

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED

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NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED CONSOLIDATED STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2017

New Zealand Catholic Education Office Limited ('NZCEO Limited' or 'the Company') acts as Agent for Proprietors of integrated schools in their dealings with government and provides administrative services to NZCEO Finance Limited ('NZCEO Finance') on behalf of the contributing Shareholders of the National Attendance Dues and Capital Indebtedness Sharing Scheme ('the Scheme').

NZCEO Limited was constituted as a Company with limited liability on 30 June 2000. The date of incorporation under the Companies Act 1993 is 5 July 2000.

The consolidated financial statements comprise the financial statements of New Zealand Catholic Education Office Limited and its wholly-owned subsidiary NZCEO Finance Limited ('the Group') for the year ended 31 December 2017. The consolidated financial statements were authorised for issue by the Directors on 18 April 2018.

Basis of Preparation

NZCEO Limited is a reporting entity for the purpose of the Financial Reporting Act 2013 and these financial statements comply with that Act.

NZCEO Limited is a Not-for-profit (NFP) public benefit entity (PBE) for the purposes of financial reporting.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice ('NZ GAAP').

The Group has elected to report under Tier 2 PBE Standards RDR (NFP) as it is not publicly accountable and not large as defined in the Accounting Standards Framework for PBEs issued by the External Reporting Board.

All disclosure concessions have been applied, except for disclosure concessions in relation to financial instruments.

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by the Group. The presentation currency is New Zealand dollars, rounded to the nearest dollar.

Going Concern

The going concern assumption has been adopted by the Directors, given the reasonable expectation that the Group will have adequate resources to continue operations for the foreseeable future. Consideration was given to the following factors:

- Financial modelling for the Scheme, which includes forecast attendance dues and debt servicing, shows that the Scheme will generate sufficient cash flows to support all debt servicing obligations, including repayment of the loan from NZCEO Finance.
- The receipt of attendance dues is subject to an underwrite from the Catholic Bishops of the five participating dioceses.
- A Letter of Financial Support has been received from the Catholic Education Trust Fund to enable NZCEO Finance to meet its cash flow commitments should it be required.
- Directors have reviewed all the assumptions in the financial model and are satisfied that the going concern assumption can be applied.

Accounting Policies

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

Basis for Preparing Consolidated Financial Statements

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies, and are included in the consolidated financial statements using the purchase method of consolidation. Intercompany transactions are eliminated in preparing the consolidated financial statements.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (if any). The cost of property, plant and equipment is their purchase price together with any incidental costs of acquisition.

Subsequent costs are added to the carrying value amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Consolidated Statement of Comprehensive Income as an expense as incurred.

Depreciation is provided on a straight line basis at rates that will write off the cost of the assets less any residual value over their useful lives. Depreciation is charged to the Consolidated Statement of Comprehensive Income. The following rates have been used and are reviewed annually:

	Life in Years	Straight Line Depn Rate
Computer hardware	3	33.3%
Office equipment	4-10	10%-25%
Furniture	13	7.5%

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED CONSOLIDATED STATEMENT OF ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

Intangibles

Computer software and system development costs have been classified as intangible assets. They are recorded at cost less accumulated amortisation and impairment losses (if any). The cost of intangibles is their purchase cost together with any incidental costs of acquisition.

Subsequent costs are added to the carrying value amount of an intangible asset when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Consolidated Statement of Comprehensive Income as an expense as incurred.

Intangibles are amortised over a three-year period at a straight line rate of 33.3%.

Trade and Other Receivables

Trade and other receivables are stated at cost less impairment losses, if any.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance date to determine whether there is any indication of impairment. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the asset have been impacted. If any such indication exists, the assets recoverable amount is estimated.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the Consolidated Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed. The extent of the impairment loss reversal is limited to what the amortised cost would have been had the impairment not been recognised.

Financial Instruments

The Group is party to financial instruments as part of its day-to-day operations. These include bank accounts, investments, receivables, payables and loans. All financial instruments are recognised in the Consolidated Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Consolidated Statement of Comprehensive Income.

All financial instruments are shown at fair value on initial recognition. Subsequent to initial recognition financial assets are measured at amortised cost using the effective interest method less impairment, if any.

The Group does not enter into any off balance sheet transactions or use derivative financial instruments.

Financial Assets

Cash and cash equivalents includes cash held at bank.

Short term deposits consists of term deposits with a maturity of up to 12 months.

Subsequent to initial recognition loans receivable are classified as loans and receivables and are measured at amortised cost less impairment, if any.

Capital Risk Management

The Group manages its capital to ensure that the Group can continue to operate as a going concern not only as the Company, but also in NZCEO Finance's role as administrator of the Scheme and the Catholic Education Trust Fund ('CETF'). The capital risk management strategy for the Group remains unchanged from 2012.

