

**The Presbyterian Church Of Aotearoa New  
Zealand Beneficiary Fund**

**Financial Statements**

**For the Year Ended 30 June 2019**

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# **The Presbyterian Church Of Aotearoa New Zealand Beneficiary Fund**

## **INDEX**

<b>Independent Auditors' Report</b>	<b>Page 1</b>
<b>Statement of Net Assets</b>	<b>Page 3</b>
<b>Statement of Changes in Net Assets</b>	<b>Page 4</b>
<b>Statement of Cash Flows</b>	<b>Page 5</b>
<b>Notes to the Financial Statements</b>	<b>Pages 6 to 11</b>

## **Independent auditor's report to the members of Presbyterian Church Of Aotearoa New Zealand Beneficiary Fund**

### **Opinion**

We have audited the financial statements of the Presbyterian Church of Aotearoa New Zealand Beneficiary Fund ("the Fund") on pages 3 to 11 which comprise the statement of net assets of the Fund as at 30 June 2019, and the statement of changes in net assets and statement of cash flows for the year then ended of the Fund, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 3 to 11 present fairly, in all material respects, the financial position of the Fund as at 30 June 2019 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Fund's members, as a body. Our audit has been undertaken so that we might state to the Fund'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 Fund and the Fund's members, for our audit work, for this report, or for the opinions we have formed.

### **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 Fund 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.

Other than in our capacity as auditor we have no relationship with, or interest in, the Fund. Partners and employees of our firm may deal with the Fund on normal terms within the ordinary course of trading activities of the business of the Fund.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on the matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

## Financial assets at fair value through profit or loss

Why significant	How our audit addressed the key audit matter
<ul style="list-style-type: none"> <li>▶ The Fund's portfolio of financial assets at fair value through profit or loss of \$52.8m represents approximately 98% of its total assets. Disclosures in relation to these investments are included in Note 4 of the financial statements.</li> <li>▶ As detailed in the Fund's accounting policies, as described in Note 2 to the financial statements, these financial assets are recognised at fair value through profit or loss in accordance with NZ IFRS 9: <i>Financial Instruments</i>.</li> <li>▶ Volatility and other market drivers can have a significant impact on the value of these financial assets, therefore the recognition and measurement of the investment portfolio is considered a key area of audit focus.</li> </ul>	<p>In obtaining sufficient, appropriate audit evidence we:</p> <ul style="list-style-type: none"> <li>▶ Gained an understanding of the processes used to record investment transactions and the monthly revaluation of the investment portfolio.</li> <li>▶ Received third party confirmation directly, for investments held, of the number of units issued to the Fund and the respective market value at balance date and agreed the recorded holdings to that confirmation.</li> <li>▶ Assessed whether the disclosures in the financial statements appropriately reflected the Scheme's exposure to financial instrument risk with reference to NZ IFRS 7 <i>Financial Instruments: Disclosures</i>.</li> </ul>

## Information other than the financial statements and auditor's report

The directors of the Trustee are responsible for the Annual Report, which includes information other than the financial statements and auditor's report which is expected to be made available to us after the date of this 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

## Directors' responsibilities for the financial statements

The directors of the Trustee are responsible, on behalf of the Fund, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

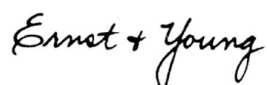
In preparing the financial statements, the directors of the Trustee are responsible for assessing on behalf of the Fund the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Trustee either intend to liquidate the Fund 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 the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is David Borrie.



Chartered Accountants  
Wellington  
2 October 2019

The Presbyterian Church Of Aotearoa New Zealand Beneficiary Fund

Statement of Net Assets

As at 30 June 2019

	Note	2019 \$	2018 \$
<b>ASSETS</b>			
Cash and cash equivalents		13,490	64,403
Presbyterian Investment Fund deposits	4	1,255,613	7,501,254
Financial Assets at Fair Value Through Profit or Loss	4	52,833,600	53,400,873
<b>Total Assets</b>		<b>54,102,703</b>	<b>60,966,530</b>
<b>LIABILITIES</b>			
Benefits Payable	5	3,138	662,157
Other Payables	5	723,464	6,189,097
Sundry Creditors	5	33,843	56,539
<b>Total Liabilities</b>		<b>760,445</b>	<b>6,907,793</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	3	<b>53,342,258</b>	<b>54,058,737</b>

For and on behalf of the Trustee, who authorised the issue of these financial statements on:

