%); and average lease terms of 0.50 to 15.72 years (2018: 0.41 to 16.72 years). The estimate of fair value is a judgment which has been made based on circumstances which apply at balance date.

The valuations of Freehold Properties which conform to New Zealand Property Institute Practice Standard 3 – Valuations for Financial Reporting Purposes, were arrived at by market evidence of transaction prices for similar properties.

The valuation of the lessors' interest in Commercial Leasehold Properties is based on the calculation of the present value of the contract rental for the remaining term of leases until the next rent review plus the calculation of the present value of the reversionary interest in the land discounted over the remaining term of the lease at a rate that allows for the estimated growth in land value. Ground rental rates is 6.0% -7.25% (2018: 5.5%-7.25%), the discount rate range from 6.0% to 7.5% (2018: 6%-7.5%) and there is a growth rate assumption range from 2.5% to 3% (2018: 3%).

Valuation of Investments

Trustees perform an assessment of the carrying value of investments for impairment at least annually and considers objective evidence for impairment taking into account observable data on the investment, the fair value, the status or context of capital markets, and the investments performance relating to relevant benchmarks. The assessment also requires Trustees to make judgements about the expected future performance and cash flows.

Apart from as disclosed in the relevant notes to the financial statements and in particular to note 18 Subsequent Events, there are no other key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

KPMG

**1 Statement of Accounting Policies (Continued)**

**Specific Accounting Policies (Continued)**

**(m) Financial Instruments**

The Trust manages its financial investments on a fair value basis and measures them at fair value with gains or losses recognised in the Statement of Comprehensive Income (NZ Bond "Level 1" fair value; International Bonds, International Equities and Australasian Equities "Level 2" fair value and Private Equity "Level 3" fair value). Fair value is measured by closing redemption price for unit trusts and calculations using published market yields for New Zealand Bonds and derivaties.

Classification

In accordance with NZ IFRS 9, the Trust classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below. In applying that classification, a financial asset or financial liability is considered to be fair value through profit and loss if:(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short term profit taking or (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). Cash, term deposits and receivables fulfill the solely payment of principal and interest test and are recognised at amortised cost. Equity instruments fail the solely payment of principal and interest test and are recognised at fair value through profit and loss. Debt instruments are also recognised at fair value through profit and loss as they are managed on a fair value basis.

Recognition

The Trust recognises a financial asset or a financial liability when it becomes a party to the contractual Purchases or sales of financial assets that require delivery of assets within the time frame generally by regulation or convention in the market place are recognised on the trade date, i.e. the date that the Trust commits to purchase or sell the asset.

Initial measurement

Financial assets and transactions at FVPL are recorded in the statement of financial position at fair value. All Financial assets and liabilities at amortised cost are measured initially at their fair value plus any directly

Subsequent measurement

After initial measurement, the Trust measure financial instruments which are classified as at FVPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVPL in the statement of comprehensive income.
Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the statement of comprehensive income.

Debt instruments, other than those classified as at FVPL, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, as well as through the amortisation process.

The effective interest method (EIR) is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Trust estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

**1 Statement of Accounting Policies (Continued)**

**Specific Accounting Policies (Continued)**

**(m) Financial Instruments (Continued)**

Derecognition
A financial asset is derecognised where the rights to receive cash flows from the asset have expired, or the Trust has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and the Trust has:

(a) Transferred substantially all the risks and rewards of the asset or
(b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trust has transferred its right to receive cash flows from an asset, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Trust's continuing involvement in the asset. In that case, the Trust also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Trust has retained.

The Trust derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Impairment
The Trust holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore the Trust does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Trust's approach to ECLs reflects a probability weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Trust uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward looking estimates.

**1 Statement of Accounting Policies (Continued)**

**Specific Accounting Policies (Continued)**

**(n) Leases**

The Trust adopted NZ IFRS16 Leases on its effective date of 1 January 2019. The new standard eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their balance sheet, with the exception of certain short-term leases and leases of low-value assets. The NZ IFRS 16 has minimal impacts on lessors.

The Trust act as a lessor. It classifies its leases as operating leases. There was no impact of adopting NZ IFRS 16 for the Trust and the Trust is not required to make any adjustments on transition to IFRS 16 for leases.

**(o) Equity**

Trust equity is split between Non Distributable Reserves and Distributable Reserves. Total Comprehensive Income for the Year is split between distributable and non-distributable surpluses and allocated to reserves.

Non Distributable Reserves

Non Distributable Reserves are represented by realised and unrealised investment gains and losses.

Distributable Reserves

Distributable Reserves are amounts available for distribution to the beneficiaries at the discretion of the Trustees. Distributable Reserves includes an Income Equalisation Reserve. The reserve is to enable Trustees to use their discretion to continue to distribute at agreed levels in years where the Total Comprehensive Income for the Year falls below the agreed distribution.

