Methodist Trust Association

ANNUAL REPORT

43rd Annual Report and Accounts
30 June 2021

Chairman's Letter

Dear Depositor,

It is my pleasure to provide you with the Annual Report for the New Zealand Methodist Trust Association for the year ended 30 June 2021 and some thoughts on the Trust operation for the financial year.

The 2021 financial year has been an extraordinary year for all New Zealanders with the implications of a drawn out Covid-19 Pandemic response and the associated lockdowns having an unprecedented impact on our day to day lives, and a flow on effect to the world financial markets.

Despite the challenges that this has presented to our Trustees and management team, it is incredibly pleasing to be able to report an annual result that far exceeded all our budget expectations.

Governance

The Methodist Trust Association is governed by a Board of Trustees appointed by the Conference of the Methodist Church.

In recent years the Board membership has undertaken significant change with the retirement of a core group of long-standing Church representatives, and with a view to ensuring appropriate skills were available on the Board to meet appropriate modern governance standards.

My thanks go to Jane Davel, Chris Gregory, Richard Devereux, David Cleal and Rev Jill van de Geer who all retired from the Board in this financial year. Their service to the Board and the Methodist Church cannot be overstated and they will all be greatly missed.

We welcomed to the Board Jennie Moreton, Julie Adamson and David Taumoepeau as part of our succession planning, and it has been a great pleasure working with them and seeing new perspectives and views that have added great value to our team.

My thanks also go to the newly appointed General Secretary, Reverend Tara Tautari, whose wisdom and considered opinions have been invaluable in ensuring we are always mindful of a strong Church focus aligned to our investment aspirations.

Meeting predominantly online, and not in person, has meant developing new methods to achieve similar outcomes, but all the Trustees have embraced the technological hurdles that this presents and if anything, we have been able to function more cohesively as a result of this forced change. Despite this, we all look forward to an opportunity in 2022 when we are able to again meet in person.

Recognition

Our huge thanks as a Board go to Stephen Walker, the Executive Officer of the Methodist Trust Association, for all his hard work this year and his excellent stewardship of our investment portfolio.

Stephen continues to update and improve our internal systems to gain maximum efficiencies and the performance of the Trust this year in a challenging environment is extremely satisfying.

Kind regards,

Dave Johnston

Dave Johnston
Chairman
Board of the New Zealand Methodist Trust Association

New Zealand Methodist Trust Association

43rd Annual Report to Depositors 2021

The New Zealand Methodist Trust Association (the Association) was established by Conference in 1978 for the cooperative accumulation and commercial investment of the funds of the Methodist Church of New Zealand. All investments are held for the benefit of depositors with the Association. All income received by the Association, after the payment of expenses, is distributed to depositors by quarterly income distributions. Each year we revalue the property and equity assets of both the Growth and Income Fund and the Income Fund, with the resultant change in value spread amongst the depositors in the respective Funds. For the Growth and Income Fund these changes in value are distributed as a capital distribution. For the Income Fund, where the changes in value are much smaller, they form part of the income distribution.

Investment with the New Zealand Methodist Trust Association is restricted to groups, organisations and bodies responsible wholly, or in part, to the Conference of the Methodist Church of New Zealand. The Fund does not accept any ‘outside’ investors. The Association is a fund of the Conference of the Methodist Church of New Zealand.

Despite the disruption caused by Covid-19, and associated turbulence in global financial markets, the year to 30 June 2021 proved to be a very successful year for the New Zealand Methodist Trust Association’s depositors.

During the year, the Methodist Trust Association received excellent support from the Connexion.

Financial Results

The Methodist Trust Association’s purpose is to support the mission of the Methodist Church of New Zealand by generating strong investment returns for our depositors. Therefore, all income received is distributed to our depositors, so they are better able to meet the mission of the Church.

We are pleased to report that during the 2021 Financial Year we generated total returns of 4.57% for the Income Fund and 22.92% for the Growth and Income Fund.

Total deposits with the Association increased by $21.0m during the year to a total of $317.9m on 30 June 2021. Over the past decade total deposits with MTA have grown by $114.6m.

During the 2021 financial year deposits in the Income Fund decreased by $0.2m to $139.2m.

Deposits in the Growth and Income Fund increased by $29.3m to $178.7m, after the capital accretion of $30.6m credited as at 30 June 2021. The Growth and Income Fund is now our largest fund by far, having exceeded the Income Fund in size only three years ago in 2018.

Income distributions to depositors for the year were $9.7m, with total distributions, including capital accretion, of $40.2m.

The Association strives to be an efficient manager of the Church’s funds, endeavouring to minimise the costs of administration and maintain the distributions at attractive rates. For the year the Fund’s expenses, both management commissions and out of pocket expenses, totalled $1.37m, an expense ratio on funds under management of 0.445%.

Expense Ratios			
Year	**Income Fund**	**Growth & Income Fund**	**MTA Total Ratio**
2015	0.424%	0.432%	0.428%
2016	0.412%	0.449%	0.427%
2017	0.373%	0.447%	0.413%
2018	0.399%	0.504%	0.449%
2019	0.356%	0.496%	0.424%
2020	0.333%	0.576%	0.450%
2021	0.278%	0.598%	0.445%

As discussed in previous reports, the management fee structure for the Income Fund is based on the amount of income the fund receives. As interest rates decline the expense ratio for this fund reduces proportionately. Total expenses for the Income Fund in 2021 reduced by $77,500 from the previous year.

In 2017 we increased expenditure on new institutional custody arrangements and an improved financial market information system. These "investments" have enabled significant improvements in the efficiency of portfolio management, improved risk management practices, as well as savings in other costs.

In 2019 we also invested in an additional staff resource, with the appointment of Hugo McLennan as our investment Analyst. Hugo has increased our ability to identify and analyse investment opportunities, enhancing our ability to generate value.

Most of the expense associated with these investments is borne by the Growth and Income Fund, which is reflected in the higher expense ratio in the table above. For the Growth and Income Fund, total expenses increased by $119,000 from 2020, including brokerage costs which increased by $70,000 due to higher transaction volumes.

The Board and management of the Association are extremely conscious of both the significant confidence and trust placed in them by the Church, as well as the importance of the Association continuing to provide appropriate levels of return, commensurate with the level of risk accepted by the Church, while also being consistent with the Church's Responsible Investment Policy.

The Association does not charge a break rate or other penalty for the early repayment of depositors' funds. The Association also ensures that there is always ample liquidity in the funds to meet demands for the reduction or repayment of deposits.

For the Growth & Income Fund only, the following withdrawal policy applies:

When a depositor wishes to withdraw their total Growth & Income Fund deposit during the financial year, 10% of that deposit will be retained until the financial year end on 30 June. This will ensure that the depositor shares in the capital allocation at the end of the year, whether it is a capital accretion or a capital decrease. After the capital distribution has been completed at year-end, the depositor can close their deposit and receive the balance of their account.

Markets

Two subjects have dominated global financial markets during the past year, the economic recovery, and the return to sensible government in USA. Both have produced surprises.

Prolonged working from home in many countries led to a boom in gardening, home improvement and moving to larger homes with a back yard. Working from home in a small apartment is not much fun. Inability to travel internationally has seen the resulting surplus funds channelled into domestic travel as well as new cars, boats, fitness equipment and playing the share market.

With US politics, personally I'm relieved to have a more normal government, with more predictable policy changes. Policy changes announced by tweet were unpredictable and frequently resulted in top quality companies being blind-sided overnight, some of which we owned. The current environment reverts to one where the quality of decision-making drives investment results, with luck now back to being a small component.

US government policy remains hostage to bipartisan politics, resulting in risk and delays to outcomes. Most of the tariffs put in place by the previous administration remain in place, hindering global trade. In addition, geopolitical risks remain elevated.

The major developed equity markets all produced strong returns for the June 2021 financial year. The New Zealand market produced one of the poorer returns from world markets.

The following table shows the home currency returns for the main developed equity markets of interest for the June 2021 year.

Market	Index	Annual Return
World	MSCI World Total Return	+39.0%
Emerging Markets	MSCI Emerging Mkt Total Return	+40.9%
US	S&P 500 Total Return	+40.8%
Europe	Stoxx 600 Total Return	+29.1%
UK	FTSE 100 Total Return	+18.0%
Australia	ASX200 Accumulation	+27.8%
New Zealand	NZX50 Gross	+10.5%

Within the MSCI Global Index, all sectors produced positive results, but the higher returns came from the more cyclical exposures, with Financials (+58.4%) and Industrials (+49.1%) leading. The laggards were the lower risk sectors, with Healthcare (+25.8%), Consumer Staples (+20.0%) and Utilities (+12.1%) bringing up the rear.

The major economic regions have returned to strong GDP growth, due to the significant central bank and government stimulus. Many of the major countries are also now returning to a new normal, with a high degree of freedom, staff back in the office, restaurants open and even international travel.

It should be remembered though, that the Covid driven downturn and recovery has been disparate, impacting different segments of the economy very differently, some benefiting significantly, others suffering enormously. The recovery has also been quite different to typical recoveries from financially driven crises.