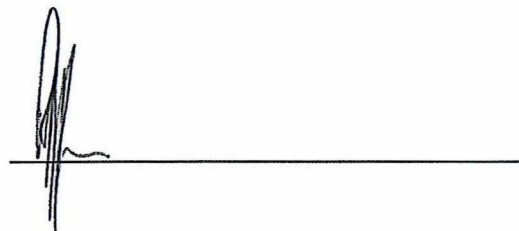
Director:



Date:

19/9/19

Director:



Date:

19/09/19

**The Presbyterian Church Of Aotearoa New Zealand Beneficiary Fund**  
**Statement of Changes in Net Assets**  
**For the year ended 30 June 2019**

	Note	2019	2018
		\$	\$
<b>Income</b>			
Interest		-	1,421,224
Gain on Financial Assets at Fair Value Through Profit or Loss	6	3,157,459	1,260,248
<b>Total Income</b>		3,157,459	2,681,472
<b>EXPENSES</b>			
Investment Management Fees / Rebates		223,136	166,359
Actuarial Fees		11,976	203,626
Administration and Management Charges		54,000	101,148
Fees for audit of financial statement		35,621	30,633
Consulting Fees		28,780	334,729
Legal Expenses		42,182	234,279
Trustee Expenses	7	78,337	84,167
Sundry Expenses		25,476	62,117
<b>Total Expenses</b>		499,508	1,217,058
<b>Net Profit before Taxation</b>		2,657,951	1,464,414
Income Tax Expense		-	-
<b>Net Profit after Taxation</b>		2,657,951	1,464,414
<b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions</b>			
Member Contributions		557,939	435,048
Member Tax Credit		32,256	21,969
Church Contributions		398,464	459,649
Reinvestment of Defined Benefit Wind Up Entitlement		491,863	52,351,376
<b>Total Contributions</b>		1,480,522	53,268,042
<b>Benefits Paid</b>			
Regular drawdowns		1,599,283	2,196,741
Retirements / Withdrawals		3,255,669	1,671,682
<b>Total Benefits Paid</b>		4,854,952	3,868,423
<b>Net Membership Activities</b>		(3,374,430)	49,399,619
<b>Net (Decrease)/Increase in Net Assets During Year</b>		(716,479)	50,864,033

**EY**



**The Presbyterian Church Of Aotearoa New Zealand Beneficiary Fund**

**Statement of Cash Flows**

**For the year ended 30 June 2019**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash provided from</i>			
Member Contributions		557,939	535,154
Employer Contributions		398,464	459,649
Member Tax Credits		32,256	21,969
Interest		-	36,345
		<u>988,659</u>	<u>1,053,117</u>
<i>Cash applied to</i>			
Benefits Paid		5,088,181	25,232,999
Fund Operating Costs		299,068	1,098,603
Withdrawals from Supplementary Benefit Scheme		-	768,923
		<u>5,387,249</u>	<u>27,100,525</u>
<b>Net Cash Out Flows from Operating Activities</b>	<b>8</b>	<u>(4,398,590)</u>	<u>(26,047,408)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash provided from</i>			
Proceeds from Sale of Investments		5,714,014	91,367,990
<i>Cash applied to</i>			
Purchase of investments		1,366,337	65,286,548
<b>Net Cash Flows from Investing Activities</b>		<u>4,347,677</u>	<u>26,081,442</u>
<b>Net (Decrease)/Increase in Cash Held</b>		<u>(50,913)</u>	<u>34,034</u>
<b>Cash at Beginning of Year</b>		64,403	30,369
<b>Cash at End of Year</b>		<u>13,490</u>	<u>64,403</u>

**EY**

This statement is to be read in conjunction with the notes on pages 6 to 11



**1. (a) Fund Description**

The Presbyterian Church of Aotearoa New Zealand Beneficiary Fund ("Beneficiary Fund" or "Fund") is a restricted workplace savings scheme registered under the Financial Market Conduct Act 2013 ("FMCA"). It was established in the early 1900's to provide retirement benefits to nationally ordained ministers of the Presbyterian Church of Aotearoa New Zealand ("Church").

From 30 November 2016, Presbyterian Beneficiary Fund Trustee Limited ("Trustee") has been the Fund's trustee and manager. Prior to that date, The Presbyterian Church Property Trustees acted as the Fund's trustee. Link Market Services ("Link") administered the Fund until 1 July 2017. From that date, the Administration Manager functions were transferred to Melville Jessup Weaver.