The capital structure of the Company and the Group consists of cash and cash equivalents, the loan to the Scheme, loans to Participating Proprietors, the loan from the CETF and the loan from the Bank of New Zealand.

The Board reviews the capital structure as part of the review of the financial model, including all projected cash inflows and outflows. The financial model is also reviewed independently every three years.

The Group has no target gearing ratio.

The Group is subject to externally imposed debt covenants in relation to the loan from the Bank of New Zealand which are periodically reviewed to ensure the Group is in compliance with these covenants. There have been no breaches of these debt covenants during the year.

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
CONSOLIDATED STATEMENT OF ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

Financial Liabilities

Subsequent to initial recognition loans payable are classified as loans and payables and are measured at amortised cost.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Deferred Financing and Development Costs

The initial set-up costs of NZCEO Finance are being written off over a twenty-five year period. Offset against this is the credit arising from the 0.50% administration charge incurred by borrowers from NZCEO Finance. This credit is applied against current costs at the rate of 33% in the first year of the loan, with the balance applied evenly over the remaining term of the loan. Prior to 2017, the balance of the administration fee was applied over the next 24 years. There is an annual impact of \$29 related to this change in accounting policy for a loan issued in 2015. Prior to 2015, all loans issued by NZCEO Finance were for a term of 25 years. The year ended 31 December 2017 includes a credit to Administration expenses of \$58 which is the impact of the change in accounting policy for both the years ended 31 December 2017 and 31 December 2016.

Trade and Other Payables

Trade and other payables are stated at amortised cost and are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

Employee Entitlements

A provision for employee entitlements is recognised for benefits earned by employees but not provided at reporting date. Employee benefits include salaries, wages and annual leave.

Income

The Group receives levies from the Proprietors of schools integrated under Part 33 of the Education Act 1989 (previously the Private Schools Conditional Integration Act 1975). Income is recognised on an accrual basis and is considered to be exchange revenue.

Interest Income

Interest income is recognised as the interest accrues to the net carrying value of the financial asset. Interest is recorded at gross value as determined using the effective interest method and is considered to be exchange revenue. The Group does not attract resident withholding tax.

Interest Expense

Interest expense is recognised on an accruals basis using the effective interest method.

Operating Lease Payments

Operating lease payments, where the lessors effectively retain substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense in the Consolidated Statement of Comprehensive Income on a straight line basis over the term of the lease.

Goods and Services Tax ('GST')

These financial statements have been prepared on a GST exclusive basis; any GST due or owing is recorded in the Consolidated Statement of Financial Position.

Charitable Status and Income Tax

NZCEO Limited and NZCEO Finance were registered as charitable entities with the Charities Commission in 2008. Registration confirmed NZCEO Limited's and NZCEO Finance's charitable status and exemption from income tax; accordingly, no charge for income tax has been provided for.

Changes in Accounting Policies

Other than the change in the Deferred Financing and Development Costs accounting policy noted above, there have been no changes in accounting policy for the year ended 31 December 2017.

**NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	Group		Company	
		2017 \$	2016 \$	2017 \$	2016 \$
EQUITY					
Share capital	1	98,888	98,888	98,888	98,888
Convention reserve	23	71,096	71,096	71,096	71,096
Teacher and Leadership Development special reserve	24	136,253	-	136,253	-
Retained earnings		520,012	553,774	366,725	314,203
TOTAL EQUITY		\$ 826,249	\$ 723,758	\$ 672,962	\$ 484,187
CURRENT ASSETS					
Cash and cash equivalents	2	423,807	350,124	158,810	8,910
Term deposits	3	6,805,978	489,033	6,805,978	489,033
Trade and other receivables	4	492,612	23,697	487,354	23,697
Prepayments	5	39,806	16,318	39,806	16,318
Current portion: loans to Participating Proprietors	7	1,226,110	1,135,461	-	-
Total Current Assets		8,988,313	2,014,633	7,491,948	537,958
NON-CURRENT ASSETS					
Property, plant and equipment	8	27,080	15,252	27,080	15,252
Intangibles	9	11,696	-	11,696	-
Loan to National Attendance Dues and Capital Indebtedness Sharing Scheme	6	8,926,336	13,203,922	-	-
Non-current portion: loans to Participating Proprietors	7	22,835,745	23,564,544	-	-
Legal fees recoverable		68,126	-	68,126	-
Total Non-Current Assets		31,868,983	36,783,718	106,902	15,252
TOTAL ASSETS		40,857,296	38,798,351	7,598,850	553,210
CURRENT LIABILITIES					
Trade and other payables	10	103,827	94,273	78,052	69,023
Recognition funding payable	11	6,847,836	-	6,847,836	-
Deferred financing and development costs	12	33,997	31,615	-	-
Loan from Catholic Education Trust Fund	14	15,565,325	19,468,643	-	-
Loan from Bank of New Zealand	7,13	1,000,000	1,000,000	-	-
Total Current Liabilities		23,550,985	20,594,531	6,925,888	69,023
NON-CURRENT LIABILITIES					
Loan from Bank of New Zealand	7,13	16,480,062	17,480,062	-	-
Total Non-Current Liabilities		16,480,062	17,480,062	-	-
TOTAL LIABILITIES		40,031,047	38,074,593	6,925,888	69,023
NET ASSETS		\$ 826,249	\$ 723,758	\$ 672,962	\$ 484,187

These accounts were authorised for issue by the Board on 18 April 2018.