	GDP Growth		Inflation		Unemployment	
	2021F	**2022F**	**2021F**	**2022F**	**2021F**	**2022F**
Global (OECD)	5.9%	4.5%	3.5%	3.2%		
New Zealand	5.3%	3.3%	2.8%	2.3%	4.6%	4.3%
Australia	4.0%	3.5%	2.5%	2.0%	5.3%	4.6%
US	5.9%	4.2%	4.3%	3.0%	5.5%	4.3%
Europe	5.0%	4.3%	2.3%	1.7%	8.0%	7.8%
UK	6.8%	5.4%	2.2%	2.7%	4.9%	4.7%
Japan	2.4%	2.5%	-0.2%	0.5%	2.9%	2.7%
China	8.4%	5.5%	1.2%	2.2%	3.9%	3.6%

Inflation has increased in most countries, causing concern for many. Personally, I believe the higher inflation is transitory, largely driven by production disruptions, component shortages and transportation issues, which are peculiar to the current environment. These are not permanent issues, however they are complex and won't be easily or quickly resolved.

For companies, Covid has brought a new focus on resiliency and agility, accelerating the move to the Cloud and modern cloud-based systems, which have enabled working from home or anywhere. There is also increased investment in automation and robotics.

Many office workers are getting back to the office and finding that commuting and physically being in the office no longer suits them. Remote work is now a viable solution, which potentially expands the market for both employees and employers from the local area to the whole country, potentially the world. Two years ago, less than 2% of jobs were done remotely. In a recent US survey, 50% of job seekers said they would like some, or all, of their job to be remote.

Finding enough workers more generally is a problem in many developed countries. If you look at the unemployment figures in the table above, that seems inconsistent. Shortages in available truck drivers is a challenge which is creating some of the supply chain issues.

Business model change has also accelerated, with increasing use subscription type relationships, such as software-as-a-service (SAAS) operating expenses, replacing capital expenditure. This enables more enduring relationships between suppliers and customers, makes business revenues and cash flows less volatile and results in more capital-light businesses. All of this enhances the value of the business.

Smart products are also leading to smart services, usually also subscription based. Modern vehicles are becoming electronic hardware products, like an iPhone, to which you can purchase app like services that will enhance your experience.

Smart products are driven by "Chips in everything" which creates lots of data, which in turn needs to be stored and analysed if it is to add value. In 2018, the data produced by machines exceeded human generated data for the first time. We are only at the beginning of the exponential growth in machine generated data, which is forecast to be 16 times human generated data this year, growing to 200 times by 2025.

The new normal will be different to what used to be normal, in ways we're only beginning to discover, creating new opportunities as well as threats.

These are some of the more consequential changes we are seeing and continue to position the investment portfolio to benefit from.

Investment Funds

Income Distributions

The income distributions for both the Income Fund and the Growth and Income Fund (excludes capital distributions) continue to be very satisfactory.

The income distribution rates for the 2021 financial year were:

	Jun 21	Mar 21	Dec 20	Sep 20	12 Month Average Return
Income Fund	7.35%	3.83%	3.59%	3.50%	4.57%
Growth &Income Fund	1.98%	2.74%	2.27%	2.27%	2.32%

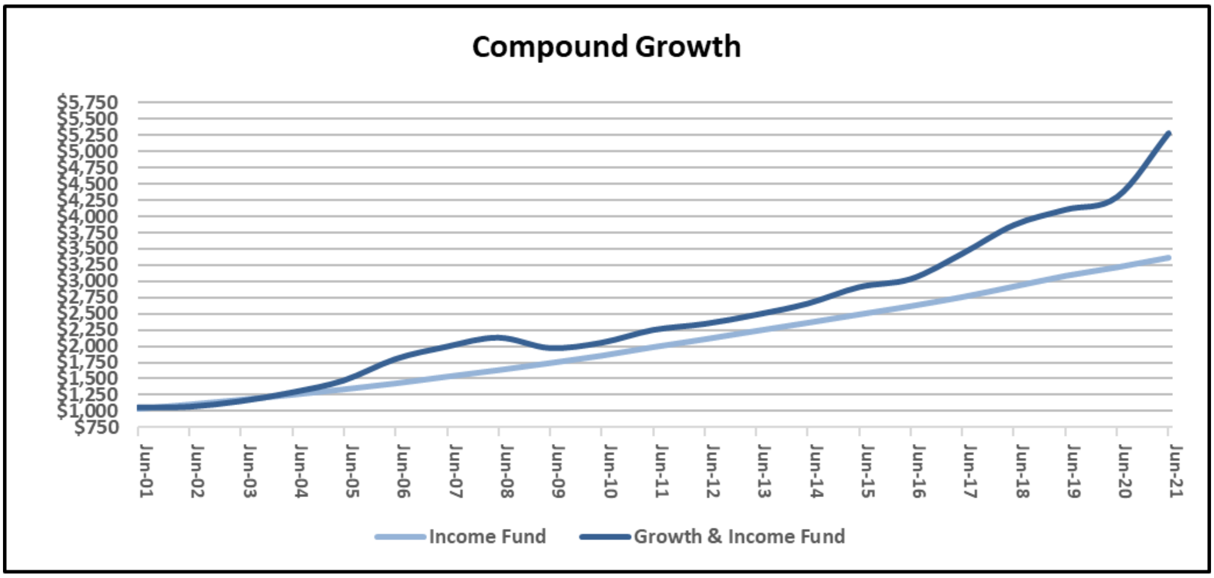
Long-Term Performance

Over the 20 years from June 2001 to June 2021 the Association has provided a compound return (including capital distributions) of 6.07% for the Income Fund and 8.43% for the Growth & Income Fund.

Over the last five years the respective compound returns were 5.13% for the Income Fund and 11.73% for the Growth and Income Fund.

In the 43-year life of the Association, the only financial years in which negative total returns were experienced by the Growth and Income Fund were 1992 and 2009. It is likely that the Growth and Income Fund will again experience negative returns in some periods in the future.

Past returns provide no indication of likely future returns.



Income Fund

Income Fund - Portfolio Performance	
Period	**Income**
1 Year	4.57%
2 Years (p.a.)	4.44%
3 Years (p.a.)	4.82%
4 Years (p.a.)	5.08%
5 Years (p.a.)	5.13%
10 Years (p.a.)	5.40%
15 Years (p.a.)	5.87%
20 Years (p.a.)	6.07%

The Income Fund's annual distribution rate for the 2021 was 4.57%. Included in this return was a benefit from the increase in valuation of the Fund's share of the Izone (The Warehouse's South Island) distribution centre in Rolleston. This gain added 1.08% to the annual return. Valuation gains will be lumpy from year to year and will occasionally detract from the fund's return.

The normalised return, excluding this gain, was 3.49% for the year, which was higher than the 3.40% return we had forecast in the 2020 Annual Report.

For the Income Fund any capital gains, such as the Izone property revaluation, are treated as income, and are distributed to depositors.

We have maintained the high credit quality of bonds in the Fund's bond portfolio. Holdings in bonds rated BBB+ or higher represented 69% of the portfolio on 30 June 2021.

The Association believes that the 2021 distribution rates for the Income Fund were very good, being significantly higher than the returns available from both bank term deposits and 90 Day Bank Bills, which only returned 0.31% for the year.

For the Income Fund, **the annual income distribution rate for the June 2022 year is forecast to be approximately 2.90%.**

Growth and Income Fund

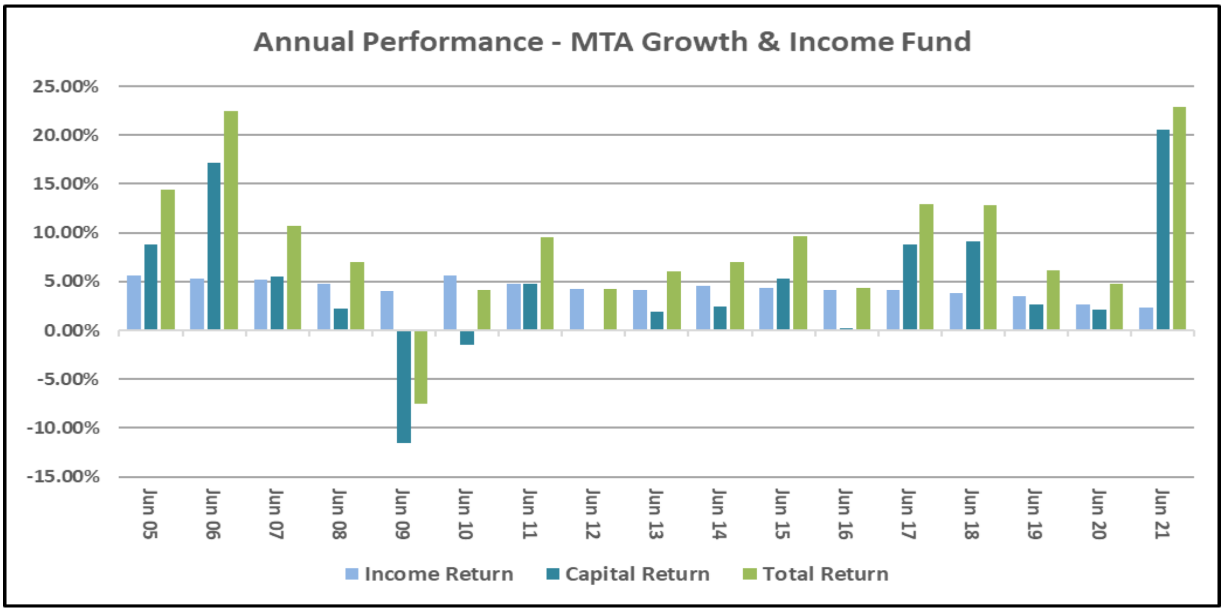
Growth & Income Fund - Portfolio Performance			
Period	**Income**	**Capital Growth**	**Capital & Income**
1 Year	2.32%	20.60%	22.92%
2 Years (p.a.)	2.48%	11.00%	13.48%
3 Years (p.a.)	2.80%	8.17%	10.98%
4 Years (p.a.)	3.04%	8.40%	11.44%
5 Years (p.a.)	3.26%	8.48%	11.73%
10 Years (p.a.)	3.76%	5.18%	8.94%
15 Years (p.a.)	4.14%	3.32%	7.46%
20 Years (p.a.)	4.54%	3.89%	8.43%