Accumulated income is represented by the Total Comprehensive Income for the Year after distributions to the beneficiaries and transfer to reserves. The Trustees will generally use their discretion to distribute the balance of the accumulated income reserve in accordance with the provisions of the Trust Deed.

Special Reserves are amounts set aside for a special purpose available for distribution to the beneficiaries at the discretion of the Trustees.

**1 Statement of Accounting Policies (Continued)**

**Specific Accounting Policies (Continued)**

**(p) Interests in Joint Operations Jointly Controlled Assets**

A joint operation is a contractual arrangement whereby the Trust and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities of the joint operation require the unanimous consent of the parties sharing control. Where the Trust undertakes its activities under joint operation arrangements directly, it's share of jointly controlled assets and any liabilities incurred jointly with other operations are recognised in the financial statements of the Trust and classified according to their nature.

Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Trust's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Trust and their amount can be measured reliably.

**(q) Leased Assets**

Trust as Lessor

Operating lease revenue is recognised in the Statement of Comprehensive Income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

# ST JOHN'S COLLEGE TRUST BOARD

**Notes to the Financial Statements**
**For the year ended 31 December 2019**

## 2 Revenue

| | 2019<br>$000 | 2018<br>$000 |
|---|---|---|
| Total Revenue Comprises: | | |
| Property Rentals and Recoveries | 15,834 | 13,720 |
| Interest Revenue | 1,469 | 1,777 |
| Dividend Revenue | 6,948 | 6,294 |
| | 24,251 | 21,791 |

## 3 Operating Expenditure

| | 2019<br>$000 | 2018<br>$000 |
|---|---|---|
| Included in operating expenditure are the following expenses: | | |
| Audit Fees | 24 | 24 |
| Depreciation: | | |
| Buildings | 420 | 423 |
| Equipment | 62 | 70 |

## 4 Capital Gains/(Losses)

| | 2019<br>$000 | 2018<br>$000 |
|---|---|---|
| Capital Gains Comprise: | | |
| Realised Gains/(Losses) on Investment Property | 443 | (85) |
| Realised Losses on Foreign Exchange | (6) | (67) |
| Realised Gains on Investments | 187 | 1,772 |
| Unrealised Gains on Investment Property | 22,246 | 23,334 |
| Unrealised Gains/(Losses) on Investments | 25,911 | (9,634) |
| Unrealised Foreign Exchange (Losses) on Investments | (1,210) | (1,011) |
| | 47,571 | 14,309 |

## 5 Trade and Other Receivables

| | 2019<br>$000 | 2018<br>$000 |
|---|---|---|
| Trade Receivables Comprise: | | |
| Rent Receivable | 17 | 11 |
| Interest Receivable | 95 | 148 |
| Sundry Receivables | 405 | 236 |
| | 517 | 395 |

There were no significant overdue balances as at 31 December 2019.

## 6 Cash and Cash Equivalents

| | 2019<br>$000 | 2018<br>$000 |
|---|---|---|
| Bank | 3,575 | 1,624 |
| | 3,575 | 1,624 |

## ST JOHN'S COLLEGE TRUST BOARD
**Notes to the Financial Statements**
**For the year ended 31 December 2019**

### 7 Loans and Advances

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Loans and advances repayable on demand | 200 | 200 |
| Loans and advances over 1 year maturity | 11,020 | 9,785 |

The Trust has made secured advances to the Te Aute Trust Board. The loan is repayable on demand. The Trust may, at any time after 27 May 2024, give a minimum of one year's written notice to the Borrower specifying the date on which the loan is to be repaid. The interest rate is 0%. During the year there have been no repayments or interest charged.

The loan has been discounted to fair value and a total fair value adjustment of $496,939 has been charged to the Statement of Comprehensive Income.

In 2015, the Trust made a secured advance to Te Hui Amorangi Ki Te Tairawhiti Trust Board of $200,000. The loan is repayable on demand and no later than 14 August 2020. Interest is payable quarterly at the official cash rate plus 2%.

During the year, the Trust provided a loan to Te Aute Trust Board for $350,000 for the purchase of 68ha leashold block adjacent to the existing Te Aute farm. Interest on the loan is payable at the rate of the ANZ Corporate indicator rates plus 1.25%. Interest is, however accrued and repayable at the termination of the loan. The loan is for a period of 2 years or when the Ngawapurua farm is sold.