For and on behalf of the Board



Geoffrey Ricketts
CHAIRPERSON
18 April 2018



Stephen Grey
DIRECTOR
18 April 2018

The accompanying Consolidated Statement of Accounting Policies and notes form part of these financial statements.

**NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	Group		Company	
		2017 \$	2016 \$	2017 \$	2016 \$
INCOME					
<u>From exchange transactions:</u>					
Proprietors' levies		772,247	756,765	772,247	756,765
Cost recoveries	15	169,643	28,846	242,496	96,966
Interest	16	2,399,433	2,699,261	44,931	17,075
Sponsorship - Catholic School Sports programme development		6,250	-	6,250	-
Sale of publications		297	19,733	297	19,733
Other income		104	500	104	500
<u>From non-exchange transactions:</u>					
Sponsorship - publications		30,072	31,051	30,072	31,051
TOTAL INCOME		3,378,046	3,536,156	1,096,397	922,090
EXPENDITURE					
ACC levies		1,095	1,213	1,095	1,213
Audit fee		34,733	35,050	8,958	9,275
Administration	17	49,815	43,273	48,966	41,831
Amortisation of intangible assets	9	688	-	688	-
Bank charges		13,720	1,278	701	670
Computer expenses		24,457	26,477	24,457	26,477
Computer hardware		2,175	5,623	2,175	5,623
Depreciation	8	6,100	3,259	6,100	3,259
Interest paid to Catholic Education Trust Fund		1,096,682	1,320,942	-	-
Interest paid to Bank of New Zealand		1,186,819	1,286,673	-	-
Interest Paid to Proprietors		24,536	-	24,536	-
Legal and professional fees	18	37,387	183,976	27,598	182,646
Meetings - Proprietors	19	25,037	30,384	25,037	30,384
Motor vehicle	20	17,844	15,928	17,844	15,928
Other fees paid to auditors	18	35,000	-	-	-
Publications and promotions	21	23,090	29,750	23,090	29,750
Principals' Initiative	22	49,325	(3,458)	49,325	(3,458)
Rent		39,627	36,662	39,627	36,662
Salaries		584,411	529,703	584,411	529,703
Travel - Office		23,014	25,079	23,014	25,079
TOTAL EXPENDITURE		3,275,555	3,571,812	907,622	935,042
TOTAL COMPREHENSIVE INCOME/(LOSS)		\$ 102,491	\$ (35,656)	\$ 188,775	\$ (12,952)

The accompanying Consolidated Statement of Accounting Policies and notes form part of these financial statements.

**NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

GROUP	Retained Earnings	Teacher and Leadership			Total
		Convention Reserve (Note 23)	Development Special Reserve (Note 24)	Share Capital	
	\$	\$	\$	\$	\$
Opening balance 1 January 2016	589,430	71,096	-	98,888	759,414
Total comprehensive (loss)	(35,656)	-	-	-	(35,656)
Balance at 31 December 2016	553,774	71,096	-	98,888	723,758
Total comprehensive income	102,491	-	-	-	102,491
Transfer (to)/from Reserves	(136,253)	-	136,253	-	-
Balance at 31 December 2017	\$ 520,012	\$ 71,096	\$ 136,253	\$ 98,888	\$826,249

COMPANY	Retained Earnings	Teacher and Leadership			Total
		Convention Reserve (Note 23)	Development Special Reserve (Note 24)	Share Capital	
	\$	\$	\$	\$	\$
Opening balance 1 January 2016	327,155	71,096	-	98,888	497,139
Total comprehensive (loss)	(12,952)	-	-	-	(12,952)
Balance at 31 December 2016	314,203	71,096	-	98,888	484,187
Total comprehensive income	188,775	-	-	-	188,775
Transfer (to)/from Reserves	(136,253)	-	136,253	-	-
Balance at 31 December 2017	\$ 366,725	\$ 71,096	\$ 136,253	\$ 98,888	\$672,962

The accompanying Consolidated Statement of Accounting Policies and notes form part of these financial statements.