The Fund is domiciled in New Zealand and the address of the principal place of business is Ground floor, Naylor Love / Corelogic, 275-283 Cuba Street, Te Aro, Wellington, 6141.

From 1 July 2017, the Fund has been a defined contribution scheme consisting of a New Benefits Section and Complying Fund Section. All nationally ordained ministers are required to join the Fund. The Trustee may also accept applications from those deemed to be in kindred service. Personal contributions are made to the Fund at the prescribed rate of 5% of Basic Stipend. Church contributions are made to the Fund at a matching 5% of Basic Stipend (before the deduction of Employer Superannuation Contribution Tax, if any). Contribution rates for kindred members may vary. Members may withdraw their savings on reaching retirement age or leaving active ministry. Additional withdrawals may also be approved in the event of serious illness, financial hardship, first home purchase and permanent emigration.

The Fund offers four investment options: Cash; Conservative; Balanced; and Growth. The Fund's investments are managed in a socially responsible investment fashion. Members are allocated units in the investment option(s) of their choice, with daily unit pricing.

Personal contributions were made to the Fund at the prescribed rate of 5% of Basic Stipend. Church contributions were made to the Fund at a matching 5% of Basic Stipend before deduction of Employer Superannuation Contribution Tax ("ESCT").

**(b) Fund History**

Prior to 30 June 2017, the Fund was primarily a contributory defined benefit superannuation scheme, with two defined benefit sections and a defined contribution component (Complying Fund Section). In November 2016, the General Assembly, the governing body of the Church, approved the wind up of the defined benefit sections of the Fund ("Old DB Sections") and the creation of a new defined contribution section (New Benefits Section). The Complying Fund Section continued unchanged.

The amount payable to members under wind up was determined as at 30 November 2017 and as at 30 June 2019 only one member had not received all their wind up entitlements (with the final payment made in July 2019). Members in receipt of wind up entitlements were able to reinvest those funds in the Fund. Funds reinvested in the New Benefits Section (as a Continuing Value balance) are available for withdrawal at any time.

The General Assembly determined that any surplus on the wind-up of the Old DB Sections would be transferred to a new charitable fund called the Presbyterian Benevolent Fund. The Fund has already transferred some funds to the Presbyterian Benevolent Fund, with the remainder to be transferred once the wind up is declared. It was also determined that prior to the determination of the surplus, some funds would be retained in the Fund to subsidise costs for a period of five years.

Prior to 30 June 2017, the most recent major change to the Fund occurred on 1 January 2009. On that date a second defined benefit section (with a different benefit structure) and Complying Fund (defined contribution) Section were established. Whereas existing members could continue as before, any new members starting on or after 1 January 2009, could only join the new defined benefit section.

**(c) Trust Deed**

The current Trust Deed is dated 5 April 2018. This Deed clarified earlier policy decisions and amendments relating to the wind up, replacing a Trust Deed dated 30 June 2017. The Trust Deed dated 30 June 2017 provided for the wind up of the Old DB Sections and the creation of the New Benefits Section, replacing an earlier Trust Deed dated 27 November 2008.

Now that all entitlements under wind up have been received, the Trustee intends making a further change to the Trust Deed to remove references to the Old DB Schemes. Once this is complete the Trustee expects to declare the wind up complete (at which point the surplus on wind up can be finalised and transferred to the Presbyterian Benevolent Fund).

The Trust Deed sets out the basis on which the Fund can be terminated.

**2. Summary of Significant Accounting Policies**

**Basis of Preparation**

The financial statements of the Fund have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"), the requirements of the FMCA and the Trust Deed governing the Fund. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

**Statement of Compliance**

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

**Measurement Base**

The measurement base adopted is that of historical cost modified by the revaluation of certain financial assets which are measured at fair value through profit or loss at each reporting date. The going concern assumption has been adopted.

**Functional and Presentational currency**

The financial statements are presented in New Zealand dollars which is the Fund's functional and presentation currency. All values are rounded to the nearest dollar (\$).

**Classification of assets and liabilities**

Assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity and are not distinguished between current and non-current.



## 2. Summary of Significant Accounting Policies (Cont'd)

### New accounting standards and interpretations

#### (i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except as follows:

In the current period the Fund has retrospectively adopted NZ IFRS 9 'Financial Instruments' (NZ IFRS 9). All financial assets previously held at fair value through profit or loss continue to be measured at fair value, with changes in fair value being recognised in profit or loss. All cash and cash equivalents, Presbyterian Investment Fund deposits, benefits payable and sundry creditors continue to be measured at amortised cost.