### 8 Property, Plant & Equipment

**Net Book Value**

| 31/12/2019 | Carrying Value as at 01/01/19 | Additions | Disposals | *Depreciation | Carrying Value As at 31/12/19 |
|---|---|---|---|---|---|
| Freehold Land | 27,434 | - | - | - | 27,434 |
| Buildings | 15,825 | **912 | (67) | (420) | 16,250 |
| Equipment | 259 | 57 | - | (62) | 254 |
| Total | 43,518 | 969 | (67) | (482) | 43,938 |

| 31/12/2018 | Carrying Value as at 01/01/18 | Additions | Disposals | *Depreciation | Carrying Value As at 31/12/18 |
|---|---|---|---|---|---|
| Freehold Land | 27,434 | - | - | - | 27,434 |
| Buildings | 17,285 | 363 | (1,400) | (423) | 15,825 |
| Equipment | 219 | 110 | - | (70) | 259 |
| Total | 44,938 | 473 | (1,400) | (493) | 43,518 |

***Analysis of Accumulated Depreciation**

| 31/12/2019 Accumulated Depreciation | Value as at 01/01/19 | Depreciation Expense | Value as at 31/12/19 |
|---|---|---|---|
| Buildings | (4,552) | (420) | (4,972) |
| Equipment | (546) | (62) | (608) |
| Total | (5,098) | (482) | (5,580) |

| 31/12/2018 Accumulated Depreciation | Value as at 01/01/18 | Depreciation Expense | Value as at 31/12/18 |
|---|---|---|---|
| Buildings | (4,129) | (423) | (4,552) |
| Equipment | (476) | (70) | (546) |
| Total | (4,605) | (493) | (5,098) |

**Transfer of property back from Property Held for Sale $733,000

## ST JOHN'S COLLEGE TRUST BOARD
**Notes to the Financial Statements**
**For the year ended 31 December 2019**

### 9 Investments

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Investments Comprise: | | |
| Investment in New Zealand Bonds Investment | 13,068 | 14,822 |
| in Private Equity Investments Investment in | 15,948 | 17,782 |
| International Equities Unit Trusts Investments in | 103,322 | 82,768 |
| International Bonds | 26,636 | 27,744 |
| Investment in Other Investment Funds | 41,408 | 32,684 |
| **Total Investments** | 200,382 | 175,800 |

This note should also be read in conjunction with Note 18: Subsequent Events.

### 10 Investment Property
All properties were valued at 31 December 2019 at fair value by the following independent valuers:

| **Valuer** | 2019 $000 | 2018 $000 |
|---|---|---|
| **Savills** | | |
| S Dunlop (ANZIV,SPINZ) | 22,127 | 44,494 |
| **CBRE** | | |
| P Ryan (ANZIV,MRICS, SPINZ) | 23,050 | - |
| **Jones Lang LaSalle** | | |
| W Roberts (SPINZ,ANZIV, MRICS) | 23,500 | 40,450 |
| D Winfield (BCom (VPM), MPINZ, MRICS) | 88,100 | 67,875 |
| **Colliers International Ltd** | | |
| LM Parlane (BBS (VPM), ANZIV, SPINZ) | 4,000 | 4,700 |
| M Granberg (BCOM, BPROP, ANZIV) | 53,000 | 66,300 |
| K Sweetman (BPROP, MPINZ, FRICS) | 17,300 | - |
| R Clark (BCOM(VPM),MPINZ) | 23,100 | 22,000 |
| **Total Investment Property** | 254,177 | 245,819 |

This note should also be read in conjunction with Note 18: Subsequent Events.

KPMG

## 10 Investment Property (Continued)

| Reconciliation of Movements in Property Values | 2019 $000 | 2018 $000 |
|---|---|---|
| Opening Value | 245,819 | 222,730 |
| Additions | 2,078 | 1,003 |
| Disposals | (15,750) | (1,460) |
| Lease Inducements | (216) | 212 |
| Fair Value Changes | 22,246 | 23,334 |
| Closing Value | 254,177 | 245,819 |

The following table provides an analysis of investment property that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Investment Property | - | - | 254,177 | - | - | 245,819 |

There were no transfers between the levels in 2019 and in 2018.

## 11 Joint Operations

### 15 Home Place, Albany

St John's College Trust has entered into a joint operation with the Melanesian Mission Trust in relation to the property at 15 Home Place, Albany. The joint operation is a 50/50 split with all assets, liabilities and revenue and expenses being recognised on this basis. The two owners share joint control over the property.

St John's College Trust invoices the tenant for the 50% share of the rental income. All development expenditure is also invoiced to each joint operation partner directly. No transactions have occurred between the joint operation partners separately. The 50% share of the Asset value is $14,350,000 (2018: $11,500,000), there were no liabilities at year end (2018: Nil). Rental income received amounted to $667,821 (2018: $663,421). Net property expenses amounted to $25,927 (2018: $20,038).

### 1-15 The Avenue, Lynfield

St John's College Trust has entered into a joint operation with the Trust Investments Property Fund in relation to the property at 1-15 The Avenue, Lynfield. The joint operation is a 50/50 split with all assets, liabilities and revenue and expenses being recognised on this basis. The two owners share joint control over the property.

St John's College Trust invoices the tenant for the 50% share of the rental income. All development expenditure is also invoiced to each joint operation partner directly. No transactions have occurred between the joint operation partners separately. The 50% share of the Asset value is $15,250,000 (2018: $14,375,000), there were no liabilities at year end (2018: Nil). Rental income received amounted to $791,643 (2018: $780,803). Net property expenses amounted to $20,936 (2018: $20,215).

