

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED

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**NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
CONSOLIDATED STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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

The consolidated financial statements comprise the financial statements of New Zealand Catholic Education Office Limited and its wholly-owned subsidiary NZCEO Finance Limited ('the Group') for the year ended 31 December 2019. The consolidated financial statements were authorised for issue by the Directors on 27 March 2020.

Basis of Preparation

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

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

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

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

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

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

Going Concern

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

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

Accounting Policies

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

Basis for Preparing Consolidated Financial Statements

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

Property, Plant and Equipment

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

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

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

	Life in Years	Straight Line Depn Rate
Computer hardware	3	33.3%
Leasehold Improvements	10	10.0%
Office equipment	4-10	10%-25%
Furniture	13	7.5%

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
CONSOLIDATED STATEMENT OF ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

Intangibles

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

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

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

Trade and Other Receivables

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

Impairment

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

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

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

Financial Instruments

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

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

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

Financial Assets

Cash and cash equivalents includes cash held at bank.

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

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

Capital Risk Management

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

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

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

The Group has no target gearing ratio.

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

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
CONSOLIDATED STATEMENT OF ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

Financial Liabilities

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

Provisions

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

Deferred Financing and Development Costs

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

Trade and Other Payables

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

Employee Entitlements

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

Income

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

Interest Income

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

Interest Expense

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

Operating Lease Payments

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

Goods and Services Tax ('GST')

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

Charitable Status and Income Tax

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

Changes in Accounting Policies

There have been no changes in accounting policy for the year ended 31 December 2019.

**NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Note	Group		Company	
		2019 \$	2018 \$	2019 \$	2018 \$
EQUITY					
Share capital	1	98,888	98,888	98,888	98,888
Convention reserve	25	79,922	79,922	79,922	79,922
Teacher and Leadership Development special reserve	26	91,253	115,253	91,253	115,253
Retained earnings		710,945	657,427	474,732	416,938
TOTAL EQUITY		\$ 981,008	\$ 951,490	\$ 744,795	\$ 711,001
CURRENT ASSETS					
Cash and cash equivalents	2	264,736	220,782	70,424	131,791
Term deposits	3	615,986	452,882	615,986	452,882
Trade and other receivables	4	27,831	34,704	22,656	33,001
Prepayments	5	26,687	68,369	26,687	68,369
Current portion: loans to Participating Proprietors	8	1,533,674	1,400,053	-	-
Total Current Assets		2,468,914	2,176,790	735,753	686,043
NON-CURRENT ASSETS					
Property, plant and equipment	9	59,336	79,100	59,336	79,100
Intangibles	10	3,448	7,572	3,448	7,572
Loan to National Attendance Dues and Capital Indebtedness Sharing Scheme	7	-	4,386,474	-	-
Non-current portion: loans to Participating Proprietors	8	21,740,608	21,362,098	-	-
Total Non-Current Assets		21,803,392	25,835,244	62,784	86,672
TOTAL ASSETS		24,272,306	28,012,034	798,537	772,715
CURRENT LIABILITIES					
Trade and other payables	11	69,368	78,640	53,742	61,714
Deferred financing and development costs	13	41,993	34,645	-	-
Loan from Catholic Education Trust Fund	15	7,689,875	10,467,197	-	-
Loan from Bank of New Zealand	8,14	1,000,000	16,480,062	-	-
Total Current Liabilities		8,801,236	27,060,544	53,742	61,714
NON-CURRENT LIABILITIES					
Loan from Bank of New Zealand	8,14	14,490,062	-	-	-
Total Non-Current Liabilities		14,490,062	-	-	-
TOTAL LIABILITIES		23,291,298	27,060,544	53,742	61,714
NET ASSETS		\$ 981,008	\$ 951,490	\$ 744,795	\$ 711,001

These accounts were authorised for issue by the Board on 27 March 2020.