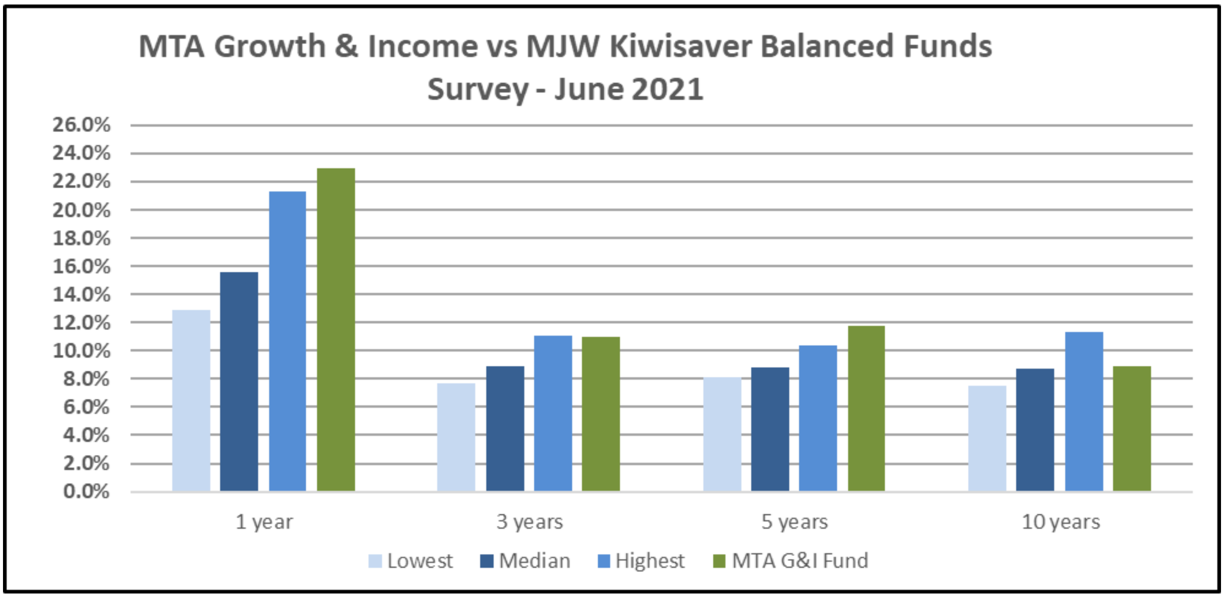
The Growth & Income Fund's annual total return for the year of 22.92% was the highest return we have records for, since 2000. In dollar terms, the fund's $31.3m total distribution was 134% higher than the previous highest distribution in 2018.

The Association has revalued the Growth and Income Fund's properties, resulting in a $6.9m increase in the aggregate property valuations.

The Fund's equity portfolio gained 35.65% for the year, significantly better than the benchmark's return of 30.6%, resulting in the Fund's capital value increasing by an additional $23.7m for the year.

At Balance Date the Growth and Income Fund held a well-diversified portfolio of equities (48.1%); property (29.6 %); fixed interest (19.2%); and cash (3.1%).





The association benchmarks its returns against a number of investment funds and in particular looks to compare itself to the Balanced Kiwi Saver funds, which have a similar asset allocation to the Growth and Income Fund. The following chart, using returns from the Melville Jessup Weaver Return Survey, shows the Growth and Income Fund returns to be well above the highest returns for the one and five-year periods, and roughly equal the highest three-year return. The strong returns over recent years have lifted the ten-year returns to now also be above average.

Responsible Investment

The Association's goal is to produce strong risk-adjusted returns that also align with the values and principles of the Methodist Church, together with our investors' objectives. Putting our investors' interests first requires us to recognize and manage a wide range of global market risks and opportunities, including environmental, social and governance (ESG) factors and the impact that these factors may have on long-term investment returns.

To achieve this:

- We employ values/norms-based screens, to avoid certain companies and industries that do not align with the Church's values and standards.
- All companies considered for investment are screened against our exclusion lists before any in-depth analysis is undertaken.
- ESG factors are integrated into our investment decision-making process, both as a source of risk mitigation and an opportunity for enhanced returns.

The Association is a member of both the Responsible Investment Association Australasia and the Church Investors Group in the UK, which represents institutional investors from many mainstream Church denominations and church related charities, mainly based in the UK and Europe.

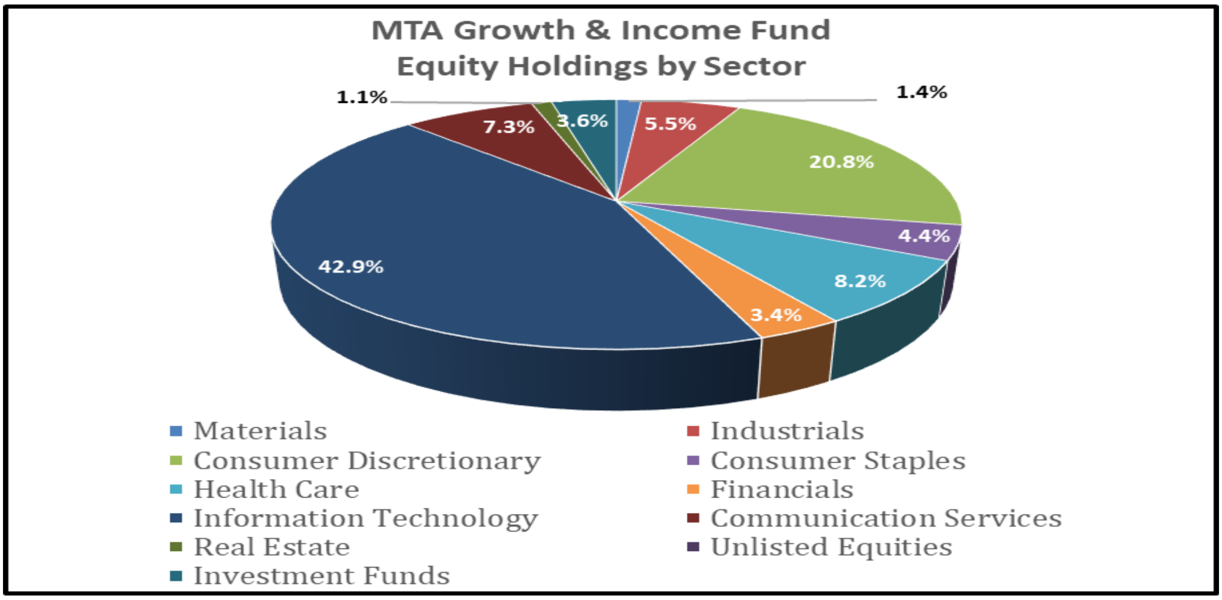
Meetings and discussions with these groups are helpful in keeping the Association up to date with developments in practice and thinking on Responsible Investment.

The Association does not have the capacity itself to analyse the global equity universe to determine its own exclusion list of companies that are not aligned with the Church's values and acceptable corporate behaviour norms.

To efficiently achieve our responsible investment goals the Association makes use of readily available exclusion lists, which in aggregate match the Church's values well.

This approach obligates the Association to use the criteria set by the source of each list we use, to determine the materiality of each company's involvement for each of our categories of concern. This may result in our aggregate exclusion list lagging some other lists, as our approach relies on any one of the lists that we use to make the decision to exclude a company, after their due consideration of all the relevant information.

The Growth & Income Fund's equity investments are listed in Appendix I, with the following pie-chart showing the Fund's sector breakdown on 30 June 2021.



The Association does not own any companies listed on any of the exclusion lists we use. The Association is confident that all its holdings comply with the Church's Responsible Investment Policy and expectations.

Board Membership

During the financial year, the Board Chair, Jane Davel, retired from the Board and we welcomed Dave Johnston into the Chair role.

The Board thanks Jane for her leadership in chairing the Board in 2020 and for serving on the Board since 2017.

During the 2021 financial year, Jennie Moreton, Julie Adamson and David Taumoepeau were appointed to the Board by the President.

During this period Chris Gregory, Richard Devereux, David Cleal and Rev Jill van de Geer all retired from the Board. The Board thanks each of them for their wisdom and years of service.

David Hunt has indicated his intention to retire from the Board on 31 December 2021. David has served on the Board since 2007. The Board expresses its gratitude to David for his contribution during his long tenure on the Board and wishes him a long and enjoyable retirement.

