

**ST STEPHEN'S AND QUEEN VICTORIA
SCHOOLS TRUST BOARD**

ANNUAL REPORT

For the year ended 30 September 2017

**THE ST STEPHEN'S AND QUEEN VICTORIA
SCHOOLS TRUST BOARD**

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017**

Trust Purpose

"The advancement and propagation of education for children in New Zealand, principally for girls and boys of New Zealand Maori descent but including peoples of all races and denominations, principally through the provision and management of schools and the provision and continuing development of an integrated curriculum which features foundation teaching, learning skills and excellence and blends elements of Maori concepts and Christian values with the New Zealand education curriculum"

FINANCIAL PERFORMANCE

The Trust is pleased to report on another successful year as Trustees continue to implement its strategy to rebuild the Trust as an endowment fund for education within Tikanga Maori.

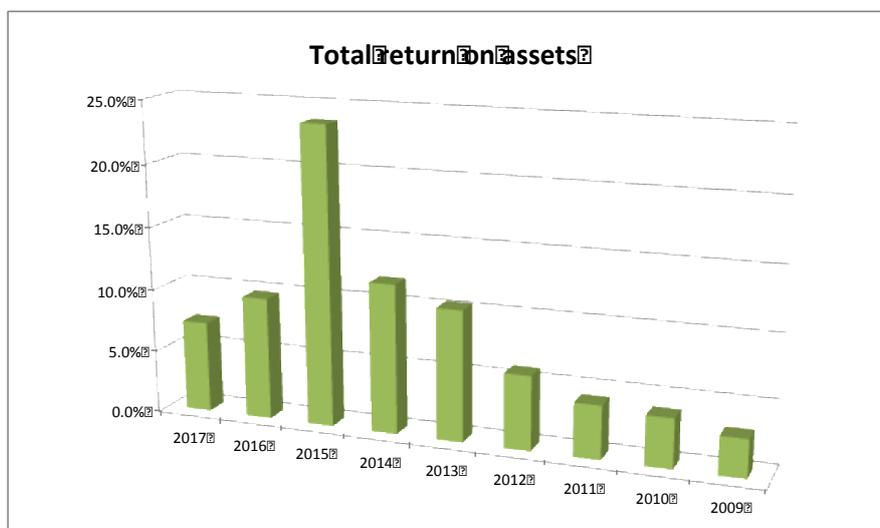
The financial performance of the Trust for the five years ended 30 September 2017 can be summarised as follows:

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
Revenue	1,850	1,671	1,793	1,567	1,915
Expenditure	644	890	656	827	930
Operating surplus	1,206	781	1,137	740	985
Net revaluation and realisation of investments	3,818	5,209	10,567	4,537	3,179
Deficit/Surplus	5,024	5,590	11,704	5,247	4,164

The strategy of the Trust to realise the investment in non-core and underperforming commercial property and reinvest the proceeds realised in a diversified investment portfolio has continued to improve the ability of the Trust to generate stable levels of income.

The income earned from the Trust's investment portfolio rose to \$1 million during 2017 (2016: \$0.4 million) while income from rentals fell to \$0.9 million (2016: \$1.3 million) as properties were sold and or vacated. As such the operating income and cash flow of the Trust has continued to strengthen.

The Trust also recorded solid capital gains during the year of \$3.8 million both from the growth in investment values and from capital gains from the sale of property.



While the gains earned were lower than in prior years, especially in comparison to 2015 when the property revaluations the Trust's properties reflected the work undertaken by the Trust to have some lands rezoned. However the return of 7.3% for 2017 was respectable given the stage in the Trust's journey and the nature of the assets being held.

As noted above the Trust has been implementing a strategy to realise the underperforming investment assets of the Trust in favour of establishing a diversified investment strategy.

As such during the 2017 year further property sales were completed and the last so identified underperforming property was sold in early 2018. This sees the culmination of a strategy that started in 2010 which has seen property then valued at \$16.9 million being sold with the proceeds utilised, firstly extinguish the \$5.2 million of debt the Trust held and then to establish the diversified investment fund.

This strategy has generated significant value for the Trust, as summarised below:

Assets sold	\$16,900,000
Debt repaid	<u>(\$5,200,000)</u>
Net proceeds to endowment	\$11,700,000
Value of investments (September 2017)	<u>\$26,500,000</u>
Value created by strategy	14,800,000

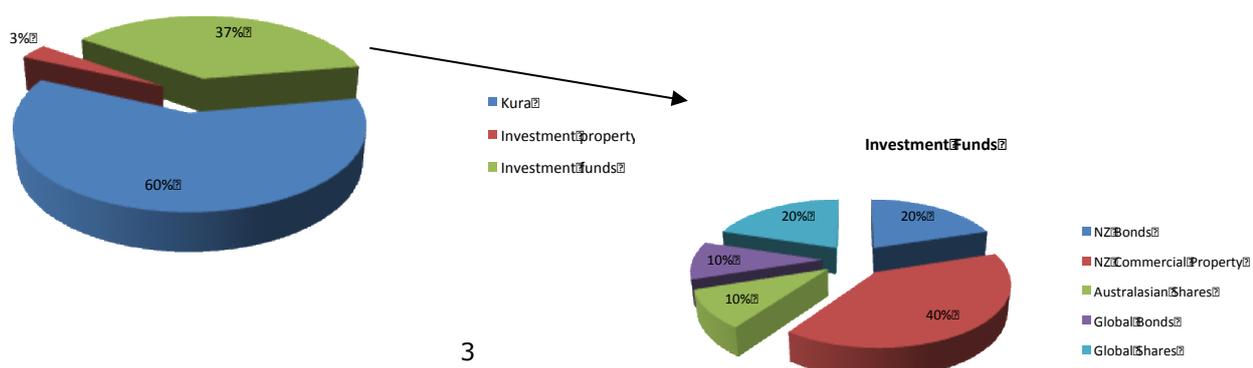
Trustees see the fulfilment of this strategy as a significant milestone for the Trust and puts the financial viability of the Trust on a strong foothold as it will reduce the Trust's reliance on the performance of a single asset class while improving the stability of income the Trust will generate.