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 \$	2016 \$	2017 \$	2016 \$
OPERATING					
Cash received from proprietors		774,646	776,986	774,646	776,986
Cash received from the Crown - Recognition funding		10,000,000		10,000,000	-
Cash received from related parties		31,223	28,846	104,076	96,966
Cash received from sponsors		40,249	26,102	40,249	26,102
Cash received from sponsors and exhibitors - Convention		2,500	2,500	2,500	2,500
Interest received		49,776	38,088	40,209	12,922
Interest received from Participating Proprietors and other related parties		1,622,221	1,708,739	-	-
Interest paid		(1,193,987)	(1,286,673)	(7,168)	-
Payments to suppliers		(865,349)	(456,555)	(791,585)	(423,898)
Payments to suppliers - Convention		(3,600)	(13,940)	(3,600)	(13,940)
Payments to proprietors - Recognition funding		(3,101,406)	-	(3,101,406)	-
Payments to employees		(567,305)	(535,735)	(567,305)	(535,735)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		6,788,968	288,358	6,490,616	(58,097)
INVESTING					
Loans made to Participating Proprietors		(502,400)	-	-	-
Loan repayments received		1,140,550	2,723,090	-	-
Purchase of capital and intangible assets		(23,771)	(565)	(23,771)	(565)
(Purchase)/proceeds from maturity of term deposits		(6,316,945)	36,208	(6,316,945)	36,208
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		(5,702,566)	2,758,733	(6,340,716)	35,643
FINANCING					
Loan advances made to related parties - the Scheme		(8,999,700)	(7,199,391)	-	-
Loan repayments made to related parties - the Trust		(14,500,000)	(12,075,000)	-	-
Loan repayments received from related parties - the Scheme		14,000,000	11,500,000	-	-
Loan advances received from related parties - the Trust		9,500,000	7,200,000	-	-
Loan repayments made		(1,000,000)	(2,877,466)	-	-
Early repayment charges on loans repaid		(13,019)	-	-	-
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		(1,012,719)	(3,451,857)	-	-
TOTAL CASH FLOWS		73,683	(404,766)	149,900	(22,454)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		350,124	754,890	8,910	31,364
CASH AND CASH EQUIVALENTS, END OF YEAR	2	\$ 423,807	\$ 350,124	\$ 158,810	\$ 8,910

The accompanying Consolidated Statement of Accounting Policies and notes form part of these financial statements.

**NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
1 SHARE CAPITAL				
The Proprietors of Catholic integrated schools are the shareholders of NZCEO Limited. There are twenty-seven shareholders with one ordinary share each. The voting rights attached to each ordinary share are proportional to the number of schools under each shareholder (Proprietor). The shares have no par value.				
Fully paid in share capital	\$ 98,888	\$ 98,888	\$ 98,888	\$ 98,888
2 CASH AND CASH EQUIVALENTS				
Bank Accounts				
ANZ	158,810	8,910	158,810	8,910
Bank of New Zealand	264,997	341,214	-	-
	<u>\$ 423,807</u>	<u>\$ 350,124</u>	<u>\$ 158,810</u>	<u>\$ 8,910</u>
3 SHORT-TERM DEPOSITS				
ANZ	<u>\$ 6,805,978</u>	<u>\$ 489,033</u>	<u>\$ 6,805,978</u>	<u>\$ 489,033</u>
Refer Note 7 for details of interest rates and maturities				
4 TRADE AND OTHER RECEIVABLES				
<u>From exchange transactions:</u>				
Trade receivables	728	4,961	728	4,961
GST receivable	481,736	13,311	476,478	13,311
Accrued interest	10,148	5,425	10,148	5,425
	<u>\$ 492,612</u>	<u>\$ 23,697</u>	<u>\$ 487,354</u>	<u>\$ 23,697</u>
There have been no impairment losses during the year.				
5 PREPAYMENTS				
Convention 2018	21,568	13,940	21,568	13,940
Course registrations and subscriptions	3,144	2,378	3,144	2,378
Travel paid in advance	2,094	-	2,094	-
Teachers and Leadership course sponsorship	13,000	-	13,000	-
	<u>\$ 39,806</u>	<u>\$ 16,318</u>	<u>\$ 39,806</u>	<u>\$ 16,318</u>
6 LOAN TO NATIONAL ATTENDANCE DUES AND CAPITAL INDEBTEDNESS SHARING SCHEME AT AMORTISED COST				
(Repaid to)/Advanced by NZCEO Finance	(8,286,819)	(3,286,519)	-	-
Cumulative interest	17,213,155	16,490,441	-	-
	<u>\$ 8,926,336</u>	<u>\$ 13,203,922</u>	<u>\$ -</u>	<u>\$ -</u>

NZCEO Finance has on-lent funds to the Scheme to meet the shortfall between the attendance dues collected and the debt servicing commitments. This lending is at an interest rate of 5.5% for 2017 (2016 5.5%), reviewed annually with no specific date set for repayment. Where there is a shortfall additional advances are drawn down by the Scheme (funds originating from the Trust). During the year, loan advances of \$8,999,700 (2016 \$7,200,000) were made to and repayments of \$14,000,000 (2016 \$11,500,000) were received from the Scheme. Financial modelling of the expected future attendance dues to be collected and forecast debt servicing payments shows that current surpluses will continue and that those monies will be used to repay the loan. The assumptions underpinning the financial model used for the loan impairment review include forecast attendance dues revenue and forecast debt servicing payments. The receipt of attendance dues is subject to an underwrite from the Catholic Bishops of the five participating dioceses.