For and on behalf of the Board



Geoffrey Ricketts
CHAIRPERSON
27 March 2020



Stephen Grey
DIRECTOR
27 March 2020

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

**NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	Group		Company	
		2019 \$	2018 \$	2019 \$	2018 \$
INCOME					
<u>From exchange transactions:</u>					
Proprietors' levies		806,666	779,871	806,666	779,871
Convention 2018	25	-	487,914	-	487,914
Cost recoveries	16	36,494	32,357	121,646	107,854
Interest	17	1,469,040	1,740,609	16,599	33,058
Sponsorship - Catholic School Sports programme development		-	33,750	-	33,750
Other income		3,562	202	3,562	202
<u>From non-exchange transactions:</u>					
Sponsorship		30,736	33,163	30,736	33,163
TOTAL INCOME		2,346,498	3,107,866	979,209	1,475,812
EXPENDITURE					
ACC levies		1,107	1,253	1,107	1,253
Audit fee		38,053	36,639	8,928	10,964
Administration	18	28,496	43,480	30,428	42,147
Amortisation of intangible assets	10	4,124	4,124	4,124	4,124
Bank charges		774	1,052	388	630
Convention 2018	25	-	479,088	-	479,088
Computer expenses		22,783	20,468	22,783	20,468
Computer hardware		9,034	14,468	9,034	14,468
Depreciation	9	18,512	12,534	18,512	12,534
Interest paid to Catholic Education Trust Fund		514,540	694,002	-	-
Interest paid to Bank of New Zealand		797,578	821,566	-	-
Interest Paid to Proprietors		-	20,837	-	20,837
Legal and professional fees	19	55,425	55,189	23,557	53,335
Meetings - Proprietors	20	56,983	47,795	56,983	47,795
Motor vehicle	21	18,062	17,305	18,062	17,305
Publications and promotions	22	1,994	12,033	1,994	12,033
Principals' Initiative	23	54,000	21,000	54,000	21,000
Rent		47,126	42,469	47,126	42,469
Salaries		579,705	587,519	579,705	587,519
Special projects	24	49,604	15,328	49,604	15,328
Travel - Office		19,080	34,476	19,080	34,476
TOTAL EXPENDITURE		2,316,980	2,982,625	945,415	1,437,773
TOTAL COMPREHENSIVE INCOME		\$ 29,518	\$ 125,241	\$ 33,794	\$ 38,039

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

**NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

GROUP	Retained Earnings	Teacher and Leadership			Total Equity
		Convention Reserve (Note 25)	Development Special Reserve (Note 26)	Share Capital	
	\$	\$	\$	\$	\$
Opening balance 1 January 2018	520,012	71,096	136,253	98,888	826,249
Total comprehensive income	125,241	-	-	-	125,241
Transfer (to)/from Reserves	12,174	8,826	(21,000)	-	-
Balance at 31 December 2018	657,427	79,922	115,253	98,888	951,490
Total comprehensive income	29,518	-	-	-	29,518
Transfer (to)/from Reserves	24,000	-	(24,000)	-	-
Balance at 31 December 2019	\$ 710,945	\$ 79,922	\$ 91,253	\$ 98,888	\$981,008

COMPANY	Retained Earnings	Teacher and Leadership			Total Equity
		Convention Reserve (Note 25)	Development Special Reserve (Note 26)	Share Capital	
	\$	\$	\$	\$	\$
Opening balance 1 January 2018	366,725	71,096	136,253	98,888	672,962
Total comprehensive (loss)	38,039	-	-	-	38,039
Transfer (to)/from Reserves	12,174	8,826	(21,000)	-	-
Balance at 31 December 2018	416,938	79,922	115,253	98,888	711,001
Total comprehensive income	33,794	-	-	-	33,794
Transfer (to)/from Reserves	24,000	-	(24,000)	-	-
Balance at 31 December 2019	\$ 474,732	\$ 79,922	\$ 91,253	\$ 98,888	\$744,795

