



Presbyterian Church
of Aotearoa New Zealand

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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Council of Assembly

Convenor	Rev Richard McLean
Deputy Convenor	Ms Anne Edgar
Council Members	Rev A J Harrex Rev Charissa DuRose Nicol Ms Diana Baird Rev Tukua Tuwairua Mr Wayne Ogden Mr Leilua Timaloa Rev P Stewart (resigned August 2019) Rev Jaco Reyneke Rev Dr Darryl Temprow

Registered Office

Level 1, Core Logic House
275 Cuba Street
Wellington 6141

Nature of Business

Making Jesus Christ known in the Community

Charities Commission Registration Number

CC33597

Presbyterian Church of Aotearoa New Zealand

Consolidated Statement of Comprehensive Revenue and Expenses

For the year ended 30 June 2020

	Note	Group June 2020 \$	Group June 2019 \$	Parent June 2020 \$	Parent June 2019 \$
Revenue	3.4				
Revenue from exchange transactions					
Administration Fees		468,097	424,284	5,855	1,677
Assembly Assessment		2,224,214	2,013,963	2,224,214	2,013,963
Cooperating Parish Contributions		-	240,852	-	240,852
Intern Contribution Received		233,347	290,477	233,347	290,477
Investment Income		778,389	848,469	769,282	835,509
Mission Enterprise Fund		42,143	111,668	42,143	111,668
Property Income		116,000	116,000	116,000	116,000
Registrations		84,981	272,323	84,981	272,323
Sundry Income		188,397	151,825	38,224	72,410
Total Revenue from exchange transactions		4,135,568	4,469,861	3,514,046	3,954,879
Revenue from non-exchange transactions					
Donations Received	5.1	617,814	952,642	617,814	952,642
Grants Received	5.2	655,634	652,871	655,634	652,871
Total Revenue from non-exchange transactions		1,273,448	1,605,513	1,273,448	1,605,513
Total Revenue		5,409,016	6,075,374	4,787,494	5,560,392
Less Operating Expenses					
Administration		819,428	746,015	686,167	609,748
Depreciation and amortisation		47,880	35,677	41,385	34,452
Donations Paid	6.2	126,660	162,819	126,660	162,819
Events		95,766	262,612	89,133	255,826
Loss on investments	8	174,863	-	174,863	-
Grants Paid	6.1	473,838	398,636	473,838	398,636
Mission Enterprise Fund's Grants Paid		94,054	327,139	94,054	327,139
Mission Expenses		40,258	166,613	40,258	166,613
Property Costs		190,371	183,381	153,039	153,322
Publications		33,037	66,460	29,623	62,604
Salaries and Stipends		2,330,736	2,248,198	1,997,437	1,973,583
Staff Costs		10,253	12,154	9,775	10,683
Student Training		328,864	480,854	328,864	480,854
Travel and Accommodation		172,385	238,001	158,772	214,922
Total Operating Expenses		4,938,393	5,328,561	4,403,868	4,851,201
Total surplus for the year		470,623	746,813	383,626	709,191
Total comprehensive revenue and expense for the year		470,623	746,813	383,626	709,191

Presbyterian Church of Aotearoa New Zealand

Consolidated Statement of Changes in Net Assets

For the year ended 30 June 2020

Consolidated	Note	Retained Earnings \$	Capital Expenditure \$	General Funds \$	Capital Trusts \$	Total Equity \$
June 2019						
Balance 1 July 2018	15	1,797,417	-	10,115,578	13,995,496	25,908,491
Total surplus and comprehensive revenue and expense for the year		746,813	-	-	-	746,813
Funds Transferred		186,694	(8,579)	77,006	(255,121)	-
Balance 30 June 2019		2,730,924	(8,579)	10,192,584	13,740,375	26,655,304
June 2020						
Balance 1 July 2019		2,730,924	(8,579)	10,192,584	13,740,375	26,655,304
Total surplus and comprehensive revenue and expense for the year		470,623	-	-	-	470,623
Funds Transferred		(837,881)	41,419	645,251	151,211	-
Balance 30 June 2020		2,363,666	32,840	10,837,835	13,891,586	27,125,927
Parent						
		Retained Earnings \$	Capital Expenditure \$	General Funds \$	Capital Trusts \$	Total Equity \$
June 2019						
Balance 1 July 2018		1,774,741	-	9,729,312	13,995,496	25,499,549
Total surplus and comprehensive revenue and expense for the year		709,191	-	-	-	709,191
Funds Transferred		92,853	(8,579)	170,847	(255,121)	-
Balance 30 June 2019		2,576,785	(8,579)	9,900,159	13,740,375	26,208,740
June 2020						
Balance 1 July 2019		2,576,785	(8,579)	9,900,159	13,740,375	26,208,740
Total surplus and comprehensive revenue and expense for the year		383,626	-	-	-	383,626
Funds Transferred		(627,348)	41,419	434,719	151,211	-
Balance 30 June 2020		2,333,063	32,840	10,334,878	13,891,586	26,592,366



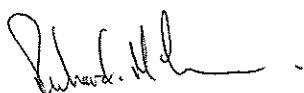
Presbyterian Church of Aotearoa New Zealand