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

7 FINANCIAL INSTRUMENTS

a) Fair Values

The carrying value of all financial instruments is considered approximate to their fair value.

b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to NZCEO Finance.

NZCEO Finance has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Financial instruments which potentially subject NZCEO Finance to a concentration of credit risk consist principally of loans to Participating Proprietors and loans to the Scheme.

Security held on Participating Proprietors' loans is managed by the Bishops' underwrite.

Significant counterparty exposure is as follows:

	2017 \$	2016 \$
Christian Brothers' loan	775,798	808,026
Dunedin Diocese loans	10,781,646	10,766,081
Hamilton Diocese loans	11,561,353	12,139,031
Marist Brothers Auckland loan	943,058	986,867
Total Proprietors' loans	24,061,855	24,700,005
Less current portion	(1,226,110)	(1,135,461)
	\$22,835,745	\$23,564,544

These loans are funded from the Bank of New Zealand ('BNZ') Term Loan Facility and have priority as per Note 7(f).

c) Liquidity Risk

The Group is exposed to liquidity risk due to the nature of its operations. However, the Group has access to the Trust for advances if additional funds are required. The Group proactively manages its banking facilities.

d) Interest Rate Risk

As interest receivable on the loan to the Scheme is set at the same rate as the interest payable on the monies borrowed from the Trust, NZCEO Finance is primarily exposed to interest rate risk on the differential between the interest payable on the bank term loan facility compared to the interest receivable on loans to Participating Proprietors. To manage this interest rate risk the interest rate charged by NZCEO Finance on loans to Participating Proprietors and the BNZ interest rate are regularly reviewed, and fixed, where appropriate, by the Board of NZCEO Finance. The interest rate charged by NZCEO Finance is approximately related to the interest rate charged by the BNZ, and is reviewed at least annually. Any movement in the BNZ interest rate is reflected in the NZCEO Finance interest rate.

e) Contractual Maturity Analysis

The following table details NZCEO Finance's contractual maturities and effective interest rates for financial assets and liabilities. The loan from the Trust has been classified as maturing in 6-12 months because the loan does not have a specific date for repayment and is therefore technically repayable on demand. The expected repayment of this loan will take place in conjunction with receipts from the Scheme.

2017 Contractual Maturities

	Effective Interest Rate	\$ 0-6 months	\$ 6-12 months	\$ 1-2 years	\$ 2-3 years	\$ 3-4 years	\$ 4-5 years	\$ 5 years +	\$ Total
Cash	1.10%	423,807							423,807
Short-term deposits	3.30%	6,805,978							6,805,978
Trade and other receivables	0.00%	492,612							492,612
Loans to Participating Proprietors	6.65%	602,892	623,218	1,310,178	1,400,010	1,496,001	1,598,575	17,030,981	24,061,855
Loan to National Attendance Dues and Capital Indebtedness Sharing Scheme	5.50%							8,926,336	8,926,336
BNZ Term Loan	4.95%						(11,480,062)		(11,480,062)
BNZ Term Loan	4.62%			(1,000,000)	(1,000,000)	(1,000,000)	(2,000,000)		(5,000,000)
BNZ Term Loan	4.46%	(199,938)							(199,938)
BNZ Term Loan	5.51%	(800,062)							(800,062)
Trade and other payables	0.00%	(103,827)							(103,827)
Loan from Catholic Education Trust Fund	5.50%		(15,565,325)						(15,565,325)
Total		\$7,221,462	(\$14,942,107)	\$310,178	\$400,010	\$496,001	(\$11,881,487)	\$25,957,317	\$7,561,374

2016 Contractual Maturities

	Effective Interest Rate	\$ 0-6 months	\$ 6-12 months	\$ 1-2 years	\$ 2-3 years	\$ 3-4 years	\$ 4-5 years	\$ 5 years +	\$ Total
Cash	1.66%	350,124							350,124
Short-term deposits	3.30%	489,033							489,033
Trade and other receivables	0.00%	23,697							23,697
Loans to Participating Proprietors	6.65%	558,319	577,142	1,213,314	1,296,503	1,385,398	1,480,387	18,188,940	24,700,003
Loan to National Attendance Dues and Capital Indebtedness Sharing Scheme	5.50%							13,203,922	13,203,922
BNZ Term Loan	6.67%		(1,000,000)	(16,077,000)					(17,077,000)
BNZ Term Loan	6.70%			(603,000)					(603,000)
BNZ Term Loan	5.51%			(800,062)					(800,062)
Trade and other payables	0.00%	(94,273)							(94,273)
Loan from Catholic Education Trust Fund	5.50%		(19,468,643)						(19,468,643)
Total		\$1,326,900	(\$19,891,501)	(\$16,266,748)	\$1,296,503	\$1,385,398	\$1,480,387	\$31,392,862	\$723,801

f) Priority

The BNZ loans are secured against all current and future NZCEO Finance assets and registered first or second mortgages held over the properties listed in Note 13.