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

**NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	Group		Company	
		2019 \$	2018 \$	2019 \$	2018 \$
OPERATING					
Cash received from proprietors		807,618	780,526	807,618	780,526
Cash received from the Crown - Recognition funding		-	10,000,000	-	10,000,000
Cash received from related parties		36,494	32,357	121,646	107,854
Cash received from sponsors		40,916	50,013	40,916	50,013
Cash received from proprietors - Convention		-	347,075	-	347,075
Cash received from sponsors and exhibitors - Convention		6,000	138,089	6,000	138,089
Interest received		18,614	50,213	13,915	38,496
Interest received from Participating Proprietors and other related parties		1,235,189	1,360,390	-	-
Interest paid		(797,578)	(859,771)	-	(38,205)
Payments to suppliers	6	(340,759)	51,019	(284,209)	84,643
Payments to suppliers - Convention		(12,079)	(457,457)	(12,079)	(457,457)
Payments to proprietors - Recognition funding		-	(16,762,342)	-	(16,762,342)
Payments to employees		(593,820)	(604,253)	(593,820)	(604,253)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		400,595	(5,874,141)	99,987	(6,315,561)
INVESTING					
Loans made to Participating Proprietors		(2,010,000)	-	-	-
Loan repayments received		1,497,869	1,299,704	-	-
Purchase of capital and intangible assets		-	(64,554)	-	(64,554)
Proceeds from sale of capital assets		1,750	-	1,750	-
Proceeds from maturity/(purchase) of term deposits		(163,104)	6,353,096	(163,104)	6,353,096
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		(673,485)	7,588,246	(161,354)	6,288,542
FINANCING					
Loan advances made to related parties - the Scheme		(11,325,000)	(18,727,817)	-	-
Loan repayments made to related parties - the Trust		(18,031,862)	(24,519,946)	-	-
Loan repayments received from related parties - the Scheme		15,923,706	23,602,817	-	-
Loan advances received from related parties - the Trust		14,740,000	18,727,816	-	-
Loan repayments made		(3,000,000)	(1,000,000)	-	-
Loan advances received		2,010,000	-	-	-
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		316,844	(1,917,130)	-	-
TOTAL CASH FLOWS		43,954	(203,025)	(61,367)	(27,019)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		220,782	423,807	131,791	158,810
CASH AND CASH EQUIVALENTS, END OF YEAR	2	\$ 264,736	\$ 220,782	\$ 70,424	\$ 131,791

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

**NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Group		Company	
	2019 \$	2018 \$	2019 \$	2018 \$
1 SHARE CAPITAL				
The Proprietors of Catholic integrated schools are the shareholders of NZCEO Limited. There are twenty-seven shareholders with one ordinary share each. The voting rights attached to each ordinary share are proportional to the number of schools under each shareholder (Proprietor). The shares have no par value.				
Fully paid in share capital	\$ 98,888	\$ 98,888	\$ 98,888	\$ 98,888
2 CASH AND CASH EQUIVALENTS				
Bank Accounts				
ANZ	70,424	131,791	70,424	131,791
Bank of New Zealand	194,312	88,991	-	-
	\$ 264,736	\$ 220,782	\$ 70,424	\$ 131,791
3 SHORT-TERM DEPOSITS				
ANZ	\$ 615,986	\$ 452,882	\$ 615,986	\$ 452,882
Refer Note 8 for details of interest rates and maturities				
4 TRADE AND OTHER RECEIVABLES				
<u>From exchange transactions:</u>				
Trade receivables	9,107	17,175	9,107	17,175
GST receivable	11,330	12,819	6,155	11,116
Accrued interest	7,394	4,710	7,394	4,710
	\$ 27,831	\$ 34,704	\$ 22,656	\$ 33,001
There have been no impairment losses during the year.				
5 PREPAYMENTS				
Convention 2021	23,599	11,909	23,599	11,909
Course registrations and subscriptions	3,088	3,265	3,088	3,265
Travel paid in advance	-	27,195	-	27,195
Teachers and Leadership course sponsorship	-	26,000	-	26,000
	\$ 26,687	\$ 68,369	\$ 26,687	\$ 68,369
6 PAYMENTS TO SUPPLIERS				
Normally GST return payments to/refunds from IRD are grouped with cash flows from "Payments to suppliers" on the Consolidated Statement of Cash Flows. During 2017, GST return payments increased significantly due to the GST on the Recognition Funding settlement received from the Crown. Due to the timing and amount of the receipt of the GST return refund due as at 31 December 2017 and received in early 2018 (Refer to notes 4 and 12) cash flows from "Payments to suppliers" are significantly higher than normal at the end of 2017 and significantly lower than normal at the end of 2018.				
7 LOAN TO NATIONAL ATTENDANCE DUES AND CAPITAL INDEBTEDNESS SHARING SCHEME AT AMORTISED COST				
(Repaid to)/Advanced by NZCEO Finance	(17,761,153)	(13,162,126)	-	-
Cumulative interest	17,761,153	17,548,600	-	-
	\$ -	\$ 4,386,474	\$ -	\$ -