Appreciation

The Association thanks the Church for its continued support during 2021.

The Association also acknowledges the work of the staff of the Connexional Office seconded to the work of the Association.

Dave Johnston

David Johnston
Chair
Methodist Trust Association

Stephen Walker
Executive Officer
Methodist Trust Association

Appendix I Growth & Income Fund Equity Holdings at 30 June 2021

Region	Name	Sector	Industry	Holding	Market Value (NZD)	Weight
New Zealand	ArborGen Holdings	Materials	Materials	1,330,000	352,450	0.4%
New Zealand	Comvita	Consumer Staples	Household & Personal Products	928,507	3,203,349	3.6%
New Zealand	EBOS	Health Care	Health Care Equipment & Servic	51,604	1,666,809	1.9%
New Zealand	Fisher & Paykel Healthcare	Health Care	Health Care Equipment & Servic	26,550	826,236	0.9%
New Zealand	Mercury NZ Limited	Utilities	Utilities	71,700	478,239	0.5%
New Zealand	Meridian Energy	Utilities	Utilities	164,000	874,120	1.0%
New Zealand	Port of Tauranga	Industrials	Transportation	45,000	316,350	0.4%
New Zealand	Ryman Healthcare	Health Care	Health Care Equipment & Servic	30,000	393,900	0.4%
New Zealand	The a2 Milk Company	Consumer Staples	Food, Beverage & Tobacco	108,087	696,080	0.8%
New Zealand	The Warehouse Group Limited	Consumer Discretionary	Retailing	372,900	1,293,963	1.4%
New Zealand	Vista Group International	Information Technology	Software & Services	357,749	855,020	1.0%
					10,956,517	**12.3%**
Australia	Brambles	Industrials	Commercial & Professional Serv	91,700	1,127,100	1.3%
Australia	CSL	Health Care	Pharmaceuticals, Biotechnology	7,500	2,298,066	2.6%
Australia	Lend Lease Group	Real Estate	Real Estate	81,161	999,307	1.1%
Australia	Paladin Energy	Energy	Energy	160	89	0.0%
					4,424,561	**5.0%**
Asia	Samsonite	Consumer Discretionary	Consumer Durables & Apparel	408,750	1,195,772	1.3%
					1,195,772	**1.3%**
Europe	Bayern Motoren Werke	Consumer Discretionary	Automobiles & Components	6,800	1,034,652	1.2%
Europe	Deutsche Boerse	Financials	Diversified Financials	5,080	1,268,707	1.4%
Europe	Husqvarna	Consumer Discretionary	Consumer Durables & Apparel	280,880	5,344,634	6.0%
Europe	Novozymes	Materials	Materials	8,200	884,368	1.0%
Europe	Temenos	Information Technology	Software & Services	3,100	713,096	0.8%
Europe	Volkswagen	Consumer Discretionary	Automobiles & Components	6,100	2,185,816	2.4%
Europe	Worldline	Information Technology	Software & Services	6,650	885,802	1.0%
					12,317,074	**13.8%**
Americas	Advanced Drainage Systems Inc	Industrials	Capital Goods	10,020	1,671,003	1.9%
Americas	Applied Materials Inc	Information Technology	Semiconductors & Semiconductor	26,860	5,478,057	6.1%
Americas	CME Group	Financials	Diversified Financials	3,000	912,790	1.0%
Americas	Descartes Systems	Information Technology	Software & Services	3,370	333,432	0.4%
Americas	General Motors	Consumer Discretionary	Automobiles & Components	61,000	5,163,619	5.8%
Americas	IHS Markit	Industrials	Commercial & Professional Serv	9,030	1,455,393	1.6%
Americas	Intercontinental Exchange Inc	Financials	Diversified Financials	4,850	823,598	0.9%
Americas	Manhattan Associates Inc	Information Technology	Software & Services	5,430	1,129,114	1.3%
Americas	MongoDB, Inc	Information Technology	Software & Services	9,090	4,701,312	5.3%
Americas	Motorola Solutions Inc	Information Technology	Technology Hardware & Equipmen	6,020	1,867,578	2.1%
Americas	Neurocrine Biosciences Inc	Health Care	Pharmaceuticals, Biotechnology	9,700	1,349,813	1.5%
Americas	New York Times	Communication Services	Media & Entertainment	105,221	6,555,615	7.3%
Americas	NICE	Information Technology	Software & Services	21,740	7,696,395	8.6%
Americas	Palo Alto Networks Inc	Information Technology	Software & Services	11,690	6,205,400	6.9%
Americas	PTC Inc	Information Technology	Software & Services	22,100	4,466,160	5.0%
Americas	Servicenow Inc	Information Technology	Software & Services	1,787	1,404,930	1.6%
Americas	Skyline Champion Corporation	Consumer Discretionary	Consumer Durables & Apparel	30,760	2,345,505	2.6%
Americas	The Toro Company	Industrials	Capital Goods	1,980	311,248	0.3%
Americas	Waters Corporation	Health Care	Pharmaceuticals, Biotechnology	1,650	815,818	0.9%
Americas	Zuora Inc	Information Technology	Software & Services	105,000	2,591,202	2.9%
					57,277,981	**64.1%**
	Listed Equities				**86,171,905**	**96.4%**
New Zealand	Macquarie Global infrastructure Trust	Investment Funds	Investment Funds	543,962	40,097	0.0%
New Zealand	Pioneer Capital Partners II	Investment Funds	Investment Funds	2,000,000	720,092	0.8%
New Zealand	Pioneer Capital Partners III	Investment Funds	Investment Funds	1,000,000	767,780	0.9%
New Zealand	Pioneer Capital Partners IV	Investment Funds	Investment Funds	1,500,000	19,376	0.0%
New Zealand	Kode Biotech Ltd	Investment Funds	Investment Funds	111,500	390,250	0.4%
New Zealand	Pencarrow IV Fund	Investment Funds	Investment Funds	200,000	84,000	0.1%
New Zealand	Public Infrastructure Partners	Investment Funds	Investment Funds	1,000,000	1,160,988	1.3%
	Private Equity Funds				**3,182,583**	**3.6%**
	Total Equities				**89,354,488**	**100.0%**

Sector Summary	Weight
Materials	1.4%
Industrials	5.5%
Consumer Discretionary	20.8%
Consumer Staples	4.4%
Health Care	8.2%
Financials	3.4%
Information Technology	42.9%
Communication Services	7.3%
Utilities	1.5%
Real Estate	1.1%
Unlisted Equities	0.0%
Investment Funds	3.6%
Total	**100.0%**

Industry Group	Weight
Energy	0.0%
Materials	1.4%
Capital Goods	2.2%
Commercial & Professional Serv	2.9%
Transportation	0.4%
Automobiles & Components	9.4%
Consumer Durables & Apparel	9.9%
Food, Beverage & Tobacco	0.8%
Household & Personal Products	3.6%
Health Care Equipment & Servic	3.2%
Pharmaceuticals, Biotechnology	5.0%
Banks	0.0%
Diversified Financials	3.4%
Insurance	0.0%
Software & Services	34.7%
Technology Hardware & Equipmen	2.1%
Semiconductors & Semiconductor	6.1%
Media & Entertainment	7.3%
Real Estate	1.1%
Unlisted Equities	0.0%
Investment Funds	3.6%
Total	**100.0%**

Performance Report

Methodist Trust Association

30 June 2021

Table of Contents

Directory

BOARD OF TRUSTEES:

REGISTERED OFFICE:

50 Langdons Road
Papanui
Christchurch 8041

NATURE OF BUSINESS:

The Association is authorised to receive funds by way of deposits from groups under the general direction of the Conference of the Methodist Church of Aotearoa New Zealand, and to invest these funds in selected commercial investments for the benefit of its depositors. *(Section 10:18.3.1 of the Laws and Regulation of the Methodist Church of New Zealand Te Haahi Weteriana O Aotearoa). The Association's business is to support the mission of the Methodist Church of New Zealand and therefore all of its income is distributed to its depositors so they are better able to meet the mission of the Church.*

REGISTRATION NUMBERS:

Charities Services Registration Number:	CC22846
Charitable Trust Registration Number:	212136

INDEPENDENT AUDITOR:

PKF Goldsmith Fox Audit Limited
Chartered Accountants
100 Moorhouse Ave
Christchurch

Methodist Church of New Zealand
Te Haahi Weterianna O Aotearoa
NEW ZEALAND METHODIST TRUST ASSOCIATION

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
For the Year Ended 30 June 2021