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

8 PROPERTY, PLANT AND EQUIPMENT

	Group and Company			
	Computer Hardware	Office Equipment	Furniture	Total
Cost	\$	\$	\$	\$
Balance at 1 January 2016	28,335	9,934	60,737	99,006
Additions	-	-	565	565
Disposals	-	-	-	-
Balance at 31 December 2016	28,335	9,934	61,302	99,571
Additions	17,930	-	-	17,930
Disposals	(17,203)	-	(2,174)	(19,377)
Balance at 31 December 2017	29,062	9,934	59,128	98,124
Accumulated depreciation and impairment				
Balance at 1 January 2016	28,271	9,934	42,855	81,060
Depreciation expense	64	-	3,195	3,259
Disposals	-	-	-	-
Balance at 31 December 2016	28,335	9,934	46,050	84,319
Depreciation expense	3,163	-	2,937	6,100
Disposals	(17,203)	-	(2,172)	(19,375)
Balance at 31 December 2017	14,295	9,934	46,815	71,044
Net book value				
At 31 December 2016	\$ -	\$ -	\$ 15,252	\$ 15,252
At 31 December 2017	\$ 14,767	\$ -	\$ 12,313	\$ 27,080

9 INTANGIBLES

	Group and Company		
	Computer Software	Systems Development	Total
Cost			
Balance at 1 January 2016	1,967	5,200	7,167
Additions	-	-	-
Disposals	-	-	-
Balance at 31 December 2016	1,967	5,200	7,167
Additions	-	12,384	12,384
Disposals	-	(5,200)	(5,200)
Balance at 31 December 2017	1,967	12,384	14,351
Accumulated amortisation and impairment			
Balance at 1 January 2016	1,967	5,200	7,167
Amortisation expense	-	-	-
Disposals	-	-	-
Balance at 31 December 2016	1,967	5,200	7,167
Amortisation expense	-	688	688
Disposals	-	(5,200)	(5,200)
Balance at 31 December 2017	1,967	688	2,655
Net book value			
At 31 December 2016	\$ -	\$ -	\$ -
At 31 December 2017	\$ -	\$ 11,696	\$ 11,696

10 TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
<u>From exchange transactions:</u>				
Trade payables	60,834	71,138	35,059	45,888
Monies received in advance	5,252	2,500	5,252	2,500
Employees' salary and holiday pay liability	37,741	20,635	37,741	20,635
	\$ 103,827	\$ 94,273	\$ 78,052	\$ 69,023

11 RECOGNITION FUNDING PAYABLE

Amount received from the Crown	10,000,000	-	10,000,000	-
Legal fee recovery received (Note 14)	(68,126)	-	(68,126)	-
Recognition funding distributed	(3,101,406)	-	(3,101,406)	-
Interest accrued on undistributed funding	17,368	-	17,368	-
	\$ 6,847,836	\$ -	\$ 6,847,836	\$ -

During the year, NZCEO, acting for the Association of Proprietors of Integrated Schools (APIS), reached an agreement with the Crown relating to historical Quantity Funding differences for State integrated school proprietors. The agreement allows for Recognition Funding of \$20million to be paid in two equal instalments over the Crown financial years of 2017/2018 and 2018/2019. Under the terms of the agreement NZCEO is to distribute the funding to the proprietors of state integrated schools. \$10million was received in 2017 of which \$3,101,406 was distributed to state integrated school proprietors other than those proprietors who are members of the National Attendance Dues and Capital Indebtedness Sharing Scheme (the Scheme). Included in the Recognition Funding Payable is an amount of \$6,758,614 related to proprietors who are members of the Scheme and hence, related parties. NZCEO is still working through discussions of how to distribute the remaining 2017 funding to the proprietors who are members of the Scheme.

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
12 DEFERRED FINANCING AND DEVELOPMENT COSTS				
Opening balance	31,615	30,850	-	-
Plus: Net set-up costs to be recovered	15,727	15,727	-	-
Plus: Administration credit from new loan	2,500	-	-	-
Less: Use of administration credit against current costs	(15,845)	(14,962)	-	-
Closing Balance	\$ 33,997	\$ 31,615	\$ -	\$ -

The initial set-up costs of NZCEO Finance are being written off over a twenty-five year period. Offset against this is the credit arising from the 0.50% administration charge incurred by borrowers from NZCEO Finance. This credit is applied against current costs at the rate of 33% in the first year of the loan, with the balance applied evenly over the remaining term of the loan.