NZCEO Finance has on-lent funds to the Scheme to meet the shortfall between the attendance dues collected and the debt servicing commitments. This lending is at an annual interest rate of 4.88% from 1 April 2018 (prior: 5.5%), reviewed annually with no specific date set for repayment. Where there is a shortfall, additional advances are drawn down by the Scheme (funds originating from the Trust). During the year, loan advances of \$11,324,678 (2018 \$18,727,509) were made to and repayments of \$15,923,706 (2018 \$23,602,816) were received from the Scheme. Financial modelling of the expected future attendance dues to be collected and forecast debt servicing payments shows that current surpluses will continue and that those monies will be used to repay the loan. The assumptions underpinning the financial model used for the loan impairment review include forecast attendance dues revenue and forecast debt servicing payments. The receipt of attendance dues is subject to an underwrite from the Catholic Bishops of the five participating dioceses.

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

8 FINANCIAL INSTRUMENTS

a) Fair Values

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

b) Credit Risk

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

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

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

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

	2019	2018
	\$	\$
Significant counterparty exposure is as follows:		
Christian Brothers' loan	699,333	739,027
Dunedin Diocese loans	9,528,932	10,221,341
Hamilton Diocese loans	12,206,229	10,908,428
Marist Brothers Auckland loan	839,788	893,355
Total Proprietors' loans	23,274,282	22,762,151
Less current portion	(1,533,674)	(1,400,053)
	\$ 21,740,608	\$ 21,362,098

These loans are funded from the Bank of New Zealand ('BNZ') Term Loan Facility and have priority as per Note 8(f).

c) Liquidity Risk

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

d) Interest Rate Risk

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

e) Contractual Maturity Analysis

The following table details NZCEO Finance's contractual maturities and effective interest rates for financial assets and liabilities. The loan from the Trust has been classified as maturing in 0-6 months because the loan does not have a specific date for repayment and is therefore technically repayable on demand. The expected repayment of this loan will take place in conjunction with receipts from the Scheme.

2019 Contractual Maturities	Effective Interest Rate	\$	\$	\$	\$	\$	\$	\$	\$
		0-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	5 years +	Total
Cash	0.00%	264,736							264,736
Short-term deposits	3.00%	615,986							615,986
Trade and other receivables	0.00%	27,831							27,831
Loans to Participating Proprietors	5.50%	756,318	777,356	1,620,185	1,711,576	1,808,123	1,910,115	14,690,609	23,274,282
Loan to National Attendance Dues and Capital Indebtedness Sharing Scheme	4.88%							-	-
BNZ Term Loan	5.03%				(2,000,000)				(2,000,000)
BNZ Term Loan	3.92%			(1,010,000)					(1,010,000)
BNZ Term Loan	4.95%		(11,480,062)						(11,480,062)
BNZ Term Loan	4.16%	(1,000,000)							(1,000,000)
Trade and other payables	0.00%	(69,368)							(69,368)
Loan from Catholic Education Trust Fund	4.88%	(7,689,875)							(7,689,875)
Total		(\$7,094,372)	(\$10,702,706)	\$610,185	(\$288,424)	\$1,808,123	\$1,910,115	\$14,690,609	\$933,530