### 421/433 and 439 East Tamaki Road, East Tamaki

St John's College Trust has entered into a joint operation with the Trust Investments Property Fund in relation to the property at 421/433 and 439 East Tamaki Drive, East Tamaki. The joint operation is a 50/50 split with all assets, liabilities and revenue and expenses being recognised on this basis. The two owners share joint control over the property.

St John's College Trust received its 50% share of the rental income from Trust Investments Property Fund. St John's College Trust also pays Trust Investments Propery Fund its 50% share on development costs and expenses. No transactions have occurred between the joint operation partners separately. The 50% share of the Asset value is $21,026,500 (2018: $18,438,500). Liabilities owing at year end $126,996 (2018: $66,313). Rental income received amounted to $1,003,418 (2018: $968,190). Net property expenses amounted to $81,522 (2018: $38,428).

### 441 East Tamaki Road, East Tamaki

St John's College Trust has entered into a joint operation with the Trust Investments Property Fund in relation to the property at 441 East Tamaki Drive, East Tamaki. The joint operation is a 50/50 split with all assets, liabilities and revenue and expenses being recognised on this basis. The two owners share joint control over the property.

St John's College Trust received its 50% share of the rental income from Trust Investments Property Fund. St Joh's College Trust also pays Trust Investments Propery Fund its 50% share on development costs and expenses. No transactions have occurred between the joint operation partners separately. The 50% share of the Asset value is $1,010,000 (2018: $965,000). Liabilities owing at year end $6,904 (2018: $3,400). Rental income received amounted to $36,916 (2018: 39,198). Net property expenses amounted to $5,141(2018: $4,597).

## 12 Trade Payables

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Trade Creditors | 1,919 | 1,267 |
| Sundry Creditors and Accruals | 195 | 228 |
| | 2,114 | 1,495 |

The average credit period on purchase of goods and services is 30 days. The Trust's has credit management policies in place to ensure that all payables are paid within the credit timeframe.

## ST JOHN'S COLLEGE TRUST BOARD
**Notes to the Financial Statements**
**For the year ended 31 December 2019**

| **13 Reserves** | 2019 $000 | 2018 $000 |
|---|---|---|
| **Realised/Unrealised Investments Gains/(Losses) Reserve** | | |
| Balance at 1 January | 395,242 | 380,933 |
| Capital Gains Transfer from Accumulated Income | 47,571 | 14,309 |
| Balance at 31 December | 442,813 | 395,242 |
| **Accumulated Income-Not Available for Distribution *** | | |
| Balance at 1 January | 43,722 | 43,722 |
| Balance at 31 December | 43,722 | 43,722 |
| **Total Non Distributable Reserves** | 486,535 | 438,964 |
| **Income Equalisation Reserve** | | |
| Balance at 1 January | 14,165 | 14,165 |
| Balance at 31 December | 14,165 | 14,165 |
| **Special Reserve** | | |
| Balance at 1 January | 3,000 | 3,000 |
| Transfer from/(to) Accumulated Income | - | - |
| Balance at 31 December | 3,000 | 3,000 |
| **Accumulated Income **** | | |
| Balance at 1 January | 21,398 | 20,260 |
| Total comprehensive income for the year | 65,721 | 31,059 |
| Transfer Capital (Gains) (to)/ from Accumulated Income | (47,571) | (14,309) |
| Transfer (to)/ from Special Reserve | - | - |
| Distributions to Beneficiaries | (15,924) | (15,612) |
| Balance at 31 December | 23,624 | 21,398 |
| **Total Distributable Reserves** | 40,789 | 38,563 |
| **Total Reserves** | 527,324 | 477,527 |

*Accumulated Income-Not Available for Distribution, represents the portion of net income relating to the College land, buildings & freehold residential properties held for the use of the Trust's beneficiary or for administrative purposes.

**Accumulated Income represents the portion of net income from operations that have been retained.

This note should also be read in conjunction with Note 18: Subsequent Events.

| **14 Reconciliation of Total Comprehensive Income for the Year with Cash Inflow from Operating Activities** | 2019 $000 | 2018 $000 |
|---|---|---|
| **Total Comprehensive Income for the Year** | 65,721 | 31,059 |
| **Add/(Less) Non-Cash Items:** | | |
| Capital (Gains) | (48,068) | (14,876) |
| Lease Inducements | 216 | (212) |
| Amortisation on New Zealand Bonds | 76 | 44 |
| Depreciation | 482 | 493 |
| Loss on Fixed Assets written off | 68 | - |
| Reinvested Investment Income | (4,853) | (5,738) |
| | (52,079) | (20,289) |
| **Movement in Working Capital:** | | |
| (Increase)/Decrease in Trade and Other Receivables | (121) | 261 |
| (Decrease)/Increase in Trade Payable | 129 | 119 |
| **Net Cash Inflow from Operating activities** | 13,650 | 11,150 |