	NOTES	2021	2020
REVENUE			
Dividends Received		936,420	916,990
Company Debenture Interest		3,636,950	5,138,865
Other Interest Received		1,374,022	1,519,511
Interest Received - Bank Deposits		11,359	31,350
Money Market Interest		19,785	102,241
Gross Rental Income		3,751,315	3,611,057
Other Revenue		58,188	65,410
TOTAL REVENUE		**9,788,039**	**11,385,424**
EXPENSES			
Management Fee Expense	5, 15	1,124,808	1,116,512
Rental Property Expenses		360,915	297,209
Other Expenses	6	244,078	221,110
TOTAL EXPENSES		**1,729,801**	**1,634,831**
SURPLUS FOR THE PERIOD		**8,058,238**	**9,750,593**
OTHER COMPREHENSIVE REVENUE AND EXPENSE			
Realised Gains (Losses)			
Realised Gains (Losses) on Sale of Investments		8,832,276	7,515,821
Realised Hedging Gains (Losses)	10	3,250,657	(914,103)
Realised Exchange Rate Gains (Losses)		(58,074)	(122)
Unrealised Gains (Losses)			
Revaluation of Investments - Bonds and Shares		13,095,637	(938,041)
Revaluation of Investments - Property	8	8,250,000	(1,325,000)
Unrealised Hedging Gains (Losses)	10	(1,032,796)	(1,091,788)
Exchange Rate Gains (Losses)	7	(210,417)	(18,677)
TOTAL OTHER COMPREHENSIVE REVENUE AND EXPENSE		**32,127,283**	**3,228,090**
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE PERIOD		**40,185,521**	**12,978,683**
SURPLUS ATTRIBUTABLE TO DEPOSITORS		**40,185,521**	**12,978,683**
LESS AMOUNTS DISTRIBUTED TO DEPOSITORS			
Capital Accretion Distributed	14	30,561,339	3,127,528
Income Distributed	14	9,686,175	10,008,256
TOTAL AMOUNTS DISTRIBUTED TO DEPOSITORS		**40,247,514**	**13,135,784**
TRANSFERRED TO (FROM) DEPOSITORS FUNDS		**(61,993)**	**(157,101)**

Methodist Church of New Zealand
Te Haahi Weterianna O Aotearoa
NEW ZEALAND METHODIST TRUST ASSOCIATION

STATEMENT OF CHANGES IN DEPOSITORS FUNDS
For the Year Ended 30 June 2021

	NOTES	2021	2020
Depositors Funds			
Opening Balance 1 July		296,817,077	298,163,894
Increase (Decrease) in Depositors Funds		21,033,331	(1,346,817)
Closing Balance 30 June		317,850,408	296,817,077
Undistributed Capital Reserve	12		
Opening Balance 1 July		224,468	200,000
Increase (Decrease) in Undistributed Capital Reserves		83,112	24,468
Closing Balance 30 June		307,580	224,468
Building Maintenance Reserve	12		
Opening Balance 1 July		1,236,089	1,167,759
Increase (Decrease) in Building Maintenance Reserve		125,876	68,330
Closing Balance 30 June		1,361,965	1,236,089
Accumulated Comprehensive Revenue and Expenses			
Opening Balance 1 July		664,815	821,916
Transfers from Undistributed Capital Reserves		(58,048)	-
Increase (Decrease) in Accumulated Comprehensive Revenue and Expense		(61,993)	(157,101)
Closing Balance 30 June		544,774	664,815
Total Net Amount Due to Depositors		**320,064,727**	**298,942,449**

Methodist Church of New Zealand
Te Haahi Weterianna O Aotearoa
NEW ZEALAND METHODIST TRUST ASSOCIATION

STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	NOTES	2021	2020
ASSETS			
Current Assets			
Cash and Cash Equivalents	7	16,587,479	43,332,528
Receivables		158,749	297,397
Current Portion of Loans		27,237,223	1,021,643
Current Portion of Company Debentures		11,655,496	-
Accrued Dividends and Interest		547,321	609,052
Total Current Assets		**56,186,268**	**45,260,620**
Non-current Assets			
Shares		88,695,421	59,556,946
Company Debentures		90,980,588	99,531,935
Venture Capital and Infrastructure		2,796,250	3,679,210
International Fixed Interest Deposits		18,995,828	-
Loans	15	3,778,778	31,245,436
Investment Property	8	68,750,000	60,500,000
Total Non-current Assets		**273,996,866**	**254,513,528**
TOTAL ASSETS		**330,183,134**	**299,774,148**
LIABILITIES			
Current Liabilities			
Creditors	9	8,507,218	289,712
Income Received in Advance		53,023	50,531
Other Financial Liabilities	10	1,558,166	491,487
Total Current Liabilities		**10,118,407**	**831,730**
TOTAL LIABILITIES		**10,118,407**	**831,730**
NET ASSETS		**320,064,727**	**298,942,418**
NET AMOUNTS DUE TO DEPOSITORS			
Depositors Funds		317,850,408	296,817,075
Reserves	12	1,669,545	1,460,555
Accumulated Comprehensive Revenue and Expense		544,774	664,788
TOTAL NET AMOUNTS DUE TO DEPOSITORS		**320,064,727**	**298,942,418**

These Financial Statements were approved on behalf of the Board on 13 October 2021

Dave Johnston

Chairperson

Trustee

Goldsmith Fox Audit PKF

Methodist Church of New Zealand
Te Haahi Weterianna O Aotearoa
NEW ZEALAND METHODIST TRUST ASSOCIATION

CASH FLOW STATEMENT
For the Year Ended 30 June 2021

	Notes	2021	2020
Cash flows from Operating Activities			
Receipts from Exchange Transactions			
Dividends Received		949,811	1,201,240
Company Debenture Interest		3,698,682	5,138,865
Other Interest Received		1,374,022	1,519,511
Interest Received - Bank Deposits		11,359	31,350
Money Market Interest		19,785	102,241
Gross Rental Income		3,876,654	3,397,091
Other Revenue		60,598	28,593
		9,990,911	11,418,891
Payments			
Management Fee Expense	5,15	1,096,390	1,102,364
Rental Property Expenses		227,959	233,129
Other Expenses	6	247,166	213,067
		1,571,515	1,548,560
Net Cash flows from Operating Activities		8,419,396	9,870,331
Cash Flows from Investing Activities			
Receipts from Investing Activities			
Shares		39,963,655	37,593,995
Company Debentures		21,742,130	42,897,240
Venture Capital and Infrastructure		371,821	-
Loans	15	3,101,077	500,000
		65,178,683	80,991,235
Payments			
Shares		48,840,399	24,544,051
Company Debentures		44,534,757	14,965,345
Loans	15	1,850,000	3,230,479
Bank Deposits		268,491	18,799
		95,493,647	42,758,674
Net Cash flows from Investing Activities		(30,314,964)	38,232,561
Cash Flows from Financing Activities			
Receipts			
From Depositors		44,909,380	24,421,537
From Depositors (Capital)		39,545,066	-
		84,454,446	24,421,537
Payments			
Income and Capital Distributions to Depositors	14	30,469,708	6,256,240
Repayments to Depositors	14	58,834,218	32,360,974
		89,303,926	38,617,214
Net Cash flows from Financing Activities		(4,849,480)	(14,195,677)
Net Increase / (Decrease) in Cash		(26,745,048)	33,907,215
Exchange Rate Movements in Bank Accounts and Cash		-	-
Opening Cash		43,332,528	9,425,312
Closing Cash		16,587,479	43,332,528
This is represented by:			
Bank Accounts and Cash	7	16,587,479	43,332,528

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Notes to the Financial Statements

1. Reporting Entity

The reporting entity is New Zealand Methodist Trust Association (the "MTA"). The MTA is domiciled in New Zealand and is a charitable organisation registered under the Charitable Trusts Act 1957 and the Charities Act 2005.

The financial statements comprising the MTA are presented for the year ended 30 June 2021.

These financial statements and the accompanying notes summarise the financial results of activities carried out by the MTA. The Association is authorised to receive funds by way of deposits from groups under the general direction of the Conference of the Methodist Church of Aotearoa New Zealand, and to invest these funds in selected commercial investments for the benefit of its depositors. Deposits from groups that are not under the general direction of the Conference will not be accepted.

These financial statements have been approved and were authorised for issue by the Board of Trustees on 13 October 2021.

2. Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not-For-Profit entities. For the purposes of complying with NZ GAAP, MTA is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS on the basis that it does not have public accountability and it is not defined as large.

The Board has elected to report in accordance with Tier 2 Not-For-Profit PBE Accounting Standards and in doing so has taken advantage of all applicable Reduced Disclosure Regime ("RDR") disclosure concessions.

3. Changes in Accounting Policy

For the year ending 30 June 2020, the Board made a decision to discontinue with the Provision for Travel and Investigative Costs. Other than this change there have been no changes to the accounting policies used in the preparation of the financial statements.

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4. Summary of Accounting Policies

The significant accounting policies used in the preparation of these financial statements as set out below have been applied consistently to these financial statements.

4.1 Basis of Measurement

These financial statements have been prepared on the basis of historical cost, as modified by the fair value measurement of investment properties, non-derivative financial instruments and certain financial instruments measured at amortised cost.

4.2 Functional and Presentational Currency

The financial statements are presented in New Zealand dollars ($), which is the MTA's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

Balances in bank accounts are revalued into New Zealand dollars on balance date using exchange rates on balance date.

Purchases and sales of offshore investments are valued into New Zealand dollars on the day the transaction occurred. Investment balances are then revalued again on balance date.

4.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the MTA 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

The MTA does not derive any revenue from non-exchange transactions.

Revenue from exchange transactions

Interest revenue

Interest and dividend revenue is recognised as it accrues, using the effective interest method through the Statement of Comprehensive Revenue and Expense.

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Rental Revenue

Rental revenue is recognised on a straight-line basis in the Statement of Comprehensive Revenue and Expense.