2018 Contractual Maturities

	Effective Interest Rate	0-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	5 years +	Total
Cash	0.00%	220,782							220,782
Short-term deposits	3.47%	452,882							452,882
Trade and other receivables	0.00%	34,704							34,704
Loans to Participating Proprietors	5.50%	690,424	709,629	1,479,027	1,562,455	1,650,590	1,743,696	14,926,330	22,762,151
Loan to National Attendance Dues and Capital Indebtedness Sharing Scheme	4.88%							4,386,474	4,386,474
BNZ Term Loan	5.03%	(2,000,000)							(2,000,000)
BNZ Term Loan	4.95%	(11,480,062)							(11,480,062)
BNZ Term Loan	4.58%	(2,000,000)							(2,000,000)
BNZ Term Loan	4.47%	(1,000,000)							(1,000,000)
Trade and other payables	0.00%	(78,640)							(78,640)
Loan from Catholic Education Trust Fund	4.88%	(10,467,197)							(10,467,197)
Total		(\$25,627,107)	\$709,629	\$1,479,027	\$1,562,455	\$1,650,590	\$1,743,696	\$19,312,804	\$831,095

f) Priority

The BNZ loans are secured against all current and future NZCEO Finance assets and registered first or second mortgages held over the properties listed in Note 14.

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

9 PROPERTY, PLANT AND EQUIPMENT

	Group and Company				Total
	Computer Hardware	Leasehold Improvements	Office Equipment	Furniture	
Cost	\$	\$	\$	\$	\$
Balance at 1 January 2018	29,062	-	9,934	59,128	98,124
Additions	-	37,825	24,050	2,679	64,554
Disposals	-	-	(1,107)	-	(1,107)
Balance at 31 December 2018	29,062	37,825	32,877	61,807	161,571
Additions	-	-	-	-	-
Disposals	(12,183)	-	-	-	(12,183)
Balance at 31 December 2019	16,879	37,825	32,877	61,807	149,388
Accumulated depreciation and impairment					
Balance at 1 January 2018	14,295	-	9,934	46,815	71,044
Depreciation expense	5,971	1,261	2,505	2,797	12,534
Disposals	-	-	(1,107)	-	(1,107)
Balance at 31 December 2018	20,266	1,261	11,332	49,612	82,471
Depreciation expense	5,872	3,783	6,013	2,844	18,512
Disposals	(10,931)	-	-	-	(10,931)
Balance at 31 December 2019	15,207	5,044	17,345	52,456	90,052
Net book value					
At 31 December 2018	\$ 8,796	\$ 36,564	\$ 21,545	\$ 12,195	\$ 79,100
At 31 December 2019	\$ 1,672	\$ 32,781	\$ 15,532	\$ 9,351	\$ 59,336

10 INTANGIBLES

	Group and Company		Total
	Computer Software	Systems Development	
Cost			
Balance at 1 January 2018	1,967	12,384	14,351
Additions	-	-	-
Disposals	-	-	-
Balance at 31 December 2018	1,967	12,384	14,351
Additions	-	-	-
Disposals	(1,967)	-	(1,967)
Balance at 31 December 2019	-	12,384	12,384
Accumulated amortisation and impairment			
Balance at 1 January 2018	1,967	688	2,655
Amortisation expense	-	4,124	4,124
Disposals	-	-	-
Balance at 31 December 2018	1,967	4,812	6,779
Amortisation expense	-	4,124	4,124
Disposals	(1,967)	-	(1,967)
Balance at 31 December 2019	-	8,936	8,936
Net book value			
At 31 December 2018	\$ -	\$ 7,572	\$ 7,572
At 31 December 2019	\$ -	\$ 3,448	\$ 3,448

11 TRADE AND OTHER PAYABLES

From exchange transactions:

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Trade payables	39,475	39,382	23,849	22,456
Monies received in advance	7,000	2,250	7,000	2,250
Employees' salary and holiday pay liability	22,893	37,008	22,893	37,008
	\$ 69,368	\$ 78,640	\$ 53,742	\$ 61,714