13 LOAN FROM BANK OF NEW ZEALAND

The Bank of New Zealand Term Loan Facility was updated by a Deed of Amendment and Restatement dated 17 December 2012 and amended on 24 September 2014, 21 April 2015 and 11 December 2017. The updated Facility became effective 29 December 2017.

Contractual maturities are as per Note 7(e).

	Interest Rate	Group	
		2017	2016
		\$	\$
Total Loan			
Bank of New Zealand - Term Loan Facility	6.67% Fixed	-	17,077,000
Bank of New Zealand - Term Loan Facility	6.70% Fixed	-	603,000
Bank of New Zealand - Term Loan Facility	5.51% Fixed	800,062	800,062
Bank of New Zealand - Term Loan Facility	4.95% Fixed	11,480,062	-
Bank of New Zealand - Term Loan Facility	4.62% Fixed	5,000,000	-
Bank of New Zealand - Term Loan Facility	4.46% Floating	199,938	-
		<u>17,480,062</u>	<u>18,480,062</u>
Non-current liability			
Repayment - Term Loan Facility		(1,000,000)	(1,000,000)
		<u>(1,000,000)</u>	<u>(1,000,000)</u>
		\$ 16,480,062	\$ 17,480,062

The loan is secured against all current and future NZCEO Finance assets and registered first or second mortgages held over properties situated at:

- John Paul College, Rotorua
- John Paul College Hostel, Rotorua
- Kavanagh College, Rattray Street, Dunedin
- St John's College, Hillcrest Road, Hamilton
- St Paul's School, Massey, Auckland
- St Peter's College, Auckland

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
14 LOANS FROM THE CATHOLIC EDUCATION TRUST FUND AT AMORTISED COST				
Advanced by the Catholic Education Trust Fund	(3,675,777)	1,324,223	-	-
Cumulative interest	19,241,102	18,144,420	-	-
	\$ 15,565,325	\$ 19,468,643	\$ -	\$ -

The Trust has on-lent funds to NZCEO Finance for the funding of the BNZ principal repayment and for on-lending to the Scheme to cover the shortfall between attendance dues received and debt servicing commitments. This lending is at an interest rate of 5.5% for 2017 (2016 5.5%), reviewed annually with no specific date set for repayment. During the year, loan advances of \$9,500,000 (2016 \$7,200,000) were received from and repayments of \$14,500,000 (2016 \$12,075,000) were made to the Trust. Financial modelling of the expected future attendance dues to be collected and forecast debt servicing payments shows that the repayments which commenced in 2010 will continue. The assumptions underpinning the financial model used for the loan impairment review include forecast attendance dues receipts and forecast debt servicing payments. The loan is stated at amortised cost.

15 COSTS RECOVERIES

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
NZCEO Finance	-	-	72,853	68,120
National Attendance Dues and Capital Indebtedness Sharing Scheme	20,815	19,231	20,815	19,231
Catholic Education Trust Fund	10,408	9,615	10,408	9,615
Legal fees	136,253	-	136,253	-
Other	2,167	-	2,167	-
	\$ 169,643	\$ 28,846	\$ 242,496	\$ 96,966

These expenses have been recovered by NZCEO Limited for providing administrative services to NZCEO Finance and the Trust.