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	Group June 2020 \$	Group June 2019 \$	Parent June 2020 \$	Parent June 2019 \$
Assets					
Current Assets					
Cash and cash equivalents		110,170	86,943	87,976	73,708
Accounts Receivable from Exchange Transactions		71,093	68,690	23,942	22,711
Accrued Income and Prepayments		41,224	327,740	36,847	62,623
Investments - Christian Savings	8	1,900,000	3,300,000	1,900,000	3,300,000
Investments - Presbyterian Investment Fund	8	8,738,506	6,803,560	8,235,550	6,511,133
Total Current Assets		10,860,993	10,586,933	10,284,315	9,970,175
Non Current Assets					
Investments - Presbyterian Investment Fund	8	14,090,914	13,829,399	14,090,914	13,829,399
Investment Property	13	1,875,000	1,875,000	1,875,000	1,875,000
Shares held		650,000	650,000	650,000	650,000
Fixed Assets	11	48,024	61,182	37,971	55,086
Intangible Assets	12	46,132	34,151	46,132	34,151
Unsecured Advances		71,779	83,779	71,779	83,779
Total Non Current Assets		16,781,849	16,533,511	16,771,795	16,527,415
Total Assets		27,642,842	27,120,444	27,056,110	26,497,590
Liabilities					
Current Liabilities					
Accounts Payable		119,100	230,461	81,894	75,632
Accrued Expenses		350,421	216,541	334,456	195,080
Deferred Income		47,394	18,138	47,394	18,138
Total Current Liabilities		516,915	465,140	463,744	288,850
Net Assets		27,125,927	26,655,304	26,592,366	26,208,740
Equity					
Reserves					
Capital Trusts	8	13,891,586	13,740,375	13,891,586	13,740,375
General Funds		10,837,835	10,192,584	10,334,878	9,900,159
Capital Expenditure Reserve		32,840	(8,579)	32,840	(8,579)
Total Reserves		24,762,261	23,924,380	24,259,303	23,631,955
Retained Earnings	9	2,363,666	2,730,924	2,333,063	2,576,785
Total Equity		27,125,927	26,655,304	26,592,366	26,208,740

Signed for and on behalf of the Council of Assembly who authorised the issue of these financial statements.



Richard McLean - Convenor
Date: 9 September 2020



Anne Edgar - Deputy Convenor
Date: 9 September 2020

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Presbyterian Church of Aotearoa New Zealand

Consolidated Cash Flow Statement

For the year ended 30 June 2020

Note	Group June 2020 \$	Group June 2019 \$	Parent June 2020 \$	Parent June 2019 \$
Cash Flows from Operating Activities				
Cash was provided from:				
Receipts from Parishes	2,498,473	2,719,455	2,498,473	2,737,262
Interest Received	137,464	192,760	162,366	179,800
Property Income	116,000	116,000	116,000	116,000
Grants and Donations	1,273,448	1,605,513	1,273,448	1,605,513
Other Income	770,731	760,110	158,316	258,087
	<u>4,796,116</u>	<u>5,393,838</u>	<u>4,208,603</u>	<u>4,896,662</u>
Cash was Disbursed for:				
Payments to Suppliers and Employees	(3,807,289)	(4,899,933)	(3,440,615)	(4,313,705)
Grants and Donations Paid	(600,498)	(561,455)	(600,498)	(561,455)
	<u>(4,407,787)</u>	<u>(5,461,388)</u>	<u>(4,041,113)</u>	<u>(4,875,160)</u>
Net Cash inflow/(outflow) from operating activities	388,329	(67,550)	167,490	21,502
Cash Flows from Investing Activities				
Cash was Provided from:				
Net Investments proceeds / (payments)	(330,502)	717,030	(129,080)	623,189
Unsecured Advances Proceeds	12,000	12,000	12,000	12,000
	<u>(318,502)</u>	<u>729,030</u>	<u>(117,080)</u>	<u>635,189</u>
Cash was Disbursed for:				
Purchase of Fixed Assets	(46,600)	(27,970)	(36,142)	(27,970)
Purchase of Shares	-	(650,000)	-	(650,000)
	<u>(46,600)</u>	<u>(677,970)</u>	<u>(36,142)</u>	<u>(677,970)</u>
Net cash inflow/(outflow) from Investing Activities	(365,102)	51,060	(153,222)	(42,781)
Increase/ (decrease) in Bank	23,227	(16,490)	14,268	(21,279)
Bank Balance 1 July	86,943	103,433	73,708	94,987
Cash and Bank 30 June	<u>110,170</u>	<u>86,943</u>	<u>87,976</u>	<u>73,708</u>



Presbyterian Church of Aotearoa New Zealand

Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

1. Reporting Entity

The reporting entity is the Presbyterian Church of Aotearoa New Zealand (the Church), consolidated with the operations of the Presbyterian Church Property Trustees (the Trustees). Reference to the "parent" in this report means reference to the Church and reference to the "Group" means reference to the Church consolidated with the Trustees. As part of its powers the church appoints Trustees who hold their property as Custodian on behalf of the individual member parishes, presbyteries and the church as a whole.

The Group records the exercise of the power of the Assembly to raise money from, receive money on behalf of, or spend money on account of, the individual parishes that comprise the body of, the Church. Any residual assets or liabilities arising from the exercise of this power are included in the results of the reporting entity.

The Church is a beneficiary of funds whose financial performance is reported separately by the Trustees to the General Assembly. The Funds are for commercial activities gifted to the Church for the purpose of providing financial and material assistance to the Church and its Ministers. Payments to the Church from these Funds are recognised as income as and when received. These commercial activities are not included in the Church accounts.

These Group financial statements and the accompanying notes summarise the financial results of activities carried out by the Group. The Group provides support for Presbyterian Churches and cooperating churches under Presbyterian oversight to enable the promotion and teachings of Jesus Christ in the New Zealand area. All entities within the Group are charitable organisations registered under the Charitable Trusts Act 1957 and the Charities Act 2005.

The Church is domiciled in New Zealand and is a charitable organisation registered under the Charities Act 2005.

These consolidated financial statements have been approved and were authorised for issue by the Council of Assembly on 9 September 2020.