In the current period the Fund has adopted NZ IFRS 15 'Revenue from Contracts with Customers' (NZ IFRS 15). There was no impact of adopting NZ IFRS 15 for the Fund.

#### (ii) Accounting standards issued but not yet effective

No standards and interpretations have been issued with an effective date after the Fund's balance date which would have a material impact on the financial statements of the Fund.

### Income

Interest income is recognised using the effective interest rate method. Gains/losses on financial assets at fair value through profit or loss includes realised gains/losses on the disposal of financial assets and unrealised gains/losses arising from changes in the fair value of financial assets.

### Expenses

Expenses are recognised on an accruals basis.

### Goods and Services Tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

### Taxation

The Fund is a registered charitable entity which means that income earned by the Fund is exempt from income tax in New Zealand.

### Financial Instruments

#### (i) Classification

The Fund classifies its financial assets and financial liabilities as:

##### (1) Financial assets at fair value through profit or loss

The Fund includes in this category investments in managed investment funds. They are mandatorily measured at fair value through profit or loss because they are retirement benefit plan investments.

##### (2) Financial assets at amortised cost

The Fund includes in this category cash and cash equivalents, and deposits in the Presbyterian Investment Fund. These assets are classified as financial assets at amortised cost because the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding and are managed to collect the contractual cash flows.

##### (3) Financial liabilities at amortised cost

The Fund includes in this category payables which may include benefits payable, payable to Benevolent Fund and sundry creditors owing by the Fund which are unpaid at balance date. All financial liabilities are included in this category.

#### (ii) Recognition/Derecognition

The Fund recognises financial assets and liabilities on the date they become party to the contractual agreement (trade date).

Financial assets are derecognised when the right to receive cash flows from the asset has expired or the Fund has transferred substantially all risks and rewards of ownership.

#### (iii) Measurement

##### (1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured initially at fair value. After initial recognition, financial assets at fair value through profit or loss are revalued to fair value with changes in their fair value recognised in the profit or loss.

##### (2) Financial assets at amortised cost

Financial assets measured at amortised cost are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less expected credit losses (if any).

##### (3) Financial liabilities at amortised cost

Financial liabilities measured at amortised cost are measured at amortised cost using the effective interest method.

### Statement of Cash Flows

The cash flows of the Scheme do not include those of the investment manager(s). The following are definitions of the terms used in the Statement of Cash Flows:

Cash and cash equivalents - includes cash on hand, deposits held at call with the Presbyterian Investment Fund, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Operating activities - include all transactions and other events that are not investing activities.

Investing activities - comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.

### Member contributions and benefits paid

Contributions and benefits are accounted for on an accruals basis. Contributions are recognised in the Statement of Changes in Net Assets when they become receivable or are received. Benefits are recognised in the Statement of Changes in Net Assets when they become payable resulting in financial liability.

### Members' funds

Each unit issued confers an equal interest in the investment option of the Fund to which the unit relates. A unit does not confer any rights or interest in the individual investment options of the Fund to the member.

### Net assets available for benefits

Net assets available for benefits is the Fund's present obligation to pay benefits to members and is the difference between the carrying amount of the assets and the carrying amount of the liabilities.

### Capital risk management

The Fund's primary purpose is to ensure that its net assets are sufficient to meet all present and future obligations of the Fund. The Fund is not subject to any externally imposed capital requirements.

The Fund achieves this through obtaining contributions from members and investing these into appropriate investments in accordance with its Statement of Investment Policies and Objectives (SIPO).

**The Presbyterian Church Of Aotearoa New Zealand Beneficiary Fund**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**3. Liability for Promised Retirement Benefits:**

**Changes in promised retirement benefits as at 30 June 2019:**

	Member Account	Employer Account	Voluntary Account	Reserve Account	Total 2019
	\$	\$	\$	\$	\$
Balance at 1 July 2018	1,803,181	1,000,043	50,605,514	650,000	54,058,737
Investment of DB Wind Up entitlement	-	-	491,863	-	491,863
Contributions	557,939	398,464	32,256	-	988,659
Withdrawals	(7,689)	(5,547)	(4,841,717)	-	(4,854,952)
Fee Subsidy	-	-	-	(141,340)	(141,340)
Net Investment movement	297,114	38,204	2,463,973	-	2,799,291
Balance at 30 June 2019	2,650,545	1,431,164	48,751,889	508,660	53,342,258