4.4 Financial Instruments

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

The MTA derecognises a financial asset or, where applicable, a part of a financial asset when the rights to receive cash flows from the asset have expired or are waived, or the MTA 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:

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

Financial Liabilities are derecognised if the MTA's obligations specified in the contract expire, are discharged or are cancelled.

(a) Financial assets

Financial assets within the scope of *NFP PBE IPSAS 29 Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through the Statement of Comprehensive Income and Expense. These are loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition.

The initial recognition category determines subsequent measurement and whether any resulting income and expense is recognised in the Statement of Comprehensive Income and Expense.

The MTA's financial assets include: cash and cash equivalents, short-term deposits, receivables from exchange transactions and investments.

All financial assets except for those at fair value through the Statement of Comprehensive Income and Expense are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or MTA of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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(b) *Financial assets at fair value through the Statement of Comprehensive Income and Expense*

Financial assets at fair value through the Statement of Comprehensive Income and Expense include items that are either classified as held for trading or that meet certain conditions and are designated at fair value through the Statement of Comprehensive Income and Expense upon initial recognition. All derivative financial instruments fall into this category, except for those designated as hedging instruments or a derivative that is a financial guarantee contract. The MTA's investments in equities fall into the category of held for trading financial assets through the Statement of Comprehensive Income and Expense.

All financial assets including properties, shares and overseas bank accounts held in foreign currencies are revalued on an annual basis at balance date. It is the MTA's policy to distribute such revaluations or devaluations to the accounts of the Growth and Income Fund depositors. In the event of a deposit being withdrawn, in total, net accretion distributions are reversed to deferred capital distributions and redistributed from realised capital profits as available. Realised capital profits are distributed as credits to Depositors and previous accretion revaluations thus realised are reversed from deferred capital distribution.

As it is the MTA's policy that at least 10% of maturing deposits be retained when depositors have funds in a Growth and Income deposit it is therefore highly unlikely that any depositors' accounts in Growth and Income would become overdrawn in the event of a capital decretion.

In respect to revaluations in the Income Fund, the policy of MTA is to take either in part or in full the revaluations or devaluations directly to income and distribute the net income, after taking into account the revaluation or devaluation and any realised capital gains or losses.

The basis for determining Fair Value is as follows:

Shares/Venture Capital and Infrastructure

Fair values are established at balance date using prices quoted at balance date using active market prices.

Company Debentures/Transferable Certificates/Government and Local Body Stock

The fair values are established at balance date by adding the accrued interest from the last interest payment date to balance date to the purchase price of the asset and then amortising any premium or discount over the term of the investment the financial asset on a straight line basis.

This class of financial assets are normally held to maturity.

Investment Properties

Fair values are established at balance date by independent valuation by a registered valuer.

Other Financial Assets and Liabilities

Other Financial Assets and Liabilities relate to the MTAs hedging policies. Hedges in place as at balance date are recorded at fair value using exchange rates that would have applied if the hedges in place at balance date had been closed out.

(c) 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 method, less any allowance for impairment. The MTA's cash and cash equivalents and receivables from exchange transactions fall into this category of financial instruments.

(d) Impairment of financial assets

The MTA assesses at the end of reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is assessed as being impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset.

For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the surplus or deficit for the reporting period.

In determining whether there is any objective evidence of impairment, the MTA first assesses whether there is objective evidence of impairment of financial assets that are individually significant, and individually or collectively significant for financial assets that are not individually significant. If the MTA determines that there is no objective evidence of impairment for an individually assessed financial asset, it includes the asset in a MTA of financial asset with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not Included in a collective assessment for impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. If the reversal results in the carrying amount exceeding its amortised cost, the amount of the reversal is recognised in the Statement of Comprehensive Income and Expense.

(e) Financial liabilities

The MTA's financial liabilities include trade and other creditors.

All financial liabilities are initially recognised at fair value (plus transaction cost for financial liabilities not at fair value through the Statement of Comprehensive Revenue and Expense) and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through the Statement of Comprehensive Revenue and Expense.

Trade and Other Creditors are unsecured and usually paid within 30 days of recognition.

4.5 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.

4.6 Short Term Investments

Short term investments comprise term deposits which have a term of greater than three months and less than 12 months and therefore do not fall into the category of cash and cash equivalents.

4.7 Nature and Purpose of Reserves

The MTA creates and maintains reserves in terms of specific requirements.

Building Maintenance Reserve

A provision for maintenance has been calculated at 1% per annum on the original purchase cost of the buildings.

Undistributed Realised Capital Reserve

The MTA Board makes decisions from time to time to not fully distribute all of its realised capital reserves and hold them back for the following financial year. The Board makes decisions on the distribution of any realised capital reserves held at each quarterly distribution.

4.8 Investment Properties

Investment properties are properties held either to earn rental Income or for capital appreciation or for both, but not for sale in the ordinary course of business, for supply of goods or services or for administrative purposes. Investment properties are measured initially at cost, including transaction costs. Investment properties acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Subsequent to initial recognition, investment properties are measured at fair value as determined by an independent registered valuer. Fair value is determined without any deductions for transaction costs that may be incurred on sale or other disposal. Any gain or losses arising from a change in the fair value of the investment property are recognised as a surplus or deficit in the period that it is incurred through the Statement of Comprehensive Income and Expense.

4.9 Significant Judgments and Estimates

In preparing the financial statements, the Board is required to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The uncertainty from these assumptions and estimates could result in outcomes that may result in a material adjustment to the carrying amount of the asset or liability.

The MTA has based its assumptions and estimates on parameters available when the financial statements are prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the MTA. Such changes are reflected in the assumptions when they occur.

The key significant judgements and estimates used in the preparation of these financial statements relate to the fair values estimated for investment properties (Note 8).

4.10 Income Tax

Due to its charitable status, the MTA is exempt from Income tax.

4.11 New standards, amendments and interpretations not yet effective nor early adopted

The MTA is currently assessing the impact of the following standards on its financial statements and at this time has no plans to early adopt the them prior to the effective date issued by the External Reporting Board.

PBE IPSAS 1 Presentation of Financial Statements

Amendments were made to PBE IPSAS 1 which became effective from 30 September 2020. These amendments provided for more disclosures regarding the going concern of the reporting entity in light of the COVID-19 pandemic.

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PBE IFRS 9 Financial Instruments

PBE IFRS 9 Financial Instruments replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement and is effective for periods beginning on or after 1 January 2022 (1 January 2021 for Crown entities). The reason the NZASB has replaced PBE IPSAS 29 is due to the fact that this standard is based upon NZ IAS 39 Financial Instruments: Recognition and Measurement which is being replaced by NZ IFRS 9 Financial Instruments. The key changes introduced in PBE IFRS 9 include:

- creating new classification and measurement requirements for financial assets
- introducing new hedging requirements, and
- placing new impairment requirements of financial assets.

PBE FRS 48 Service Performance Reporting

This standard was issued in November 2017 by the New Zealand Accounting Standards Board (NZASB) External Reporting Board (XRB) and establishes requirements for Tier 1 and Tier 2 public benefit entities to select and present service performance information. This standard will become effective for reporting periods beginning on or after 1 January 2022 with early adoption permitted. Amongst other things, PBE FRS 48 requires that this information includes:

- sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and
- information about what the entity has done during the reporting period in working towards its broader aims and objectives.

5. Management Fee Expense

The Board of Administration administers the investments and provides other secretarial services to the MTA by the direction of Conference. The Board of Administration is paid a management fee for this work. The MTA deem the Board of Administration to be a related party and further disclosures are made under Note 15.

6. Other Expenses

Corporate costs are shared between the funds using the amounts of the depositors' funds held at balance date. Shared corporate costs include:

	2021	2020
Investment Information Systems	32,956	40,596
Brokerage	132,779	61,759
Custody Security Services	36,065	36,263
Governance Review	10,446	22,623
Consultancy Costs	-	14,817
Audit fee	12,250	12,000
Travel Costs	4,056	14,259
Subscriptions	1,589	6,822
Printing and Stationery Costs	5,484	3,910
Other Expenses	8,450	8,061
Totals	**244,078**	**221,110**

7. Cash and Cash Equivalents

Part of cash and cash equivalents (2021: $513 – 2020: $4,665 includes the MTA's share of the common bank account held in the name of the Methodist Church of New Zealand – Board of Administration. This account is held with the Bank of New Zealand and is used for the operating transactions of the funds administered by the Connexional Office of the Board of Administration of the Methodist Church of New Zealand. The arrangement gives the Bank of New Zealand the right of offset over any balance.

The bank interest received by MTA through the banking arrangement is included in Other Interest Received in the Statement of Comprehensive Revenue and Expense for the year.

The MTA use an external custodian to hold most of its financial assets. The external custodian has cash accounts in the name of the MTA and these are also included in cash and cash equivalents as the accounts are liquid and able to be drawn down within 30 days.

Included within Cash and Cash Equivalents are a number of overseas bank accounts. As at balance date an exchange loss of $210,417 was recognised (2020: $18,677 – Loss).