2. Statement of Compliance

The Group financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with PBE Standards Reduced Disclosure Regime ("PBE Standards RDR") and disclosure concessions have been applied. For the purposes of complying with NZ GAAP, the Group is a not-for-profit public benefit entity and is eligible to apply PBE Standards RDR on the basis that it does not have public accountability and it is not defined as large.

3.1 Basis of measurement

These consolidated financial statements have been prepared on the basis of historical cost, except for non-derivative financial instruments and investment property, which are measured at fair value.

Presbyterian Church of Aotearoa New Zealand

Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

3.2 Functional and presentational currency

The consolidated financial statements are presented in New Zealand dollars (\$), which is the Group's functional currency.

3.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Presbyterian Church of Aotearoa New Zealand and its controlled entities (the Group) as at 30 June 2020. Controlled entities are all those entities over which the Council (the controlling entity) has the power to govern the financial and operating policies so as to obtain benefits from their activities.

The Church has the power to appoint Trustees, but affirms the Trustees independence in governance, management and influence over financial and operating policies of the Church Property Trustees operations.

In preparing the consolidated financial statements, all inter entity balances and transactions, unrealised gains and losses arising within the consolidated entity are eliminated in full. The accounting policies of the controlled entities are consistent with the policies adopted by the Group.

3.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised.

Revenue from non-exchange transactions

Donation Revenue

Donations are recognised as revenue upon receipt and include donations from the general public, donations received for specific purposes or services or donations in-kind.

Grant Revenue

Grant revenue includes grants given by other charitable organisations, philanthropic organisations and businesses. Grant revenue is recognised as revenue when it is received, unless there are conditions, including a return obligation, attached to the grant. If such conditions exist, then the grant amount is recognised initially as a deferred revenue liability, and revenue is recognised as the conditions are fulfilled.

Presbyterian Church of Aotearoa New Zealand

Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

Revenue from exchange transactions

Receipts from parishes

Receipts from parishes includes levies charged to Presbyterian parishes, receipts from cooperating churches and receipts from churches hosting ministry interns. Levies are charged and recognised evenly throughout the accounting period. Contributions from cooperating churches and church contributions to ministry interns are recognised as received.

Investment income

Investment income relates to interest income and is recognised using the effective interest method and is accrued monthly. Interest is reinvested quarterly for funds held in the Presbyterian Investment Fund, and is received for investments held with Christian Savings.

3.5 Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument

Financial Assets

All financial assets are initially recognised at fair value plus, in the case of financial assets not recorded at fair value through surplus or deficit, transaction costs that are attributable to the acquisition of the financial asset. The Group's financial assets are classified as loans and receivables or financial assets at fair value through surplus or deficit.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less any allowance for impairment. Loan agreements are for repayment of capital only and are interest free. The effective interest rate amortisation is included in finance income in the statement of financial performance. The Group classifies the following financial assets as loans and receivables: cash and cash equivalents, accounts receivable from exchange transactions and investments in Christian Savings and the Presbyterian Investment Fund.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit are subsequently measured at fair value through surplus or deficit. The Group classifies shares held at fair value through surplus or deficit.

Impairment of assets

Assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired.

Derecognition

The Group derecognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or the Group 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; and either:

- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Presbyterian Church of Aotearoa New Zealand

Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

Financial liabilities

The Group's financial liabilities include accounts payable. All financial liabilities are initially recognised at fair value plus transaction costs and are measured subsequently at amortised cost.

3.6 Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.7 Investments

Current Investments

Current investments comprise deposits in which capital and income is accessible, and the term of the deposit is less than one year.

Non Current Investments

Non current investments comprise deposits in which income only is accessible, or the use of capital is restricted to specific purposes under the terms of the Trust deed. These investments are not expected to be realised in the next 12 months.

Shares held

Carried at Fair Value through surplus or deficit. Fair Value is determined based on evidence of arms length transactions that occurred discounted in consideration of the lack of liquidity in the trading of the shares.

3.8 Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria is met, and excludes the cost of day-to-day maintenance of an investment property.

Subsequent to initial recognition, investment properties are measured at fair value, which is based on active market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset at the reporting date. Gain or loss arising from changes in the fair values of investment properties are recognised in surplus or deficit in the year in which they arise.

3.9 Plant and Equipment

Property, plant and equipment is measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. Plant and equipment are measured at cost, net of accumulated depreciation and impairment losses, if any. Depreciation is charged on a straight line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life.

3.10 Intangible Assets

Intangible assets are measured at cost and are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Presbyterian Church of Aotearoa New Zealand

Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

3.11 Employee benefits

Liabilities for wages and salaries, annual leave and study leave are recognised in surplus or deficit during the period in which the employee provided the related services. Liabilities for the associated benefits are measured at the amounts expected to be paid when the liabilities are settled.

3.12 Income Tax

Due to its charitable status, the Group is exempt from income tax.

3.13 Equity

Equity is measured as the difference between total assets and total liabilities. Equity is made up of the Group accumulated comprehensive revenue and expense, adjusted for transfers to/from specific reserves. Equity is categorised as general funds, capital trusts, capital expenditure and retained earnings adjusted for net operating surplus/(deficit) for the year (as defined in the Consolidated Statement of changes in Net Assets/Equity)

Equity is categorised into sections:

- Funds available for Knox Centre for Ministry and Leadership activities
- Funds available for Global Mission activities
- Funds available for General Assembly operations
- Funds available for Presbyterian Foundation grants
- Funds available for Press Go grants and expenses
- Funds available for Mission Enterprise grants
- Church Property Trustees working capital
- Retained earnings. Accumulated earnings retained by the group and not represented by Capital Trusts or General Funds.

Each section of equity has funds reserved for Working Capital (capital and income available for use in that section), and funds reserved for specific purposes as defined by Trust deeds or bequest requirements. When specific purpose funds are accessed the terms of the Trust Deeds or bequests (the purpose of funds and where applicable the access of income only) must be met.