12 RECOGNITION FUNDING PAYABLE

Opening balance	-	6,847,836	-	6,847,836
Amount received from the Crown	-	10,000,000	-	10,000,000
Legal fee recovery received (Note 16)	-	(68,126)	-	(68,126)
Interest accrued on undistributed funding	-	20,837	-	20,837
Recognition funding distributed	-	(16,800,547)	-	(16,800,547)
Recognition funding distributed	\$ -	\$ -	\$ -	\$ -

In 2017, NZCEO, acting for the Association of Proprietors of Integrated Schools (APIS), reached an agreement with the Crown relating to historical Quantity Funding differences for State integrated school proprietors. The agreement allows for Recognition Funding of \$20million to be paid in two equal instalments over the Crown financial years of 2017/2018 and 2018/2019. Under the terms of the agreement NZCEO is to distribute the funding to the proprietors of state integrated schools. \$10million was received in 2017 of which \$3,101,406 was distributed to state integrated school proprietors other than those proprietors who are members of the National Attendance Dues and Capital Indebtedness Sharing Scheme (the Scheme). Included in the Recognition Funding Payable as at 31 December 2017 is an amount of \$6,758,614 related to proprietors who are members of the Scheme and hence, related parties. The remaining 2017 funding and the full amount of the 2018 funding was paid to proprietors during 2018.

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
13 DEFERRED FINANCING AND DEVELOPMENT COSTS				
Opening balance	34,645	33,997	-	-
Plus: Net set-up costs to be recovered	15,727	15,727	-	-
Plus: Administration credit from new loan	10,000	-	-	-
Less: Use of administration credit against current costs	(18,379)	(15,079)	-	-
Closing Balance	\$ 41,993	\$ 34,645	\$ -	\$ -

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

14 LOAN FROM BANK OF NEW ZEALAND

The Bank of New Zealand (BNZ) Term Loan Facility was updated by a Deed of Amendment and Restatement dated 17 December 2012 and amended on 24 September 2014, 21 April 2015 and 11 December 2017. The updated Facility became effective 29 December 2017 and is due for repayment or renewal on 29 December 2022. As at 31 December 2018, NZCEO Finance was technically in default of one of the Term Loan Facility covenants. For this reason, the full amount of the loan was disclosed as a current liability in 2018. During 2019, BNZ have agreed to waive their right to cancel the Term Loan Facility and will not demand immediate repayment for at least the next 12 months, so the loan is disclosed as non-current.

	Interest Rate	Group	
		2019	2018
		\$	\$
Total Loan			
Bank of New Zealand - Term Loan Facility	3.92% Fixed	1,010,000	-
Bank of New Zealand - Term Loan Facility	4.95% Fixed	11,480,062	11,480,062
Bank of New Zealand - Term Loan Facility	5.03% Fixed	2,000,000	2,000,000
Bank of New Zealand - Term Loan Facility	4.58% Fixed	-	2,000,000
Bank of New Zealand - Term Loan Facility	4.16% Floating	1,000,000	1,000,000
		<u>15,490,062</u>	<u>16,480,062</u>
Current liability			
Repayment - Term Loan Facility		(1,000,000)	(1,000,000)
Technical default - Term Loan Facility covenant		-	(15,480,062)
		<u>(1,000,000)</u>	<u>(16,480,062)</u>
Non-current Liability		\$ 14,490,062	\$ -

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

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

These properties are collateral provided by separate legal entities.

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
15 LOANS FROM THE CATHOLIC EDUCATION TRUST FUND AT AMORTISED COST				
Advanced by the Catholic Education Trust Fund	(12,759,769)	(9,467,907)	-	-
Cumulative interest	20,449,644	19,935,104	-	-
	<u>\$ 7,689,875</u>	<u>\$ 10,467,197</u>	<u>\$ -</u>	<u>\$ -</u>

The Trust has on-lent funds to NZCEO Finance for the funding of the BNZ principal repayment and for on-lending to the Scheme to cover the shortfall between attendance dues received and debt servicing commitments. This lending is at an annual interest rate of 4.88% from 1 April 2018 (prior: 5.5%), reviewed annually with no specific date set for repayment. During the year, loan advances of \$14,740,000 (2018 \$18,727,816) were received from and repayments of \$18,031,862 (2018 \$24,519,946) were made to the Trust. Financial modelling of the expected future attendance dues to be collected and forecast debt servicing payments shows that the repayments which commenced in 2010 will continue. The assumptions underpinning the financial model used for the loan impairment review include forecast attendance dues receipts and forecast debt servicing payments. The loan is stated at amortised cost.