FINANCIAL POSITION

As at 30 September 2016 the Trust's capital had increased to \$72 million (2016:\$ 67 million) as a result of the improved financial performance and the revaluation of the Trust's investments and property assets. The balance sheet of the Trust can be summarised as follows:

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
Cash	760	406	1,399	779	321
Accounts receivable and prepayments	44	24	30	145	125
Current Assets	804	430	1,429	924	446
Properties (at valuation)	44,870	49,280	52,921	42,528	38,288
Other investments	26,492	17,644	6,983	6,396	5,832
Total Assets	72,166	67,354	61,333	49,848	44,571
Accounts payable	104	172	115	335	305
Net Assets	72,062	67,182	61,218	49,513	44,266

As at 30 September 2017, the assets and investments of the Trust were represented as follows:



The value of the Bombay and Parnell properties continue to represent a very significant component of the Trust's total capital. Trustees remain aware and concerned that these assets produce almost no income, and in some instances represent a financial liability to the Trust.

STRATEGIC DIRECTION

The Board has continued to be focussed on determining the best strategy for the Trust to deliver its charitable purpose, being the sustainable advancement and propagation of education for children in New Zealand, principally for girls and boys of New Zealand Maori descent.

The Trust has undertaken a number of research projects in order to better understand the education environment in Aotearoa, assess education needs and to better understanding the fast changing methods that education is being delivered.

On the basis of this work, the Trust has developed a Strategic Statement but in doing so realise there is more work, research and consultation required to make this a reality.

This strategic statement is as follows:

That after undertaking extensive research the Board reaffirms its current strategy.

That this strategy remains to achieve the purpose of the Trust by way of:

- *continuing to build and manage a sustainable endowment fund to ensure the strategies of the Trust can be achieved,*
- *to establish a school*
- *to continue to offer scholarships, and*

That the Board will seek expressions of interest from potential partners in respect to the Trust achieving these goals.

That the Trust will continue and investigate expanding its scholarship programme as well as investigate other proposals, that meet the Board's criteria, to form partnerships and which will achieve educational outcomes for Tikanga Maori.

That the Board will communicate the affirmation of this strategy to key stakeholders and the wider public, and that this communication will be clear that, in order to achieve this strategy and the Trust's purpose, the Trust is likely to liquidate all or part of its land holdings and that the location and format of a school will be based on the current and future education needs of Aotearoa, and may not mirror the past.

The Trust would welcome the feedback of the General Synod or Te Pihopatanga O Aotearoa may have on this strategy.

DISTRIBUTIONS

In late 2016 the Board launched its Mihingare Secondary Schools Scholarship programme, which saw the approval of \$194,000 of distributions to allow thirty deserving rangatahi access quality education from schools across Aotearoa.

During the current year the Trustees expanded this programme after receiving a significant increase in the interest in these scholarships, receiving nearly 200 expressions of interest and 100 applications.

After careful consideration Trustees approved distributions of \$250,000 and awarded a 45 scholarships to students who displayed a strong connection to the Mihingare, connections with Alumni, solid academic performance and financial need.

Trustees look forward to continuing this scholarship programme in 2018 and advancing other strategies to achieve the purposes of the Trust.

TRUSTEES

As of 30 September 2017 the Trustees were:

	<u>Appointed</u> <u>Or reappointed</u>
• Bernard Te Paa (Chair)	July 2012
• Keringawai Evans	May 2014
• The Rev John Fairbrother	Feb 2014
• Selwyn Parata	May 2016
• Pihopa Te Kitohi Pikaahu	May 2016
• Kahu Pou	May 2012

In early 2018 Agnes Naera was also appointed to the Board by the General Synod Standing Committee, on the recommendation of the Board, and will bring to the Board her significant education experience.

Additional appointments to the Board are also expected during 2018 to bring the number of Trustees to eight, the maximum number permitted by the Trust's constitution.

This constitution also contains a provision that requires the two longest serving Trustees are to retire at the commencement of the each session of the General Synod.

Accordingly the two longest serving Trustees, Bernard Te Paa and Kahu Pou, offer their resignation to the General Synod.

THANKS

The Trust continued to maintain a very close relationship with its Manager, Trust Investments Management Limited and the improving performance of the Trust is good evidence of the strength and collegiality of this relationship.

I also wish acknowledge the commitment and passion my fellow trustees in regard to our strategic deliberations and dealing with the challenges that face the Trust and for their support in my role as Chairman.

CLOSING

The Trust Board remains passionate and committed to its role as steward of the St Stephen's and Queen Victoria Schools Trust Board and looks forward to refining and implementing its strategy to achieve its principal purpose to provide the sustainable delivery of education resources primarily to Maori, all to the glory of God.

Bernard Te Paa
Chair

February 2018