Please refer to note 8 for an explanation of how the above sections are split between "general funds" and "capital trusts" reserves.

Capital Expenditure Reserve

The Capital Expenditure Reserve is a specific reserve established to manage the expenditure on capital items.

3.14 Comparatives

Certain prior year comparatives have been restated to align with current year disclosures.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Presbyterian Church of Aotearoa New Zealand

Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

4. Significant accounting judgements, estimates and assumptions cont.

Grants and donation expenditure

Grants and Donation expense decisions are at the discretion of the appropriate functional manager (or Board in the case of Press Go, Mission Enterprise and Presbyterian Foundation grants). Grants and donations are within appropriate budget parameters and where necessary, comply with appropriate trust deed specifications.

Investment Property

Assumptions for valuation of investment property include

- Movement in market indicators
- That the property is free from further caveats and financial liens
- That there are no restrictions or impediments that may affect the valuation
- A discount rate of 6.5% has been allowed for (2019: 6.5%)

Shares held

The shares held represent a minority equity holding in Christian Savings Limited. The valuation of shares is based on recent sales and a liquidity assessment.

Study Leave

A provision of 72% of study leave owing has been provided for in the accounts. This is based on the percentage of study leave taken over the previous 3 years.

5 Revenue from non exchange transactions

Revenue from non-exchange transactions received during each reporting period:

5.1 Donations Received	Group June 2020 \$	Group June 2019 \$	Parent June 2020 \$	Parent June 2019 \$
Church Schools Resource Office	-	137	-	137
Presbyterian Development Society	-	650,000	-	650,000
Global Mission	160,237	138,488	160,237	138,488
Press Go	5,701	4,916	5,701	4,916
Kids Friendly	-	225	-	225
Knox Centre - Music Ministry	-	3,160	-	3,160
KCML	5,787	107,100	5,787	107,100
Youth Ministry	17,000	10,000	17,000	10,000
Local Mission	415,362	21,616	415,362	21,616
Research Centre	12,500	-	12,500	-
White Ribbon Campaign	1,181	-	1,181	-
Untagged	46	17,000	46	17,000
	617,814	952,642	617,814	952,642

Presbyterian Church of Aotearoa New Zealand
Consolidated Notes to the Financial Statements
For the year ended 30 June 2020

5.2 Grants Received	Group June 2020 \$	Group June 2019 \$	Parent June 2020 \$	Parent June 2019 \$
Synod Otago and Southland - Knox Centre	233,333	223,333	233,333	223,333
Synod Otago and Southland - Research Centre	120,500	125,450	120,500	125,450
Synod of Otago and Southland - Youth Ministry	-	8,000	-	8,000
Clarke Estate	175,000	150,000	175,000	150,000
PDS Grant - Lighthouse	62,567	65,117	62,567	65,117
John C England Bequest	40,000	-	40,000	-
Council for World Mission	10,000	-	10,000	-
Otago Foundation Trust Board	6,000	-	6,000	-
N Howell Estate Bequest	5,000	-	5,000	-
Alpha	400	-	400	-
Laidlaw College	2,334	2,500	2,334	2,500
Scripture Union	500	500	500	500
PDS Grant - Transformers	-	3,530	-	3,530
Peter Crothall - Book Collection Grant	-	10,000	-	10,000
Thornton Blair Research Grant	-	2,000	-	2,000
Ministry of Social Development - Salary Grant	-	6,145	-	6,145
Press Go	-	2,500	-	2,500
Love Reaches Out	-	1,800	-	1,800
Crombie Lockwood	-	5,000	-	5,000
Bible Society	-	500	-	500
Christian World Service	-	500	-	500
Lotteries Grants Board	-	36,116	-	36,116
NZ Chinese Trust	-	9,880	-	9,880
	655,634	652,871	655,634	652,871

Presbyterian Church of Aotearoa New Zealand
Consolidated Notes to the Financial Statements
For the year ended 30 June 2020

6 Grants and Donations Paid

6.1 Grants Paid	Group June 2020 \$	Group June 2019 \$	Parent June 2020 \$	Parent June 2019 \$
Bill Best Travel Grants	9,313	-	9,313	-
Alpine Presbytery New Mission Seeding Grant	-	18,900	-	18,900
Global Mission Grants	40,000	11,338	40,000	11,338
Knox Centre Minister Study Grants	29,029	45,874	29,029	45,874
KCML Staff Parish Grants	22,797	-	22,797	-
Mangere Presbyterian Church	-	300	-	300
Moderator's Parish	82,200	79,620	82,200	79,620
Kiwi Church - Convenor costs	2,036	-	2,036	-
Presbyterian Foundations Grants	20,180	51,040	20,180	51,040
Press Go (Excluding Mission Enterprise Fund)	(29)	13,017	(29)	13,017
Pacific Presbytery	70,000	38,547	70,000	38,547
White Ribbon	2,500	-	2,500	-
UCANZ	55,812	-	55,812	-
Te Aka Puaho Partnership Grant	140,000	140,000	140,000	140,000
	473,838	398,636	473,838	398,636
6.2 Donations Paid	Group June 2020 \$	Group June 2019 \$	Parent June 2020 \$	Parent June 2019 \$
Global Mission	125,260	161,593	125,260	161,593
Other donations paid	1,400	1,226	1,400	1,226
	126,660	162,819	126,660	162,819

Presbyterian Church of Aotearoa New Zealand
Consolidated Notes to the Financial Statements
For the year ended 30 June 2020