**Changes in promised retirement benefits as at 30 June 2018:**

	Member Account	Employer Account	Voluntary Account	Reserve Account	Total 2018
	\$	\$	\$	\$	\$
Balance at 1 July 2017	842,526	493,503	-	1,858,675	3,194,704
Investment of DB Wind Up entitlement	423,757	-	51,927,619	-	52,351,376
Contributions	457,017	459,649	-	-	916,666
Withdrawals	-	-	(3,868,423)	-	(3,868,423)
Net Investment movement	79,881	46,891	2,546,318	(1,208,675)	1,464,414
Balance at 30 June 2018	1,803,181	1,000,043	50,605,514	650,000	54,058,737

The Voluntary Account represents Members' wind up entitlements reinvested in the Fund. These balances, known as the Continuing Value balance, are available for withdrawal at any time.

The Reserve Account represents the balance of funds from the wind up surplus retained in the Fund to help offset the costs of running the Fund. It was determined that \$800,000 would be retained, with approximately \$150,000 used each year to subsidise administration costs. The balance is held in the Presbyterian Investment Fund, with any interest earned added to the Account.

**4. Investments in Presbyterian Investment Fund Deposits and Investments at Fair Value Through Profit or Loss**

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

The Trustee has approved a Statement of Investment Policy and Objectives (SIPO) which establishes investment portfolio objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the Trustee and asset reallocations undertaken as required.

Investments as at 30 June consist of the following:

	2019	2018
	\$	\$
Domestic Fixed Interest	1,255,613	7,501,254
Mercer - Cash Fund	1,228,603	1,170,623
Mercer - Conservative Fund	14,881,360	15,388,174
Mercer - Balance Fund	30,950,327	31,170,034
Mercer - Growth Fund	5,773,310	5,672,042
	<b>54,089,213</b>	<b>60,902,127</b>

**Investment classes > 5% of Net Assets**

	2019	2018
	%	%
Domestic Fixed Interest	2%	12%
Mercer - Conservative Fund	28%	25%
Mercer - Balance Fund	57%	51%
Mercer - Growth Fund	11%	9%

**5. (i) Benefits Payable**

	2019	2018
	\$	\$
Payable to Members of the Old Scheme	3,138	662,157
	<b>3,138</b>	<b>662,157</b>

**(ii) Other Payables**

	2019	2018
	\$	\$
Defined Benefit Wind up surplus Payable to the Benevolent Fund	723,464	6,189,097
	<b>723,464</b>	<b>6,189,097</b>

**(iii) Sundry Creditors**

	2019	2018
	\$	\$
Provision for wind up expenses	10,000	-
Other Expenses	23,843	56,539
	<b>33,843</b>	<b>56,539</b>

In November 2016, the General Assembly, the governing body of the Church, approved the wind up of the Old DB Sections of the Fund. The Benefit Payable balance 5(i) represents the final entitlement payable under the wind up of the Old DB Sections (which was subsequently paid in July 2019). The provision for wind up expenses 5(iii) represents a provision set aside to meet costs associated with removing references to the Old DB Sections from the Trust Deed. The Defined Benefit Wind up Surplus 5(ii) is the remaining expected surplus on wind up. The General Assembly also determined that any surplus on wind up would be used to fund the Presbyterian Benevolent Fund. The Fund has already transferred \$10.5m to the Presbyterian Benevolent Fund (\$5m in the prior year and \$5.5m in the year to 30 June 2019). The final surplus amount will only be known once the Trustee declares the Old DB Sections wound up. The final amount paid to the Presbyterian Benevolent Fund may differ.

**6. Gain/(Loss) on Financial Assets Held at Fair Value Through Profit or Loss**

	2019	2018
	\$	\$
AMP Capital Investors (NZ) Limited	-	(7,105)
Mercer Investments	3,157,459	1,267,353
	<b>3,157,459</b>	<b>1,260,248</b>



## 7 Related Party Transactions

During the year no payments were made by the Fund to the General Assembly for management services provided (2018: \$34,500).