## 15 Financial Instruments (Continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs.

| | 2019 | | |
|---|---|---|---|
| Financial Assets: Fair Value Through Profit and Loss | Level 1<br>$000 | Level 2<br>$000 | Level 3<br>$000 |
| New Zealand Bonds | 13,068 | - | - |
| International Bonds | - | 26,636 | - |
| International Equities | - | 103,322 | - |
| Australasian Equities | - | 41,408 | - |
| Private Equity | - | - | 15,948 |

| | 2018 | | |
|---|---|---|---|
| Financial Assets: Fair Value Through Profit and Loss | Level 1<br>$000 | Level 2<br>$000 | Level 3<br>$000 |
| New Zealand Bonds | 14,822 | - | - |
| International Bonds | - | 27,744 | - |
| International Equities | - | 82,768 | - |
| Australasian Equities | - | 32,684 | - |
| Private Equity | - | - | 17,782 |

There were no transfers between levels 1 & 2 in 2019 and 2018.
This note should also be read in conjunction with Note 18: Subsequent Events.

| Reconcilliation of level 3 fair value measurement of financial assets: | 2019<br>$000 | 2018<br>$000 |
|---|---|---|
| Opening Value | 17,782 | 14,822 |
| Purchases Return | 1,302 | 3,472 |
| of Equity Fair Value | (2,743) | (736) |
| Changes | (393) | 224 |
| Closing Value | 15,948 | 17,782 |

Credit Risk

Financial instruments that potentially subject the Trust to credit risk principally consist of cash and cash equivalents, short term deposits, debt instruments and trade receivables. The Trust performs credit evaluations on all customers requiring credit and generally does not require collateral.

| Maximum exposures to credit risk as at balance date are: | 2019<br>$000 | 2018<br>$000 |
|---|---|---|
| Cash & Cash Equivalents | 3,575 | 1,624 |
| Term Deposits | - | 600 |
| Loans and Advances | 11,220 | 9,985 |
| Trade Receivables | 17 | 11 |
| Interest Receivable | 95 | 148 |
| Other Trade Receivables | 405 | 236 |
| New Zealand Bonds | 13,068 | 14,822 |

Accounts receivable with respect to tenants are due on the date of invoice pursuant to lease agreements.
Other receivables are due within 30 days from the date of invoice.

KPMG

## ST JOHN'S COLLEGE TRUST BOARD
**Notes to the Financial Statements**
**For the year ended 31 December 2019**

### 15 Financial Instruments (Continued)

Categories of Financial Instruments

| | 2019 | | |
|---|---|---|---|
| | Fair Value through profit and loss | Held at amortised cost | Total |
| Cash and Cash Equivalents | - | 3,575 | 3,575 |
| Term Deposits | - | - | - |
| Loan | - | 200 | 200 |
| Term Loan | - | 11,020 | 11,020 |
| Trade and Other Receivables | - | 517 | 517 |
| Investments | 200,382 | - | 200,382 |
| **Total Financial Assets** | 200,382 | 15,312 | 215,694 |
| Trade and Other Payables | - | 2,114 | 2,114 |
| Other Financial Liabilities * | - | - | - |
| **Total Financial Liabilities** | - | 2,114 | 2,114 |

| | 2018 | | |
|---|---|---|---|
| | Fair Value through profit and loss | Held at Amortised Cost | Total |
| Cash and Cash Equivalents | - | 1,624 | 1,624 |
| Term Deposits | - | 600 | 600 |
| Loan | - | 200 | 200 |
| Term Loan | - | 9,785 | 9,785 |
| Trade and Other Receivables | - | 395 | 395 |
| Investments | 175,800 | | 175,800 |
| **Total Financial Assets** | 175,800 | 12,604 | 188,404 |
| Trade and Other Payables | - | 1,495 | 1,495 |
| Other Financial Liabilities * | - | - | - |
| **Total Financial Liabilities** | - | 1,495 | 1,495 |

* Excluding GST payable at year end.

Fair Value
The fair value of financial assets and liabilities are equivalent to their carrying values as reflected in the Statement of Financial Position.

KPMG

## 15 Financial Instruments (Continued)

Credit Risk Management
The Trust's exposure and the credit ratings of counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed regularly. On going credit evaluation is performed on the financial condition of trade receivables. The credit risk on liquid fund and derivative financial instruments is limited because the counterparties are banks currently with high credit ratings assigned by international credit rating agencies.

The Trust's financial assets subject to the expected credit loss model with NZ IFRS 9 are only short-term trade and other receivables. At 31 December 2019, the total of short term trade and other receivables is $515,000, on which a loss allowance of $132,000 had been provided. As only trade and other receivables are impacted by the NZ IFRS 9 ECL model the Trust have adopted the simplified approach. The loss allowance is therefore based on lifetime ECLs. In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates. Items have been grouped by their nature into the following categories: ground lease, industrial, office, specialty retial and bulk retail.
There has been no doubtful debt provision created for tenant receivables considered at risk although a general loss allowance has been provided in accordance with NZ IFRS 9.

| Debt Instruments - NZ Bonds<br>Standard and Poors Long Term Ratings | 2019<br>$000 | 2018<br>$000 |
|---|---|---|
| AAA | 3,199 | 3,638 |
| AA+, AA, AA- | 7,312 | 9,215 |
| A+, A, A- | 1,809 | 733 |
| BBB+ | 748 | 1,236 |
| | 13,068 | 14,823 |

This note should also be read in conjunction with Note 18: Subsequent Events.