16 COST RECOVERIES

	2019	2018	2019	2018
	\$	\$	\$	\$
NZCEO Finance	-	-	85,152	75,497
National Attendance Dues and Capital Indebtedness Sharing Scheme	24,329	21,570	24,329	21,570
Catholic Education Trust Fund	12,165	10,787	12,165	10,787
	<u>\$ 36,494</u>	<u>\$ 32,357</u>	<u>\$ 121,646</u>	<u>\$ 107,854</u>

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

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
17 INTEREST INCOME				
Interest was earned from the following sources:				
ANZ	16,599	33,058	16,599	33,058
Bank of New Zealand	4,699	11,716	-	-
Proprietor loans	1,235,189	1,360,390	-	-
National Attendance Dues and Capital Indebtedness Sharing Scheme on funds advanced	212,553	335,445	-	-
	\$ 1,469,040	\$ 1,740,609	\$ 16,599	\$ 33,058
18 ADMINISTRATION				
General expenses	19,703	23,109	3,256	6,697
Photocopier lease payments	5,112	9,103	5,112	9,103
Photocopier expenses	2,128	1,939	2,128	1,939
Postage	2,455	3,363	2,455	3,363
Printing, stationery and archiving	6,638	4,536	6,638	4,536
Professional development	2,646	4,736	2,646	4,736
Repairs and maintenance	478	4,503	478	4,503
Subscriptions and books	2,601	2,208	2,601	2,208
Telephones	4,257	4,219	4,257	4,219
Audiovisual conferencing	857	843	857	843
Recovery of deferred administration	(18,379)	(15,079)	-	-
	\$ 28,496	\$ 43,480	\$ 30,428	\$ 42,147
19 LEGAL AND PROFESSIONAL FEES				
Legal fees	52,925	20,689	21,057	18,835
Consultants and specialised office support	2,500	750	2,500	750
Catholic School Sports programme development	-	33,750	-	33,750
	\$ 55,425	\$ 55,189	\$ 23,557	\$ 53,335
These fees include negotiation, support and legal advice on various issues relating to government policies; school maintenance; legislative and regulatory interpretations; and a range of other issues.				
20 MEETINGS - PROPRIETORS				
NZCEO Limited Board of Directors' travel expenses, Association of Proprietors of Integrated Schools Executive travel expenses, Financial Review Panel travel expenses, subsets of Board meetings, catering and related costs.	\$ 56,983	\$ 47,795	\$ 56,983	\$ 47,795
21 MOTOR VEHICLE EXPENSES	\$ 18,062	\$ 17,305	\$ 18,062	\$ 17,305
22 PUBLICATIONS AND PROMOTIONS				
The production of Lighting New Fires and other publications for proprietors continued in 2019. Most of NZCEO's publications are now distributed electronically rather than in printed form and are also available on the NZCEO Limited website.	\$ 1,994	\$ 12,033	\$ 1,994	\$ 12,033
23 PRINCIPALS' INITIATIVE				
This is an NZCEO Limited Board of Directors' initiative to support the ongoing supply of committed teachers to provide leadership for Catholic schools.				
Expenditure	\$ 54,000	\$ 21,000	\$ 54,000	\$ 21,000
24 SPECIAL PROJECTS				
OIEC International Catholic Education Convention New York City	46,399	-	46,399	-
Pompallier Walk programme development	3,205	-	3,205	-
Videography	-	12,558	-	12,558
Other	-	2,770	-	2,770
	\$ 49,604	\$ 15,328	\$ 49,604	\$ 15,328