The Fund has a Presbyterian Investment Fund ("PIF") account, a consolidated short duration fund offering deposits available on call. The Trustee of the PIF is The Presbyterian Church Property Trustees, which is the sole shareholder of Presbyterian Beneficiary Fund Trustee Limited, the Fund's Trustee. During the year there were no additional deposits by the Fund in the Presbyterian Investment Fund (2018: 10,500,000). \$4,500,000 and \$1,000,000 were transferred from the Fund's PIF account to the Benevolent Fund on 3 March 2019 and 5 March 2019 respectively. Other withdrawals relating to redemptions amounted to \$849,199 (2018: \$9,079,286). The Investment generated an interest income for \$103,559 (2018: \$386,204). The closing balance as at 30 June 2019 was \$1,255,614 (2018: \$7,501,254).

The Fund paid \$78,337 to the Trustee or trustee services provided (2018: \$84,167).

No debts were forgiven during the year (2018: nil). At balance date there were no amounts owing from the Fund to the General Assembly (2018: Nil).

The remaining expected surplus on the wind up of the Old DB Sections is \$723,464. Once complete, the surplus on wind up will be transferred to the Benevolent Fund.

## 8 Reconciliation of Net Cash Flows from Operating Activities to Decrease in Net Assets

	2019 \$	2018 \$
Increase in Net Assets	(716,479)	50,864,033
<b>Non-cash items</b>		
Gains on financial assets at fair value through profit or loss	(3,157,459)	(1,260,248)
Distribution income received as units	(491,863)	(1,421,224)
Management fee	223,136	166,359
<b>Movement in working capital items</b>		
Decrease in Investment Income Receivable	-	36,345
Decrease in Sundry Debtors	-	100,106
Decrease in Contributions Receivable	-	-
(Decrease) in Benefit payables	(233,229)	(73,715,952)
(Decrease) in Sundry Creditors	(22,696)	(47,904)
(Decrease) in Supplementary Benefit Scheme	-	(768,923)
<b>Net Cash Out Flows from Operating Activities</b>	<b>(4,398,590)</b>	<b>(26,047,408)</b>

## 9 Financial Instruments

### Financial Instruments by Category

As at 30 June 2019

Assets as per the Statement of Net Assets

Investments at Fair Value Through Profit or Loss	-	52,833,600
Presbyterian Investment Fund deposits	1,255,613	-
Cash and Cash Equivalents	13,490	-
<b>Total</b>	<b>1,269,103</b>	<b>52,833,600</b>

Financial assets at Amortised cost	Financial assets at fair value through profit and loss
\$	\$
-	52,833,600
1,255,613	-
13,490	-
<b>1,269,103</b>	<b>52,833,600</b>

As at 30 June 2019

Liabilities as per the Statement of Net Assets

Sundry Creditors	33,843	-
Benefits Payable	3,138	-
Other Payables	723,464	-
<b>Total</b>	<b>760,445</b>	<b>-</b>

Financial liabilities at Amortised cost	Financial liabilities at fair value through profit and loss
\$	\$
33,843	-
3,138	-
723,464	-
<b>760,445</b>	<b>-</b>

### Financial Instruments by Category

As at 30 June 2018

Assets as per the Statement of Net Assets

Investments at Fair Value Through Profit or Loss	-	53,400,873
Presbyterian Investment Fund deposits	7,501,254	-
Cash and Cash Equivalents	64,403	-
<b>Total</b>	<b>7,565,657</b>	<b>53,400,873</b>

Financial assets at Amortised cost	Financial assets at fair value through profit and loss
\$	\$
-	53,400,873
7,501,254	-
64,403	-
<b>7,565,657</b>	<b>53,400,873</b>

As at 30 June 2018

Liabilities as per the Statement of Net Assets

Sundry Creditors	56,539	-
Benefits Payable	662,157	-
Other Payables	6,189,097	-
<b>Total</b>	<b>6,907,793</b>	<b>-</b>

Financial liabilities at Amortised cost	Financial liabilities at fair value through profit and loss
\$	\$
56,539	-
662,157	-
6,189,097	-
<b>6,907,793</b>	<b>-</b>

# 10 Financial Risk Management

The Trustees have determined, in consultation with professional investment advisors, an investment strategy for the Fund. This strategy is contained in the Statement of Investment Policies and Objectives (SIPO). This document is regularly reviewed by the Trustees to ensure it remains appropriate for prevailing market conditions and the liability profile of the Fund.

The SIPO includes an investment target (i.e. to achieve a rate of return that exceeds an investment Index) for each manager in each asset class that they manage for the Fund. Failure by an Investment manager to achieve the benchmark rate of return can result in its mandate being terminated.