Capital Management
The total equity of the Trust is considered the Trust's capital.

A summary of the objective of capital management and processes in place to achieve that objective for the Trust is detailed below:

| Objective | Process |
|---|---|
| That the value of the investment capital of the Trusts be preserved in real terms so that the monetary value will grow at not less than New Zealand's underlying rate of inflation over any five year period. | Regular monitoring and review of the Trust's asset allocation with consideration to the beneficiaries income requirements. |

Liquidity Risk
The Trust is exposed to liquidity risk, because its investments in Investment Property and Private Equity are not considered readily realisable.

Liquidity Risk Management
The liquidity risk is managed by the Trust maintaining sufficient liquid assets to meet any expenditure and distribution requirements. Further, Trustees are able to determine the level and timing of any distributions to beneficiaries.

Currency Risk
The Trust's investment in International Bonds is not exposed to currency risk as investment is denominated in New Zealand dollars, and the underlying fund enters into forward contracts to cover its currency risk.

The Trust's investment in Vanguard Emerging Markets Shares Index Fund and Small Companies Index Fund is exposed to currency risk as the investment is denominated in Australian dollars and there are no forward foreign currency contracts in place to cover this risk.

## 15 Financial Instruments (Continued)

Property price risk

The Trust has identified the following risks associated with the investment properties:

A tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property. To reduce this risk, the Funds reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees.

The exposure of the fair values of the investment properties to market and occupier fundamentals like estimate rental value, yield rates, vacancy rates and growth in rental rates.

Interest Rate Risk

The Trust's exposure to interest rate risk arises from its investments in the Trust Investments International Bond Fund & directs investments into New Zealand Bonds. The Trust's exposure to this risk is managed by maintaining a diverse investment portfolio which includes a number of investments not materially affected by the interest rates.

| Debt Instruments - NZ Bond | 2019<br>$000 | 2018<br>$000 |
|---|---|---|
| Less than one year | 1,008 | 5,393 |
| One to three years | 1,801 | 1,224 |
| Three to five years | 6,194 | 5,329 |
| Greater than five years | 4,065 | 2,875 |
| Total | 13,068 | 14,822 |

| Weighted average rate at balance date | 2019<br>% | 2018<br>% |
|---|---|---|
| Debt Instruments | 4.06% | 4.43% |

This note should also be read in conjunction with Note 18: Subsequent Events.

## 15 Financial Instruments (Continued)

### Sensitivity Analysis

### Interest Rate Risk

The below table shows the effect at reporting date, if interest rates had been 50 basis points, 100 basis points and 150 basis points higher or lower. A range from 50 to 150 basis points has been used as trustees believe this is a likely range for possible changes in interest rates, in any given year.

Change in Interest Rates 2019

| New Zealand Bonds | 1.5% ($000) | 1.0% ($000) | 0.5% ($000) | -0.5% ($000) | -1.0% ($000) | -1.5% ($000) |
|---|---|---|---|---|---|---|
| Effect on Total Comprehensive Income for the Year | (615) | (410) | (205) | 205 | 410 | 615 |
| Effect on Total Equity | (615) | (410) | (205) | 205 | 410 | 615 |

Change in Interest Rates 2018

| New Zealand Bonds | 1.5% ($000) | 1.0% ($000) | 0.5% ($000) | -0.5% ($000) | -1.0% ($000) | -1.5% ($000) |
|---|---|---|---|---|---|---|
| Effect on Total Comprehensive Income for the Year | (698) | (465) | (233) | 233 | 465 | 698 |
| Effect on Total Equity | (698) | (465) | (233) | 233 | 465 | 698 |

The International Bond investment has exposure to interest rate risk, however, because the Trust invests in a Unit Trust, insufficient information is available to perform a sensitivity analysis on the effects of changes in interest rates, in the various countries where the Unit Trust invests. A sensitivity analysis has been performed under the "market risk" category to show impacts in changes in unit price.

This note should also be read in conjunction with Note 18: Subsequent Events.

### Market Risk

The below table shows the effect at reporting date, if market values had been 5 percent, 10 percent and 15 percent higher or lower. A range from 5 to 15 percent has been used as management believe this is a likely range for possible changes in market values, in any given year.