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
16 INTEREST INCOME				
Interest was earned from the following sources:				
ANZ	44,931	17,075	44,931	17,075
Bank of New Zealand	9,567	25,166	-	-
Proprietor loans	1,622,221	1,708,739	-	-
National Attendance Dues and Capital Indebtedness Sharing Scheme on funds advanced	722,714	948,281	-	-
	<u>\$ 2,399,433</u>	<u>\$ 2,699,261</u>	<u>\$ 44,931</u>	<u>\$ 17,075</u>
17 ADMINISTRATION				
General expenses	21,564	25,107	4,870	8,703
Photocopier lease payments	9,103	9,103	9,103	9,103
Photocopier expenses	2,326	1,920	2,326	1,920
Postage	5,819	6,045	5,819	6,045
Printing, stationery and archiving	12,027	7,351	12,027	7,351
Professional development	5,610	3,342	5,610	3,342
Repairs and maintenance	1,053	83	1,053	83
Subscriptions and books	2,211	1,514	2,211	1,514
Telephones	4,291	3,770	4,291	3,770
Audiovisual conferencing	1,656	-	1,656	-
Recovery of deferred administration	(15,845)	(14,962)	-	-
	<u>\$ 49,815</u>	<u>\$ 43,273</u>	<u>\$ 48,966</u>	<u>\$ 41,831</u>
18 LEGAL AND PROFESSIONAL FEES				
Legal fees	25,740	156,984	15,950	155,654
Consultants and specialised office support	5,398	26,992	5,398	26,992
Catholic School Sports programme development	6,250	-	6,250	-
	<u>37,387</u>	<u>183,976</u>	<u>27,598</u>	<u>182,646</u>
Other fees paid to auditors - corporate finance	35,000	-	-	-
	<u>\$ 72,387</u>	<u>\$ 183,976</u>	<u>\$ 27,598</u>	<u>\$ 182,646</u>
These fees include negotiation, support and legal advice on various issues relating to government policies; school maintenance; legislative and regulatory interpretations; and a range of other issues.				
19 MEETINGS - PROPRIETORS				
NZCEO Limited Board of Directors' travel expenses, Association of Proprietors of Integrated Schools' Executive travel expenses, catering, subsets of Board meetings and related costs.	<u>\$ 25,037</u>	<u>\$ 30,384</u>	<u>\$ 25,037</u>	<u>\$ 30,384</u>
20 MOTOR VEHICLE EXPENSES				
Running costs	-	147	-	147
Car lease	-	1,426	-	1,426
Car parking	17,844	14,355	17,844	14,355
	<u>\$ 17,844</u>	<u>\$ 15,928</u>	<u>\$ 17,844</u>	<u>\$ 15,928</u>
21 PUBLICATIONS AND PROMOTIONS				
The production and distribution of <i>Lighting New Fires</i> , <i>Good News and the News</i> and <i>Aoraki</i> continued in 2016. A number of resources are now available on the NZCEO Limited website.	<u>\$ 23,090</u>	<u>\$ 29,750</u>	<u>\$ 23,090</u>	<u>\$ 29,750</u>
22 PRINCIPALS' INITIATIVE				
This is an NZCEO Limited Board of Directors' initiative to support the ongoing supply of committed teachers to provide leadership for Catholic schools. There were no courses delivered in 2016.				
Expenditure (Recovery)	<u>\$ 49,325</u>	<u>\$ (3,458)</u>	<u>\$ 49,325</u>	<u>\$ (3,458)</u>

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

23 CONVENTION RESERVE

The 2018 Catholic Education Convention will be held in June 2018.

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
Opening balance	71,096	71,096	71,096	71,096
Transfer from retained earnings	-	-	-	-
Convention Reserve at end of period	\$ 71,096	\$ 71,096	\$ 71,096	\$ 71,096

24 TEACHER AND LEADERSHIP DEVELOPMENT SPECIAL RESERVE

This is part of NZCEO Limited Board of Directors' initiative to support the ongoing supply of committed teachers to provide leadership for Catholic schools.

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
Opening balance	-	-	-	-
Transfer from retained earnings	136,253	-	136,253	-
Teacher and Leadership Development Special Reserve at end of period	\$ 136,253	\$ -	\$ 136,253	\$ -

25 RELATED PARTY TRANSACTIONS

NZCEO Limited provides administration services to its wholly-owned subsidiary NZCEO Finance, and to the Catholic Education Trust Fund and the National Attendance Dues and Capital Indebtedness Sharing Scheme on behalf of participating Proprietors.

During the year NZCEO Finance took out loans from the Catholic Education Trust Fund and on-lent that money to the National Attendance Dues and Capital Indebtedness Sharing Scheme to fund the shortfall between the national attendance dues received from Participating Proprietors and the debt servicing paid on behalf of the Participating Proprietors (Refer Note 14).

All administration costs for NZCEO Finance (2017 \$72,853; 2016 \$68,120), National Attendance Dues and Capital Indebtedness Scheme (2017 \$20,815; 2016 \$19,231) and the Catholic Education Trust Fund (2017 \$10,408; 2016 \$9,615) were initially paid by NZCEO Limited and recovered by way of reimbursement.

Loans are provided by NZCEO Finance to participating Proprietors of the National Attendance Dues and Capital Indebtedness Sharing Scheme as disclosed in the Statement of Financial Position. The participating Proprietors of the Scheme are also shareholders of NZCEO Limited (Refer Note 7).

Recognition funding payable includes a balance of \$6,758,614 related to participating Proprietors of the National Attendance Dues and Capital Indebtedness Sharing Scheme (Refer Note 11).

26 COMMITMENTS

Operating lease commitments for office premises, car and photocopier are payable as follows:

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
Less than one year	58,054	54,410	58,054	54,410
Between one and five years	6,107	16,576	6,107	16,576
More than five years	-	-	-	-
	\$ 64,161	\$ 70,986	\$ 64,161	\$ 70,986

There are no capital commitments as at 31 December 2017 (2016 \$Nil).

27 INSURANCE

Insurance of the NZCEO Limited office contents, furniture and equipment, materials, etc. is provided under a blanket cover held by the Archdiocese of Wellington's Insurance Fund.

28 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2017 (2016 \$Nil).

29 SUBSEQUENT EVENTS

There have been no events subsequent to balance date that would materially affect the Financial Statements as presented at 31 December 2017.