8. Investment Properties

	2021	2020
Great North and Newton Road, Auckland	$39,500,000	$34,000,000
Izone Drive, 30 Link Drive Rolleston, Christchurch	$29,250,000	$26,500,000
	$68,750,000	$60,500,000

Reconciliation between the carrying amounts of investment property at the beginning and end of the period:

Great North and Newton Road, Auckland

	2021	2020
Beginning Carrying Value	$34,000,000	$35,500,000
Net gains or losses from fair value adjustments	$5,500,000	$(1,500,000)
End of the Period Carrying Value	$39,500,000	$34,000,000

Izone Drive, 30 Link Drive Rolleston, Christchurch

	2021	2020
Beginning Carrying Value (MTA Share)	$26,500,000	$26,325,000
Net gains or losses from fair value adjustments	$2,750,000	$175,000
End of the Period Carrying Value (MTA Share)	$29,250,000	$26,500,000

Valuations have been provided by:

Great North and Newton Road, Auckland

Mr. S Keenan and Mr. S Ogilvie of Savills New Zealand, registered valuers.

This investment property is tenanted by John Andrew Ford.

The last rent review was 31 January 2018 and then every five years on 1 March (the next being 1 March 2022 through to the expiry of the lease on 31 January 2032).

The independent valuation for 2020 decreased the value of the property from that in 2019 but the valuation for 2021 increased the value by $5,500,000.

The major assumptions made in the valuation report are:

- For the purposes of the valuation the lease payments are net, the term of the lease is 6 years with 2 yearly rent reviews and the default tenant retention rate is 50%.

- The valuation assumes that the property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where in the parties had each acted knowledgeably, prudently and without compulsion.
- The assessment of value has regard to the existing lease obligations and commitments and disregards any possibility of either a premium payable by a specific third party or the property being sold under forced sale conditions.
- The valuer has assessed an appropriate yield to apply as at 30 June 2021 of 4.60% (2020:5.25%) with a discount rate of 7.00% (2020:7.50%).
- The market value has been determined using the capitalisation of yield and the discount rate and applying these to the annual lease payment.

Izone Drive, 30 Link Drive Rolleston, Christchurch

In 2021 the valuation for 30 Link Road in Christchurch was undertaken by Mr. C. Stanley of TelferYoung, registered valuer. The same valuer was used in 2020.

The MTA has a 50% holding in the property. The other 50% share is held by TIM Nominees Limited which is not related to the MTA or the Methodist Church.

This investment property is tenanted by The Warehouse South Island Distribution Centre. The Warehouse Limited has leased the property for a term of 10 years commencing 20 March 2017. The last rent review was in 2021. The next rent review will occur in 2024. Rents will increase based upon the lesser of Consumers Price Index or market rent.

There are no significant or special assumptions made that are material to the valuation.

The other assumptions made in the valuation report are:

- Assumed that the instructions and subsequent information supplied by the MTA contain a full and frank disclosure of all information that is relevant.
- There are no easements, rights of way or encroachments except those shown on the Computer Freehold Registers or in the valuation.
- The valuation is made on the basis that there are no encroachments by or upon the property and this should be confirmed by a current survey or report and/or advice from a Registered Surveyor. If any encroachments are noted by the survey report the valuer reserves the right to review their valuation.
- There are no notices currently issued against the property and the valuer has made no enquiries in this regard. They have not inspected the plant and equipment or obtained any advice on its condition or suitability. In the course of preparing this report they have relied upon information provided by the MTA.
- The valuer has inspected all readily accessible parts of the improvements considered necessary for the purposes of our valuation. They have not sighted a sighted a structural survey of the improvements, nor its plant and equipment, by a qualified engineer. The valuer is not a building construction and/or structural expert, and is therefore unable to certify as to structural soundness of the improvements.
- The valuation is plus GST (if any).
- The valuer has assessed an appropriate effective market yield to apply as at 30 June 2021 of 7.50% on market income (2020: 7.36%) with an internal rate of return of 7.72% (2020:8.55%), a weighted average lease duration of 5.7 years (2020:6.7 years).

9. Creditors

An amount of $298,087 in Creditors represents Management Fees payable to the Board of Administration (2020 - $269,669). Also see Note 15.

As at balance date there were unsettled purchases of investments of $8,169,644 (2020: $0).

An amount of $15,453 (2020: $0) was payable to a depositor who closed their deposit account part way through the year but entitled to a distribution at the end of the financial year.

The balance in Creditors relate to other expenses accrued by the MTA that are made in the ordinary course of business.

10. Other Financial Assets/Liabilities

Currency profits and losses are accrued over each accounting year and recognised as part of the annual capital accretion/decretion calculation.

Changes in the fair value of the hedge contracts are recorded in the Statement of Comprehensive Revenue and Expense, together with the changes in the fair value of the hedged items.

MTA hedges its foreign exchange exposures in respect of its offshore equity and bond investments. The hedging benchmark level for offshore equity is 50%, with hedging allowed within a range of 0-100% hedged. The hedging benchmark level for offshore bonds is 100%, with hedging allowed within a range of 95-105% hedged.

Foreign currency exposures are quantified by the best assessment of the actual exposure. For equities this will generally be each investment's functional reporting currency*, "the currency of the primary economic environment in which the entity operates"*.

As at 30 June 2021 the MTA had a forward exchange contract with a fair value loss of $1,558,166 (2020 – $491,487-loss). The hedging contracts in place at balance date are as follows:

Fair Value of Hedging Contracts 30 June 2021

Purchase Date	Purchase Amount	Currency	Maturity Date	Gain (Loss)
1-Jun-21	$NZ1,406,067	AUD	29-Sep-21	(13,234)
1-Jun-21	$NZ3,333,333	EUR	29-Sep-21	(28,786)
1-Jun-21	$NZ2,294,010	SEK	29-Sep-21	(19,656)
1-Jun-21	$NZ32,994,645	USD	29-Sep-21	(1,394,838)
9-Jun-21	$NZ83,009	EUR	29-Sep-21	(154)
9-Jun-21	$NZ347,014	SEK	29-Sep-21	1,789
22-Jun-21	$NZ(208,262)	EUR	29-Sep-21	(1,205)
25-Jun-21	$NZ5,755,131	USD	29-Sep-21	(63,809)
25-Jun-21	$NZ2,154,282	USD	29-Sep-21	(23,885)
30-Jun-21	$NZ5,445,064	USD	29-Sep-21	(8,958)
30-Jun-21	$NZ3,300,472	USD	29-Sep-21	(5,430)
			Total	**(1,558,166)**

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Fair Value of Hedging Contracts 30 June 2020

Purchase Date	Purchase Amount	Currency	Maturity Date	Gain (Loss)
10-Jun-20	$NZ47,018,081	USD	29-Sep-20	(476,945)
10-Jun-20	$NZ5,370,144	EUR	29-Sep-20	(13,212)
10-Jun-20	$NZ1,256,678	AUD	29-Sep-20	(1,330)
			Total	**(491,487)**

Realised gains on hedging contracts for the 12 months ended 30 June 2021 amounted to $3,250,657 (2020 – $914,103 loss).

12. Equity Reserves

Building Maintenance Reserve

	2021	2020
Opening Balance-Building Maintenance Reserve	1,236,089	1,167,759
Add Current Year's Provision	127,328	127,328
Less Building Maintenance Expenses Incurred	(1,452)	(58,998)
Closing Balance-Building Maintenance Reserve	1,361,965	1,236,089

The building maintenance reserve has been calculated at 1% per annum on the original purchase cost of the buildings. The amount added to the reserve for 30 June 2021 was $127,328 (2020: $127,328) with $1,452 being used for work on the John Andrew Ford building (2020: $58,998).

The balance in the Undistributed Capital Reserves (2021: $307,580 – (2020: $224,468)) relates to undistributed amounts to depositors held back from the current and previous years' distribution.

13. Auditor's Remuneration

PKF Goldsmith Fox Audit provides audit services to the MTA and is paid to provide those services.

Total amount recognised for as an audit expense is $12,250 (2020: $12,000). No non-audit services were provided by PKF Goldsmith Fox Audit for the period ending 30 June 2021 (2020: Nil).

14. Distributions to Depositors

Distributions have been calculated on the basis of income derived from investments and revaluations of investments made by the Income Funds and the Growth and Income Fund less corporate expenses which are allocated pro-rata over Income Funds and the Growth and Income Fund. Corporate Expenses are allocated equally over the participants in Income Funds and also the Growth and Income Fund by using the amounts of the depositor's funds held at balance date (also see Note 6).

15. Related Party Transactions

Conference of the Methodist Church of New Zealand

The MTA was constituted by resolution of the Conference of the Methodist Church of New Zealand to accept deposits from groups and organisations within the Methodist Church of New Zealand and to invest these funds in appropriate commercial investments. The MTA operates equitably on behalf of all depositors with substantially all annual net income paid to depositors by quarterly distribution.

Unless otherwise stated, all the entities recorded here as related parties report to the Conference of the Methodist Church of New Zealand. The New Zealand Methodist Trust Association also reports to the Conference of the Methodist Church and this link establishes a related party transaction.

PACT 2086 Trust

The MTA has commonality of control with the PACT 2086 Trust, due to shared Board Members. The MTA made a secured loan available to PACT 2086 Trust.

Board of Administration, Methodist Church of New Zealand

Both the Board of Administration and the MTA were constituted by Conference. The MTA therefore believes that transactions that are material and significant to the MTA should be disclosed to the users of the financial statements.