Change in Market Value of Investments 2019

| Effect on Total Comprehensive Income for the Year | 15% | 10% | 5% | -5% | -10% | -15% |
|---|---|---|---|---|---|---|
| International Shares | 15,498 | 10,332 | 5,166 | (5,166) | (10,332) | (15,498) |
| International Bonds | 3,995 | 2,664 | 1,332 | (1,332) | (2,664) | (3,995) |
| New Zealand and Australiasian Equities | 8,604 | 5,736 | 2,868 | (2,868) | (5,736) | (8,604) |

| Effect on Total Equity | 15% | 10% | 5% | -5% | -10% | -15% |
|---|---|---|---|---|---|---|
| International Shares | 15,498 | 10,332 | 5,166 | (5,166) | (10,332) | (15,498) |
| International Bonds | 3,995 | 2,664 | 1,332 | (1,332) | (2,664) | (3,995) |
| New Zealand and Australiasian Equities | 8,604 | 5,736 | 2,868 | (2,868) | (5,736) | (8,604) |

This note should also be read in conjunction with Note 18: Subsequent Events.

## 15 Financial Instruments (Continued)

### Sensitivity Analysis (Continued)

### Market Risk (Continued)

Change in Market Value of Investments 2018

| Effect on Total Comprehensive Income for the Year | 15% | 10% | 5% | -5% | -10% | -15% |
|---|---|---|---|---|---|---|
| International Shares | 12,415 | 8,277 | 4,138 | (4,138) | (8,277) | (12,415) |
| International Bonds | 4,162 | 2,774 | 1,387 | (1,387) | (2,774) | (4,162) |
| New Zealand Equities | 7,570 | 5,047 | 2,523 | (2,523) | (5,047) | (7,570) |

| Effect on Total Equity | 15% | 10% | 5% | -5% | -10% | -15% |
|---|---|---|---|---|---|---|
| International Shares | 12,415 | 8,277 | 4,138 | (4,138) | (8,277) | (12,415) |
| International Bonds | 4,162 | 2,774 | 1,387 | (1,387) | (2,774) | (4,162) |
| Investment Property | 36,873 | 24,582 | 12,291 | (12,291) | (24,582) | (36,873) |
| New Zealand Equities | 7,570 | 5,047 | 2,523 | (2,523) | (5,047) | (7,570) |

### Currency Risk

The Trust's investments in International Equities has exposure to currency risk, however, because the Trust invests in a Unit Trust, insufficient information is available to perform a sensitivity analysis on the effects of changes in foreign exchange rates, in the various countries where the Unit Trust invests. A sensitivity analysis has been performed under the "market risk" category to show impacts in changes in unit price.

## 16 Contingent Liabilities and Commitments

The Trust has committed to investments of $40,500,000 into the following Private Equity Funds (2018: $35,500,000):

| | Commitment 2019 $000 | Called 2019 $000 |
|---|---|---|
| Direct Capital IV | 6,000 | 3,575 |
| Direct Capital V | 5,000 | 2,879 |
| Maui Capital Indigo | 6,000 | 5,100 |
| Continuity Capital 2 | 5,000 | 4,000 |
| Continuity Capital 4 | 3,000 | 1,350 |
| Waterman Fund 2 | 4,000 | 2,982 |
| Waterman Fund 3 | 1,500 | 1,103 |
| Maui Capital Aqua | 2,000 | 1,540 |
| Impact Enterprise | 3,000 | 780 |
| Waterman Fund 4 | 5,000 | 125 |
| | 40,500 | 23,434 |

| | Commitment 2018 $000 | Called 2018 $000 |
|---|---|---|
| Direct Capital IV | 6,000 | 3,514 |
| Direct Capital V | 5,000 | 2,532 |
| Maui Capital Indigo | 6,000 | 5,100 |
| Continuity Capital 2 | 5,000 | 3,750 |
| Continuity Capital 4 | 3,000 | 1,209 |
| Waterman Fund 2 | 4,000 | 2,942 |
| Waterman Fund 3 | 1,500 | 1,095 |
| Maui Capital Aqua | 2,000 | 1,540 |
| Impact Enterprise | 3,000 | 450 |
| | 35,500 | 22,132 |

This note should also be read in conjunction with Note 18: Subsequent Events.

## 17 Operating Lease Arrangements

Leasing Arrangements - St John's College Trust Board as Lessor.

Operating leases relate to investment property owned by the Trust with lease terms of between 0.5 - 17 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned from investment property during the period amounted to $14,064,775 (2018: $13,580,077). Direct operating expenses arising on investment property in the period amounted $2,329,437 (2018: $3,070,015).

The table below shows the rental receivable from non-cancellable operating leases, over the remainder of the lease period.

| Non-cancellable operating lease receivables | 2019<br>$000 | 2018<br>$000 |
|---|---|---|
| Not longer than 1 year | 13,239 | 13,133 |
| Longer than 1 year and not longer than 5 years | 36,927 | 26,115 |
| Longer than 5 years | 24,356 | 31,117 |
| | 74,522 | 70,365 |

## 18 Subsequent Events

As at 31 December 2019, the Trust has entered into an unconditional contract to sell the property at 186 Queen Street for $15,750,000. Settlement took place on 31 January 2020.