7 Reserves	Balance 1 July 19	Transactions In	Transactions Out	Balance 30 June 20
	\$	\$	\$	\$
General Assembly Reserves				
General Purpose Reserves				
Presbyterian Investment Fund	3,750,429	4,485,257	(3,780,036)	4,455,649
Christian Savings	500,000	-	-	500,000
	<u>4,250,429</u>	<u>4,485,257</u>	<u>(3,780,036)</u>	<u>4,955,649</u>
Specific Purpose Reserves				
Children and Families	31,953	829	-	32,782
Presbyterian Archives Reserve	194,606	46,792	(98,000)	143,398
Council for World Mission	-	-	-	-
Margaret & Bill Best Memorial Fund	285,179	24,253	(26,270)	283,162
Estate of Mary McLeish	5,917	154	-	6,071
Home Mission Trust	300,308	7,136	(28,431)	279,013
FJ Borrie Trust	38	1	-	39
MA Borrie Trust	25,091	26,337	(25,915)	25,513
J E Long Memorial	55,445	58,270	(57,258)	56,457
Outfields Mission	61,336	64,462	(63,342)	62,455
T W Pairman Trust	9,495	9,965	(9,805)	9,655
M & E Thompson Bequest	31,703	40,292	(36,277)	35,718
Est: A Cowie Estate	214,725	158,100	(153,995)	218,830
	<u>1,215,796</u>	<u>436,589</u>	<u>(499,293)</u>	<u>1,153,091</u>
Total General Assembly Reserves	5,466,225	4,921,845	(4,279,330)	6,108,741
	Balance 1 July 19	Transactions In	Transactions Out	Balance 30 June 20
	\$	\$	\$	\$
Knox Centre for Ministry and Leadership Reserves				
General Purpose Reserves				
Presbyterian Investment Fund	1,209,512	2,810,415	(1,965,872)	2,054,055
Christian Savings	2,000,000	-	(1,000,000)	1,000,000
	<u>3,209,512</u>	<u>2,810,415</u>	<u>(2,965,872)</u>	<u>3,054,055</u>

Presbyterian Church of Aotearoa New Zealand
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For the year ended 30 June 2020

	Balance	Transactions	Transactions	Balance
Knox Centre for Ministry and Leadership Reserves cont.	1 July 19	In	Out	30 June 20
	\$	\$	\$	\$
Specific Purpose Reserves				
School of Ministry Property #1	1,494,973	602,904	(610,863)	1,487,014
School of Ministry Property #2	2,045,157	908,808	(920,379)	2,033,586
School of Ministry Property #3	1,319,651	418,071	(424,171)	1,313,551
Frustrated Trust	27,231	707	-	27,938
Lay & Recognised Ministry Training	80,398	2,086	-	82,484
Post Graduate Scholarships	377,451	14,906	(5,110)	387,246
CPE Scholarships	122,448	3,149	(6,400)	119,197
Book Prizes Account	98,599	3,873	(1,570)	100,902
Ministers Study Grants	516,307	666,220	(603,004)	579,523
Hewitson Library	15,269	396	-	15,665
Pastoral Contingencies Fund	156,990	4,074	-	161,064
Begg Dickie Scholarship Fund	256,796	10,414	(3,750)	263,460
Vanuatu Training	20,041	962	(442)	20,561
Cuming Travel Scholarship	20,723	839	(301)	21,261
Sanderson Stewart McKay Trust	78,759	3,589	(1,545)	80,803
DM Phillips Gift	13,791	358	-	14,149
Knox Center Intern Reserve	187,653	59,549	(69,269)	177,933
Carrick Crombie Scholarship	147,404	8,732	(15,773)	140,363
Harrison Bequest	301,955	10,534	(2,698)	309,791
McMullen Trust - Ordained Ministry Trainee Book Purchase Fund	100,853	5,877	(3,259)	103,470
	<u>7,382,449</u>	<u>2,726,049</u>	<u>(2,668,535)</u>	<u>7,439,964</u>
Total Knox Centre Reserves	<u>10,591,961</u>	<u>5,536,464</u>	<u>(5,634,407)</u>	<u>10,494,018</u>
Global Mission Reserves				
General Purpose Reserves				
Presbyterian Investment Fund	1,551,192	214,154	(39,500)	1,725,846
	<u>1,551,192</u>	<u>214,154</u>	<u>(39,500)</u>	<u>1,725,846</u>

Presbyterian Church of Aotearoa New Zealand
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For the year ended 30 June 2020

	Balance 1 July 19	Transactions In	Transactions Out	Balance 30 June 20
	\$	\$	\$	\$
Global Mission Reserves cont.				
Specific Purpose Reserves				
DI Langmuir Estate	682,137	372,260	(357,820)	696,578
Estate A J M Campbell	8,813	229	-	9,042
W & B Pullar Vanuatu Fund	103,008	2,673	-	105,681
Onesua Presbyterian College	46,580	931	-	47,511
Shirley Gray Memorial scholarship Vanuatu	10,363	546	-	10,909
Doreen Riddell - Scholarship Fund	61,023	1,584	-	62,607
Friends of Jagadhri	45,753	978	(16,472)	30,260
Ricebowl Mission	84,893	5,827	(3,768)	86,952
Total Specific Reserves	20,843	19,833	(19,752)	20,924
Total Global Mission Reserves	1,063,413	404,861	(397,811)	1,070,463
Press Go Reserves				
General Purpose Reserves				
Christian Savings	800,000	-	(400,000)	400,000
	800,000	-	(400,000)	400,000
Specific Purpose Reserves				
Press Go	130,250	515,361	(273,903)	371,708
Total Specific Reserves	130,250	515,361	(273,903)	371,708
Total Press Go Reserves	930,250	515,361	(673,903)	771,708
Presbyterian Foundation				
Specific Purpose Reserves				
Presbyterian Investment Fund - Capital	2,900,115	64,265	(150,852)	2,813,528
Presbyterian Investment Fund - Income	89,026	150,336	(40,034)	199,328
Total Specific Reserves	2,989,141	214,601	(190,886)	3,012,856
Total Presbyterian Foundation Reserves	2,989,141	214,601	(190,886)	3,012,856