NEW ZEALAND CATHOLIC EDUCATION OFFICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
25 CONVENTION RESERVE				
The 2018 Catholic Education Convention was held in June 2018. The 2021 Catholic Education Convention will be held in Wellington in June 2021.				
Opening balance	79,922	71,096	79,922	71,096
Convention 2018 income	-	487,914	-	487,914
Convention 2018 expenditure	-	(479,088)	-	(479,088)
Transfer surplus from Convention 2018 to reserve	-	8,826	-	8,826
Convention Reserve at end of period	\$ 79,922	\$ 79,922	\$ 79,922	\$ 79,922

26 TEACHER AND LEADERSHIP DEVELOPMENT SPECIAL RESERVE				
This is part of NZCEO Limited Board of Directors' initiative to support the ongoing supply of committed teachers to provide leadership for Catholic schools.				
Opening balance	115,253	136,253	115,253	136,253
Transfer to retained earnings to cover scholarships paid during the year	(24,000)	(21,000)	(24,000)	(21,000)
Teacher and Leadership Development Special Reserve at end of period	\$ 91,253	\$ 115,253	\$ 91,253	\$ 115,253

27 RELATED PARTY TRANSACTIONS

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

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

Administration costs for NZCEO Finance (2019 \$85,152; 2018 \$75,497), National Attendance Dues and Capital Indebtedness Scheme (2019 \$24,329; 2018 \$21,570) and the Catholic Education Trust Fund (2019 \$12,165; 2018 \$10,787) were initially paid by NZCEO Limited and recovered by way of reimbursement.

Loans are provided by NZCEO Finance to participating Proprietors of the National Attendance Dues and Capital Indebtedness Sharing Scheme as disclosed in the Statement of Financial Position. The participating Proprietors of the Scheme are also shareholders of NZCEO Limited (Refer Note 8).

In 2017, Recognition funding payable included a balance of \$6,758,614 related to participating Proprietors of the National Attendance Dues and Capital Indebtedness Sharing Scheme (Refer Note 12). During 2018, Recognition funding (incl. interest) of \$13,520,602 was distributed to participating Proprietors of the National Attendance Dues and Capital Indebtedness Sharing Scheme.

28 COMMITMENTS

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

Less than one year	51,898	56,035	51,898	56,035
Between one and five years	204,112	272,761	204,112	272,761
More than five years	172,993	185,642	172,993	185,642
	\$ 429,003	\$ 514,438	\$ 429,003	\$ 514,438

There are no capital commitments as at 31 December 2019 (2018 \$Nil).

29 INSURANCE

Insurance of the NZCEO Limited office contents, furniture and equipment, materials, stationery, library, etc. is provided by an AON CPF Business Assets policy.

30 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2019 (2018 \$Nil).

31 SUBSEQUENT EVENTS

There have been no events subsequent to balance date that would materially affect the Financial Statements as presented at 31 December 2019 other than the potential impacts of COVID-19. At this time the potential impacts are unknown, but they could lead to reduced collection of levy income, sponsorship revenue and National Attendance Dues. Management believes that NZCEO and group have sufficient reserves and measures in place to ensure that ongoing expenses and loan commitments can be met for at least the next twelve months.

Independent Auditor's Report

To the Shareholders of New Zealand Catholic Education Office Limited

Opinion

We have audited the financial statements of New Zealand Catholic Education Office Limited (the 'company') and its subsidiary ('the group'), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, statement of movements in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 3 to 15, present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2019, and its consolidated financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of corporate finance services, we have no relationship with or interests in the entity or its subsidiary. These services have not impaired our independence as auditor of the entity.

Other information

The Board of Directors are responsible on behalf of the group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information, and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors are responsible on behalf of the group for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible on behalf of the group for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs and 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the company's shareholders, as a body, in accordance with Section 207B of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders 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 company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Wellington, New Zealand
27 March 2020

This audit report relates to the consolidated financial statements of New Zealand Catholic Education Office Limited (the 'company') and its subsidiary (the 'group') for the year ended 31 December 2019 included on the entity's website. The Board of Directors are responsible for the maintenance and integrity of the entity's website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 27 March 2020 to confirm the information included in the audited consolidated financial statements presented on this website.