The property at 290 St Johns Road which was classified as Property Held for Sale in 2018 did not sell during the year and was reclassified as Property, Plant and Equipment for $733,000 as at 31 December 2019.

In March 2020, the World Health Organisation designated COVID-19 to be a pandemic, threatening the health and wellbeing of large numbers of people across multiple countries. The global outbreak has caused escalating levels of societal uncertainty. In response, New Zealand entered a Government-directed “Alert Level 4” lockdown at 11:59pm on 25 March 2020. The Government’s Alert Level system dictates the level of business activity and societal interaction that can take place. At Alert Level 4, the highest alert level, strong border restrictions are in place and only essential services can trade. People must remain at home, venturing out to access only the most essential goods and services. A significant proportion of the business activities of the Group’s tenants were deemed non-essential services during the Alert Level 4 lockdown and were unable to operate subsequent to balance date. At 11.59pm on Monday 8 June NZ moved to “Alert Level 1” under which people can return without restriction to work, school, sports and domestic travel, and you can get together with as many people as you want.

Income uncertainty:
The impact of the pandemic on the income earnings potential of the Trust is uncertain. The percentage of rent forgiven and the duration of the forgiveness is subject to negotiations between the Trust and its tenants. Following the lockdown period under Level 4, the Trustees approved relief amounting to 20% of the monthly rental income of the Trust.

## 18 Subsequent Events (Continued)

Investment property valuations uncertainty:
The Trust does not revalue its investment properties during the year. However, following the COVID-19 pandemic the real estate markets to which the Trust's investment properties belong were impacted by significant market uncertainty caused by the outbreak. The landscape and market conditions around this time were changing on a daily basis. This has created a valuation uncertainty and will have a material impact on the value of investment property post balance date. To reflect the impact of the pandemic on investment property value, independent valuers have generally adopted softer valuation inputs including expanded capitalisation and discount rates, lower growth rates across the near term, lower market rental levels, increased vacancy rates and increased letting-up allowances. The valuers have also made deductions for the costs of estimated rent relief to tenants for occupancy disruption resulting from pandemic-related impacts. These impacts are not reflected in the valuations adopted in these financial statements and are expected to have to have a material impact on the value of the Trust's investment property.

Decline in fair value of financial investments:
Since 31 December 2019, the outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global equity markets have experienced significant volatility and weakness. Post balance date, the fair value of the Trust's investments had declined by $5m or 2.5%. While governments and central banks have reacted with monetary interventions designed to stabilise economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time.

These subsequent changes in the fair value of the Trust's financial investments are not reflected in the financial statements as at 31 December 2019.

## 19 Related parties

### Trust Investment Management Limited

Trustees have determined that Trust Investments Management Limited (TIML) is the key management personnel for the Trust. TIML provides professional services and investment management in accordance with a mandate approved by the Board.
During the year, the Trust engaged the professional services of TIML as the primary service provider to the Trust. Total remuneration to TIML was to the value of $2,651,345 (2018: $2,539,267), and includes management expenses.

At balance date $62,524 was outstanding to TIML (2018: $58,937). Outstanding amounts are due and payable within 30 days from the date of invoice. No amounts have been written off during the year.

### Te Aute Trust Board

On the 3rd December 2013, all Trustees of the St John's College Trust Board were appointed Trustees of the Te Aute Trust Board. During 2014, the Trust agreed the terms of a loan to the Te Aute Trust Board (refer to Note 7). As at 31 December 2019, Maui Tangohau, Archbishop Don Tamihere and Archbishop Philip Richardson remain Trustees of the Te Aute Trust Board.

# Independent Auditor's Report

To the Trustees of Saint John's College Trust Board

**Report on the financial statements**

## Opinion

In our opinion, the accompanying financial statements of Saint John's College Trust Board (the Trust) on pages 2 to 27:

i. present fairly in all material respects the Trust's financial position as at 31 December 2019 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards.

**We have audited the accompanying financial statements which comprise:**

— the statement of financial position as at 31 December 2019;

— the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the Trust.

## Emphasis of matter

We draw attention to Note 18 to the financial statements which describes the expected material impact of COVID-19 on the valuation of the Trust's investment properties post 31 December 2019. The impact is not reflected in these financial statements as the economic impact of COVID-19 is a non-adjusting event subsequent to the Trust's balance date. Our opinion is not modified in respect of this matter.

## Other information

The Trustees, on behalf of the Trust, are responsible for the other information included in the entity's Annual report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Use of this Independent Auditor's Report

This report is made solely to the Trustees as a body. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in the Independent 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 Trustees as a body for our audit work, this report, or any of the opinions we have formed.

## Responsibilities of the Trustees for the financial statements

The Trustees, on behalf of the Trust, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards);
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

This description forms part of our Independent Auditor's Report.

KPMG

KPMG
29 June 2020