Presbyterian Church of Aotearoa New Zealand
Consolidated Notes to the Financial Statements
For the year ended 30 June 2020

	Balance 1 July 19	Transactions In	Transactions Out	Balance 30 June 20
	\$	\$	\$	\$
Mission Enterprise Fund				
Specific Purpose Reserve				
Presbyterian Investment Fund	1,048,352	76,962	(82,483)	1,042,832
Total specific Reserves	1,048,352	76,962	(82,483)	1,042,832
Total Mission Enterprise Reserves	1,048,352	76,962	(82,483)	1,042,832
Church Property Trustees Reserves				
	Balance 1 July 19	Transactions In	Transactions Out	Balance 30 June 20
	\$	\$	\$	\$
General Purpose Reserves				
Presbyterian Investment Fund	292,425	615,408	(404,875)	502,958
	292,425	615,408	(404,875)	502,958

8 Summary of Group Reserves

	Balance 1 July 19	Transactions In	Transactions Out	Balance 30 June 20
	\$	\$	\$	\$
Reserves by Function				
Global Mision	2,614,605	619,015	(437,311)	2,796,309
Knox Centre	10,591,961	5,536,464	(5,634,407)	10,494,018
General Assembly	5,466,225	4,921,845	(4,279,330)	6,108,741
Press Go	930,250	515,361	(673,903)	771,708
Presbyterian Foundation	2,989,141	214,601	(190,886)	3,012,856
Mission Enterprise Fund	1,048,352	76,962	(82,483)	1,042,832
Capital Expenditure Reserve	(8,579)	75,000	(33,581)	32,840
Church Property Trustees	292,425	615,408	(404,875)	502,958
	23,924,380	12,574,656	(11,736,775)	24,762,261
Reserves by Investment Partner				
Presbyterian Investment Fund	20,632,959	12,499,656	(10,303,194)	22,829,421
Christian Savings	3,300,000	-	(1,400,000)	1,900,000
Capital Expenditure Reserve	(8,579)	75,000	(33,581)	32,840
	23,924,380	12,574,656	(11,736,775)	24,762,261

The Group's investment in the Presbyterian Investment Fund is apportioned between an on-call component of \$15,477,045 and a long-term component of \$7,352,376. The on-call component is invested in underlying deposits and fixed term securities. The Group earned interest income of \$447,017 on its on-call investment during the period (2019: \$696,065). The long-term component is invested in an underlying Mercer Socially Responsible Investment Fund. The Group earned interest income of \$193,818 on its long-term investment during this period (2019:nil), and incurred an investment loss due to movement in capital value of \$174,863 during the year (2019:nil)

Presbyterian Church of Aotearoa New Zealand

Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

Reserves by Investment Partner cont.

The Group's investment in Christian Savings represents three deposit balances as follows:

- \$400,000 with an interest rate of 3% maturing on 19 October 2020
- \$1,000,000 with an interest rate of 3.53% maturing on 10 July 2020
- \$500,000 with an interest rate of 3.03% maturing on 18 October 2021.

The group earned interest income from Christian Savings deposits of \$65,054 during the period (2019: \$148,589)

Reserves by Type

Capital Trusts	13,740,375	4,224,087	(4,072,877)	13,891,586
General Funds	10,192,584	8,275,569	(7,630,317)	10,837,835
Capital Expenditure Reserve	(8,579)	75,000	(33,581)	32,840
	23,924,380	12,574,656	(11,736,775)	24,762,261

8 Summary of Group Reserves continued

	Balance 1 July 19 \$	Transactions In \$	Transactions Out \$	Balance 30 June 20 \$
Reserves by Parent / Group				
The Church	23,631,955	11,959,248	(11,331,900)	24,259,303
The Trustees	292,425	615,408	(404,875)	502,958
Group	23,924,380	12,574,656	(11,736,775)	24,762,261

Unless stated otherwise, funds held in Specific Reserves are held in the Presbyterian Investment Fund.

Presbyterian Church of Aotearoa New Zealand
Consolidated Notes to the Financial Statements
For the year ended 30 June 2020

9 Changes in Assets and Equity

	General			Mission		Church		Total Group
	Knox Centre	Assembly	Global Mission	Press Go	Presbyterian Foundation	Mission Enterprise Fund	Total Parent Trustees	
Capital Trusts								
Balance 1 July 2019	7,382,449	1,215,796	1,063,413	130,250	2,900,115	1,048,352	13,740,375	13,740,375
Deposits and Income	2,726,049	436,589	404,861	515,361	64,265	76,962	4,224,087	4,224,087
Withdrawals and Transfers	(2,668,535)	(499,293)	(397,811)	(273,903)	(150,852)	(82,483)	(4,072,877)	(4,072,877)
Balance 30 June 2020	7,439,964	1,153,091	1,070,463	371,708	2,813,528	1,042,832	13,891,586	13,891,586
General Funds								
Balance 1 July 2019	3,209,512	4,250,429	1,551,192	800,000	89,026	-	9,900,159	10,192,584
Deposits and Income	2,810,415	4,485,257	214,154	-	150,336	-	7,660,161	8,275,569
Withdrawals and Transfers	(2,965,872)	(3,780,036)	(39,500)	(400,000)	(40,034)	-	(7,225,442)	(7,630,317)
Balance 30 June 2020	3,054,055	4,955,649	1,725,846	400,000	199,328	-	10,334,878	10,837,835
Capital Expenditure Reserve								
Balance 1 July 2019	-	-	-	-	-	-	(8,579)	(8,579)
Deposits and Income	-	-	-	-	-	-	75,000	75,000
Withdrawals and Transfers	-	-	-	-	-	-	(33,581)	(33,581)
Balance 30 June 2020	-	-	-	-	-	-	32,840	32,840
Total Reserves	10,494,018	6,108,741	2,796,309	771,708	3,012,856	1,042,832	24,259,303	502,958
Retained Earnings								
Balance 1 July 2019	-	-	-	-	-	-	2,576,785	154,139
Net Surplus	-	-	-	-	-	-	383,626	86,997
Transfers	-	-	-	-	-	-	(627,348)	(210,533)
Balance at 30 June 2020	-	-	-	-	-	-	2,333,063	30,603
Total Equity								
Balance at 1 July 2019	10,591,961	5,466,225	2,614,605	930,250	2,989,141	1,048,352	26,208,740	446,564
Net Movements	(97,943)	642,516	181,704	(158,542)	23,715	(5,520)	383,626	86,997
Balance at 30 June 2020	10,494,018	6,108,741	2,796,309	771,708	3,012,856	1,042,832	26,592,366	533,561