Management Fee Expense

The Management Fee Expense on the Income Funds is charged at 6.5% (2020 6.5%) of rental and other investment income. The Management Fee Expense on the Growth and Income Fund is calculated at 0.5% (2020 0.5%) of the total assets in the Fund. This Management Fee is paid to the Board of Administration, Methodist Church of New Zealand (also see Note 5).

Loan

In September 2016 a loan facility was put in place between MTA and the Board of Administration to help fund the development of the Board of Administration's Connexional Office and Archives Building in Papanui, Christchurch. The total amount that may be advanced to the Board of Administration is $2,400,000 plus interest. To secure the loan, the MTA has a registered mortgage over the land and buildings at 50 and 54 Langdons Road, Papanui, Christchurch. As at balance date, the amount outstanding on the loan was $2,169,453 (2020: $2,177,681).

Other Methodist Church Entities - Loans

All the investment loans that the MTA have on their balance sheet relate to entities that report to or are under the control of the Conference of the Methodist Church of New Zealand. While these entities do not meet the formal definition of a related part under *PBE IPSAS 20 - Related Party Disclosures*, the MTA has disclosed its commitments for loans under Note 18.

Leonard Knight Limited

As at balance date, David Johnston is the Chairperson of the MTA. He is also the Managing Director of Leonard Knight Limited, a chartered accountancy firm located in Auckland. MTA made payments of $3,750 to Leonard Knight Limited (2020: $-).

Consulting International Limited

Jane Davel was the former Chairperson of MTA. Jane Davel is also a director and shareholder of Consulting International Ltd. MTA made payments of $4,328 (2020: $11,424) to Consulting International Limited.

No other trustee of MTA is paid a remuneration.

16. Key Management Personnel

The key management personnel are classified as:

- Members of the governing body (Board of Trustees);
- Senior Management Group, responsible for reporting to the governing body.

David Johnston is the current Chairperson. Jane Davel was the Chairperson of MTA. Please see Note 15 regarding payments made to Leonard Knight Limited and Consulting International Limited.

No close members of the family of any of the key management personnel have received payments or remuneration.

No individual member of key management personnel or close family members of the key management personnel have been advanced a loan or have a loan outstanding either during the reporting period or at year end.

The Board does receive key management personnel services from the Board of Administration Methodist Church of New Zealand. The MTA have assessed the Board of Administration as a related party and have disclosed in Note 15. The management fee expense disclosed in Note 15 includes key management personnel services but not as a separate identifiable amount and therefore the aggregate remuneration cannot be calculated.

The aggregate remuneration paid and the number of persons (measured in "fulltime-equivalents (FTE's) for Senior Management Group) receiving remuneration is as follows:

	2021	2020
Number of Individuals (FTEs)	1.0	1.0

17. Financial Assets – Credit, Liquidity, Interest Rate Risks

Credit Risk:

Financial assets which potentially subject the MTA to credit risk principally consist of bank balances, investments and other receivables.

Liquidity Risk:

Liquidity risk is the risk that the MTA may encounter difficulty in raising funds to meet its financial commitments as they fall due. The MTA has internal procedures in place to manage such risk.

Interest Rate Risk:

Interest rates have a material effect on the performance of the MTA as it main objective is to earn income from investments. The MTA is subject to fluctuations in interest rates on term deposits and company debentures and uses short term and long term investment strategies to minimise the impact to the MTA.

At balance date, the MTA's financial instruments are subject to the following interest rate fluctuations:

	Interest Rate Yield		**Interest Rate Review Period**
	2021	**2020**	
Deposits on Call	0.25%	0.25%	Simple annual average floating daily rate
Debentures	1.98% to 6.85%	2.25% to 6.25%	Fixed to maturity

Liabilities (Depositors Funds)	**2021**	**2020**	
Income Fund	3.04% to 3.83%	(3.91% to 4.54%)	quarterly
Growth and Income Fund	1.98% to 2.74%	(2.80% to 2.92%)	quarterly

The liabilities to depositors exclude the capital accretion distributions made to depositors in the June distributions.

Fair Values

The carrying amounts of financial assets are considered to be fair value for all the MTA's financial assets.

18. Capital Commitments

The MTA have approved loans to Christchurch Methodist Mission of up to $3,000,000 for five years secured by a first mortgage over the Mission's property at 91 Harewood Road, Christchurch title reference

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CB43B/1080). The amount outstanding as at balance date is $1,000,000 (2020: $1,500,000) (also see Note 15).

The MTA has approved a loan to the Board of Administration of the Methodist Church of New Zealand of up to $2,400,000 for five years secured by a second mortgage over property at 50 and 54 Langdons Road, Christchurch (CT 684673 and 684674). As at balance date $2,169,453 (2020:$2,177,681) had been draw down by the Board of Administration (also see Note 15).

The MTA has approved a loan to the Grafton Downs Limited of up to $4,300,000 for one year secured by a first mortgage over property at 173 Sim Road, Paerata, Auckland (title reference NA847/276). As at 30 June 2021 the loan was fully repaid (2020: $1,000,000) (also see Note 15).

The MTA has approved a loan to the Airedale Property Trust of up to $25,400,000 for five years secured by a first mortgage over property at 63 Allendale Road (title reference NA601/63), Auckland. As at balance date $24,055,000 (2020: $24,055,000) had been drawdown by Airedale Property Trust (also see Note 15).

The MTA has approved a loan to Wesley Wellington Mission Incorporated of up to $5,700,000 for five years secured by a first mortgage over property at 249 Rata Street, Naenae, Lower Hutt (title reference WN715/22. As at balance date $3,778,778 (2020: $3,500,000) had been drawdown by Wesley Wellington Mission Incorporated (also see Note 15).

19. Contingent Assets and Liabilities

There are no contingent assets or liabilities at the reporting date. (2020: $Nil).

20. Events after the Reporting Date

There have been no events after balance date.

21. Description of Funds

Income Fund

This fund holds investments with short term maturity dates where the primary focus is on short term investment yields.

Growth and Income Fund

This fund holds a mixture of investments whose primary focus is on growth but with some income.

22. Going Concern

These financial statements have been prepared on a going concern basis. The MTA currently enjoys the support of, and is reliant on its depositors and the Conference of the Methodist Church of New Zealand in order to carry out its charitable work within the Methodist Church of New Zealand. The Board of the MTA have conducted an appraisal of ability to continue into the foreseeable future and the Board believes that the MTA will be able to meet its financial and regulatory obligations for the foreseeable future and that the going concern assumption adopted in the preparation of these financial statements is appropriate.

23. Other Information – COVID-19 Impact

Covid-19 (also known as coronavirus) continues as a pandemic affecting people, businesses and economies across the world. Measures to prevent, contain and delay its spread include travel restrictions, institutional and business closures, restrictions on gatherings and meetings, and quarantining, isolation, social distancing and vaccinations using one of the approved vaccines, resulting in many people working remotely and significant disruptions to ways an entity would normally operate.

On 17 August 2021 the New Zealand Government locked down New Zealand due to the Delta variant of the coronavirus being detected in New Zealand. This meant that much of New Zealand businesses were closed for a 4-week period. As at the date of signing these financial statements some parts of New Zealand continue to be locked down at level 3. While this affected markets, the investments of the MTA are spread over different world markets. Many countries are opening their boundaries as their governments administer vaccines and systems are put in place to open travelling. The MTA does not believe that the current lockdown in New Zealand will have a significant impact on the overall risks to its investments and returns.

The financial statements have been prepared on a going concern basis and the Board has had to assess whether circumstances likely to occur within one year from the date of approval of these financial statements support this basis of preparation.

As the MTA is a Fund of the depositors the net assets of MTA belong to the depositors. The MTA financial statements, as presented, do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the MTA be unable to continue as a going concern and meets its debts as and when they fall due as the Board believes that this is highly unlikely as an outcome.

There are no 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 MTA.

INDEPENDENT AUDITOR'S REPORT

To the Members of the New Zealand Methodist Trust Association.

Report on the Audit of the Performance Report

Opinion

We have audited the financial statements of the New Zealand Methodist Trust Association, which comprises the statement of financial position as at 30 June 2021, and the statement of comprehensive revenue and expenses, statement of changes in depositors funds, and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity International Public Sector Accounting Standards – Reduced Disclosure Regime.

This report is made solely to the members, as a body. Our audit work has been undertaken so that we might state to the members those matters which we are required to state to them in the 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 Members, for our audit procedures, for this report, or for the opinion we have formed.

Basis for Opinion

We conducted our audit of the statement of comprehensive revenue and expenses, statement of financial position, statement of changes in depositors funds, statement of cash flows, statement of accounting policies and notes to the performance report in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the performance report is free from material misstatement. 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 trust in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and 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 interests in, the trust.

Trustees' Responsibilities for the Performance Report

The Trustees are responsible on behalf of the trust for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity International Public Sector Accounting Standards – Reduced Disclosure Regime, and for such internal control as the Trustees 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 Trustees are responsible, on behalf of the Trust, for assessing the Trust'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 Trustees either intend to liquidate the trust or cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Performance Report

Our objectives are to obtain reasonable assurance about whether the performance report 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 ISAs (NZ) 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 performance report.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the performance report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether the performance report represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

PKF Goldsmith Fox Audit

PKF Goldsmith Fox Audit Limited
Christchurch, New Zealand

13 October 2021