The asset classes can be divided into growth and income assets. Growth assets offer significant long-term growth prospects but at the expense of potentially large variations in the short-term asset valuation, whereas income assets are not expected to vary as greatly in their capital value, and provide a regular income stream.

## Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: Currency risk, interest risk and Other price risk.

The Investments are managed by Mercer. The Fund has no influence over how the underlying risks relating to these investments are controlled or mitigated, but considers the underlying investments to be of such a diverse nature so as to reduce significant exposure to the impact of market movements.

The Trustees have considered risk management for the Fund and have set objectives (detailed in the SIPO) including the target risk profile and asset allocation for the investment fund as well as defining performance target objectives within each asset class.

## Currency risk

The Fund is indirectly exposed to currency risk in that future currency movements will affect the valuation of investments which invest in foreign currency denominated investments. During the year the Fund did not directly hold investments denominated in foreign currency.

## Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Fund's exposure to interest rate risk primarily arises from changes in interest rates applicable to cash and cash equivalents and Presbyterian Investment Fund deposits. The Fund is indirectly exposed to interest rate risk in that future interest rate movements will affect the valuation of investments which invest in cash and fixed interest investments. Interest rate risk management activities are undertaken by the Trustees in accordance with the investment mandate. The Fund's exposure to interest rate risk is not deemed significant.

## Other Price Risk

Other price risk is the risk that the fair value of the Fund's Investments will fluctuate as a result of changes in the price of the Fund's Investments. Price risk exposure arises from the Fund's Investment portfolios. Other price risk management activities are undertaken by the investment manager in accordance with the Investment mandates set by the Trustee.

The table below shows the impact on the statement of changes in net assets available for benefits and the statement of net assets due to a reasonably possible change in the price of the Fund's Investments with all other variables held constant:

Change in the price of the Fund's investments	30 June 2019		30 June 2018	
	Increase/ (Decrease) in Profit before tax	Increase/ (Decrease) in amount available for benefits	Increase/ (Decrease) in Profit before tax	Increase/ (Decrease) in amount available for benefits
	\$	\$	\$	\$
+10%	5,283,360	5,283,360	5,340,087	5,340,087
-10%	(5,283,360)	(5,283,360)	(5,340,087)	(5,340,087)

## Credit Risk

Credit Risk is the risk a counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Concentrations of credit risk are determined on a direct holdings level and are minimised primarily by ensuring counterparties together with their respective limits are approved and ensuring that transactions are undertaken with a number of counterparties.

Cash and cash equivalents and Presbyterian Investment Fund deposits are not past due or Impaired. Cash and cash equivalents are held with banks registered in New Zealand.

## Liquidity Risk

Liquidity risk is the risk the Fund will encounter difficulty in raising funds to meet its obligation to pay members. Due to the nature of the Fund it is unlikely a significant number of members would withdraw at the same time. However, to control liquidity risk, the Fund invests in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund invests within established limits to ensure no concentration of credit risk. Sundry creditors and benefits payable are typically settled within 30 days.



## 10 Financial Risk Management (Cont'd)

### Market Risk (Cont'd)

#### Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the Fund's accounting policies.

The Fund classifies fair value measurements of financial instruments at fair value through profit or loss using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or;

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of the input is assessed against the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes "observable" requires judgement by the Trustees. The Trustees consider "observable" to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The following table analyses the fair value hierarchy of the Fund's financial assets (by class) measured at fair value:

30 June 2019	Level 1	Level 2	Level 3	Total
Assets	\$	\$	\$	\$
Mercer Investments	-	52,833,600	-	52,833,600
	-	52,833,600	-	52,833,600

30 June 2018	Level 1	Level 2	Level 3	Total
Assets	\$	\$	\$	\$
Mercer Investments	-	53,400,873	-	53,400,873
	-	53,400,873	-	53,400,873

The fair value of the units held in the Mercer investment funds is determined by reference to published exit prices, being the redemption price established by Mercer.

## 11 Vested Benefits

Vested benefits are benefits payable to members under conditions of the Fund, on the basis of all members ceasing to be members of the Fund at balance date. The vested benefits at 30 June 2019 is \$52,833,598 (2018: \$53,408,737).

## 12 Commitments and Contingent Liabilities

There were no commitments outstanding as at 30 June 2019. (2018: Nil).

## 13 Events After Balance Date

There have been no other material events after balance date that require adjustment to or disclosure in the financial statements.