Presbyterian Church of Aotearoa New Zealand
Consolidated Notes to the Financial Statements
For the year ended 30 June 2020

10 Auditors Remuneration

Ernst and Young provide audit services to the Group. The audit fee for the financial statementst audit was \$32,500 (2019: \$32,500). Ernst and Young are also providing additional assurance services for the 30 June 2020 consolidated financial information in preparation for the 2021 consolidated financial statements. The audit fee is \$85,000 (2019: \$3,990).

11 Fixed Assets

	Group June 2020	Group June 2019	Parent June 2020	Parent June 2019
Computer Equipment				
<i>Cost</i>				
Opening Cost	154,209	138,723	141,653	126,167
Additions	19,225	28,545	8,773	28,545
Disposals	(12,920)	(13,059)	(12,920)	(13,059)
Closing Cost	160,514	154,209	137,506	141,653
<i>Depreciation and Impairment</i>				
Opening Accumulated Depreciation	100,559	92,949	88,567	81,169
Depreciation charge for year	26,634	19,062	23,403	18,850
Disposals	(11,110)	(11,452)	(11,110)	(11,452)
Closing Accumulated Depreciation	116,083	100,559	100,860	88,567
Computer Equipment Net Book Value	44,431	53,650	36,646	53,086
Office Equipment				
<i>Cost</i>				
Opening Cost	41,850	47,354	39,578	45,082
Additions	-	1,033	-	1,033
Disposals	(15,743)	(6,537)	(15,743)	(6,537)
Closing Cost	26,107	41,850	23,835	39,578
<i>Depreciation and Impairment</i>				
Opening Accumulated Depreciation	38,996	44,333	37,578	43,318
Depreciation charge for year	1,026	998	662	797
Disposals	(15,730)	(6,335)	(15,730)	(6,537)
Closing Accumulated Depreciation	24,292	38,996	22,510	37,578
Office Equipment Net Book Value	1,815	2,854	1,325	2,000
Office Furniture				
<i>Cost</i>				
Opening Cost	231,546	231,546	221,704	221,704
Disposals	(845)	-	(845)	-
Closing Cost	230,701	231,546	220,859	221,704
<i>Depreciation and Impairment</i>				
Opening Accumulated Depreciation	226,868	225,396	221,704	221,043
Depreciation charge for year	2,900	1,472	-	661
Disposals	(845)	-	(845)	-
Closing Accumulated Depreciation	228,923	226,868	220,859	221,704
Office Furniture Net Book Value	1,778	4,678	-	-
Total Net Book Value	48,024	61,182	37,971	55,086

Presbyterian Church of Aotearoa New Zealand
Consolidated Notes to the Financial Statements
For the year ended 30 June 2020

12 Intangible Assets	Group June 2020	Group June 2019	Parent June 2020	Parent June 2019
Computer Software				
<i>Cost</i>				
Opening Cost	213,982	213,982	213,982	213,982
Additions	29,300	-	29,300	-
Disposals	(1,391)	-	(1,391)	-
<i>Closing Cost</i>	241,891	213,982	241,891	213,982
<i>Depreciation and Impairment</i>				
Opening Accumulated Depreciation	179,831	165,686	179,831	165,686
Depreciation charge for year	17,319	14,145	17,319	14,145
Disposals	(1,391)	-	(1,391)	-
<i>Closing Accumulated Depreciation</i>	195,759	179,831	195,759	179,831
Net Book Value	46,132	34,151	46,132	34,151

13 Investment Property

The investment property is subject to a long-term lease to Cold Storage Nelson Limited. The property was last valued on 30 June 2020 by Lance Collings, independent registered valuer of the firm Savills (NZ) Ltd at \$1,875,000 (2019: \$1,875,000). Savills (NZ) Ltd is a member of the New Zealand Institute of Valuers (Inc). The property is valued at net current value, being open market value less the estimated cost of disposal.

Valuation Uncertainty

Independent registered valuers, Saville's, have highlighted that the World Health Organisation declared a Global Pandemic on 11 March 2020 due to the outbreak of the novel coronavirus ("COVID-19").

The valuers have noted it is difficult, at the current time, to determine the effect COVID-19 will have on the investment property market. The impact will largely depend on both the scale and longevity of the outbreak and the consequential ongoing impact of the economy. Since the outbreak, comparable transactions and market evidence has been limited.

Consequently at the valuation date, the valuers have placed less reliance on previous market evidence for comparison purposes to inform their current opinion of value and have reported on the basis of "material valuation uncertainty". As such, less certainty and a higher degree of caution is attached to the valuation than would normally be the case.

14 Lease Commitments

The General Assembly lease of Core Logic House was renewed in June 2019 for a period of two years from March 2019 to March 2021. The expiry date of the lease is February 2023.

The lease of the office of the Church Property Trustees was renewed in June 2018 for a term of 3 years to March 2021.

	Group June 2020 \$	Group June 2019 \$	Parent June 2020 \$	Parent June 2019 \$
Lease of Corelogic House, Including Carparks				
Up to one year	68,052	104,727	55,691	83,537
One to two years	-	69,818	-	55,691
Two to five years	-	-	-	-

Presbyterian Church of Aotearoa New Zealand
Consolidated Notes to the Financial Statements
For the year ended 30 June 2020

Lease Commitments cont.	Group June 2020 \$	Group June 2019 \$	Parent June 2020 \$	Parent June 2019 \$
Sharp Corporation of NZ (Photocopier Lease)				
Up to one year	2,307	2,307	-	-
One to two years	2,307	4,614	-	-
Two to five years	-	-	-	-

15 Capital Commitments

There are no capital commitments at reporting date. (2019: nil)

16 Contingent assets and liabilities

There are no contingent assets or liabilities as at 30 June 2020 (2019: On 19 August 2019 the Presbyterian Church Property Trustees were advised by their solicitors that an entity had filed a Statement of Claim with the High Court in respect of a cancelled contract for the sale and purchase of land and buildings on behalf of a parish. The extent of any potential liability is unqualified at this time)

17 Related Party Transactions

Grants to Presbyterian Churches

The key management personnel, as defined in PBE IPSAS 20 Related Party Disclosures, are the members of the Presbyterian Church of Aotearoa New Zealand Council of Assembly and the Resource and Leadership subcommittees. Remuneration is paid to some members of these groups, either personally or to their churches in recognition of their contribution to church management:

	Group June 2020 \$	Group June 2019 \$	Parent June 2020 \$	Parent June 2019 \$
Payments to Council of Assembly Convenors or their parish	12,445	12,410	12,445	12,410
Convenor of KCML Review Taskgroup	-	5,350	-	5,350
Payments to Convenors of the Leadership Sub Committee and Resource Sub Committee	12,228	32,640	12,228	32,640
Payments to the Moderator's parish	66,700	79,621	66,700	79,621
	<u>91,373</u>	<u>130,021</u>	<u>91,373</u>	<u>130,021</u>

Presbyterian Investment Fund

Investments held in the Presbyterian Investment Fund are under the management of the Presbyterian Church Property Trustees.

Presbyterian Church of Aotearoa New Zealand

Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

18 COVID 19

On 11 March 2020, the World Health Organisation declared an ongoing global outbreak of a novel coronavirus, known as "COVID-19", as a pandemic. In response, many Governments implemented a range of public health and social measures to prevent and contain the transmission of COVID-19 and have provided financial stimulus and welfare support to mitigate the economic impacts.

In order to assist parishes, the Church provided the opportunity for parishes to request an exemption from the payment of Assembly Assessment for the months of May and June 2020. A total of 87 parishes applied for and received this exemption, at a cost to PCANZ of \$169,925.

The Church is expecting a reduction in revenue in the current year due to COVID-19.

As at the date of signing these financial statements, it is not possible to estimate the impact of the COVID-19 pandemic's long-term effects. As such, it is not practicable to provide any further quantitative or qualitative estimate of the potential impact on the Church at this time.

19 Events after balance date

The Council of Assembly and management are not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these financial statements that have significantly or may significantly affect the operations of the General Assembly.

Independent auditor's report to the Members of the Presbyterian Church of Aotearoa New Zealand

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Presbyterian Church of Aotearoa New Zealand (the "Church") and its subsidiaries (together the "Group") on pages 2 to 23, which comprise the statements of financial position of the Church and Group as at 30 June 2020, and the statements of comprehensive revenue and expenses, statements of changes in net assets and cash flow statements for the year then ended of the Church and Group, and the notes to the financial statements including a summary of significant accounting policies.

This report is made solely to the Church's members, as a body. Our audit has been undertaken so that we might state to the Church's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Church and the Church's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on the Church Financial Statements

In our opinion, the financial statements on pages 2 to 23 present fairly, in all material respects, the financial position of the Church as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Adverse Opinion on the Group Financial Statements

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Group Financial Statements, the financial statements on pages 2 to 23 do not present fairly, in all material respects, the financial position of the Group as at 30 June 2020 and its financial performance and cash flows for the year ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Group 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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Church financial statements and our adverse opinion on the Group financial statements.

Ernst & Young provides technical accounting and consolidation preparedness assessment related services to the Church and Group. Partners and employees of our firm may deal with the Church or Group on normal terms within the ordinary course of trading activities of the business of the Church or Group. We have no other relationship with, or interest in, the Church or Group.

Basis for Adverse Opinion on the Group Financial Statements

The Group is required to apply the requirements of PBE IPSAS 35 Consolidated Financial Statements to consolidate entities which, for financial reporting purposes, are controlled by the Church. Such entities include parishes and a variety of other trusts and operations.

Other than consolidating the operational activities of one controlled entity (the Church Property Trustees), the Group has not consolidated its controlled entities. Had these entities been consolidated, many elements in the accompanying financial statements of the Group would have been materially affected. The notes to the financial statements do not explain that a number of controlled entities have not been consolidated. The effects on the financial statements of not consolidating these entities have not been determined.



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Information other than the financial statements and auditor's report

Those charged with governance are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the 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 during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information, 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.

Council of Assembly's responsibilities for the financial statements

The Council of Assembly is responsible, on behalf of the Church, for the preparation and fair presentation of the financial statements in accordance Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing, on behalf of the Church, the Church and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the Church or Group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are 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 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 International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 the financial statements is located at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>. This description forms part of our auditor's report.

Ernst & Young

Chartered Accountants
Wellington
23 September 2020