

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF  
NEW ZEALAND (INCORPORATED)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH JUNE 2006**

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**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF  
NEW ZEALAND (INCORPORATED)**

DIRECTORY

**Registered Office**

19 Great South Road  
Newmarket  
Auckland

**Directors**

George T Wadsworth – Chairman LLB FLCM  
W A (Tony) Caughey BCom MBA(Hon) ACA ACIS CMA  
Don Clark BCom FACA  
Hamish Crooks BCom MBA (Resigned April 2006)  
Ian W Kendall  
Rev. Doug Lendum BTh  
Rev. Samuel J D McCoy MA MTh (uniSA)  
Rev. Simon McLeay BA BD MMin  
Glenn R Molltram JP CA  
Margaret Slater JP  
Richard Pidgeon LLB MComLaw

**General Manager/Secretary**

Paul Walker BE(Hons) BCom DipBS(PFP)

**Solicitors**

Hesketh Henry  
Wadsworth Ray

**Auditors**

Jolly Duncan & Wells  
P O Box 11053 Eilerslie  
Auckland

## **AUDIT REPORT**

**To the Members The Presbyterian Savings and Development Society of New Zealand (Incorporated).**

We have audited the financial statements on pages 4 to 12. The financial statements provide information about the past financial performance of the Society and its financial position as at 30 June 2006. This information is stated in accordance with the accounting policies set out on page 8-9.

### **The Board of Directors' Responsibilities**

The Board of Directors is responsible for the preparation of financial statements which gives a true and fair view of the financial position of the Society as at 30 June 2006 and of the results of its operations and cash flows for the year ended 30 June 2006.

### **Auditors' Responsibilities**

It is our responsibility to express an independent opinion on the financial statements presented by the Board of Directors and report our opinion to you.

### **Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the Society.

**Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion, the financial statements on pages 4 to 12:

- comply with generally accepted accounting practice;
- give a true and fair view of the financial position of the Society as at 30 June 2006 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 11 October 2006 and our unqualified opinion is expressed as at that date.

*Jolly Duncan & Wells*  
JOLLY DUNCAN & WELLS  
ELLERSLIE  
AUCKLAND

N UAT/MS/SP/05/2006/aud/np/oc/06

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT  
SOCIETY OF NEW ZEALAND (INCORPORATED)**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30TH JUNE 2006**

|                                       | <u>Notes</u> | 2006<br>\$          | 2005<br>\$        |
|---------------------------------------|--------------|---------------------|-------------------|
| <b><u>INVESTMENT INCOME</u></b>       |              |                     |                   |
| Interest Income                       |              | 2,929,599           | 2,951,113         |
| Rental Income                         |              | 517,868             | 465,800           |
| Miscellaneous Income                  |              | 2,100               | 1,925             |
| Profit/(Loss) on Sale of Investment   | 4            | (5,680)             | 22,663            |
| Movement in Investment Revaluations   |              | 688,874             | 24,000            |
| Bad Loans Recovery                    |              | 3,256               | 64,303            |
|                                       |              | <u>4,136,017</u>    | <u>3,529,804</u>  |
| Less:                                 |              |                     |                   |
| Interest Expense on Depositors' Funds |              | (2,549,799)         | (2,411,601)       |
| <b>NET INVESTMENT INCOME</b>          |              | <u>1,586,218</u>    | <u>1,118,203</u>  |
| <b><u>OTHER INCOME</u></b>            |              |                     |                   |
| Donations and Bequests                |              | 639                 | 363               |
|                                       |              | <u>639</u>          | <u>363</u>        |
| <b>TOTAL INCOME</b>                   |              | <u>1,586,856</u>    | <u>1,118,566</u>  |
| <b><u>EXPENSES</u></b>                |              |                     |                   |
| Property Expenses                     |              | 76,004              | 68,851            |
| Audit Fees                            |              | 6,348               | 5,040             |
| Depreciation                          |              | -                   | 6,466             |
| Administration                        |              | 316,358             | 253,789           |
| Publicity and Promotion               |              | 43,516              | 97,056            |
| <b>TOTAL EXPENSES</b>                 |              | <u>442,226</u>      | <u>431,202</u>    |
| Surplus from Operational Activities   |              | 1,144,630           | 687,364           |
| Grants and Donations                  |              | (60,000)            | (27,000)          |
| Surplus for the year                  | 5            | <u>\$ 1,084,630</u> | <u>\$ 660,364</u> |

The above statement is to be read in conjunction with the notes and is subject to the Auditor's Report.

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT  
SOCIETY OF NEW ZEALAND (INCORPORATED)**

**STATEMENT OF MOVEMENTS IN SOCIETY FUNDS  
FOR THE YEAR ENDED 30 JUNE 2006**

|  | <u>Note</u> | <u>2006</u><br>\$ | <u>2005</u><br>\$ |
|--|-------------|-------------------|-------------------|
| Net Surplus for the Year                               |             | 1,084,630         | 660,364           |
| Total Recognised Revenues and Expenses<br>for the Year |             | 1,084,630         | 660,364           |
| ) Society Funds at 1 July 2005                         |             | 2,559,585         | 1,899,221         |
| Society Funds at 30 June 2006                          |             | 3,644,216         | 2,559,585         |

The above statement is to be read in conjunction with the notes  
and is subject to the Auditors' Report



**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT  
SOCIETY OF NEW ZEALAND (INCORPORATED)**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2006**

Notes 2006 2005

|                                       |                     |                     |
|---------------------------------------|---------------------|---------------------|
| <u>SOCIETY FUNDS</u>                  |                     |                     |
| Accumulated Surplus                   | 3,644,216           | 2,559,585           |
|                                       | <u>\$ 3,644,216</u> | <u>\$ 2,559,585</u> |
| <u>REPRESENTED BY</u>                 |                     |                     |
| <u>INVESTMENT ASSETS</u>              |                     |                     |
| Church Mortgage Loans                 | 9,127,797           | 10,045,603          |
| Commercial Mortgage Loans             | 1,935,563           | 2,007,522           |
| Investment Properties                 | 6,650,261           | 5,816,000           |
| Fixed Rate Investments                | 17,434,000          | 20,069,700          |
|                                       | <u>35,147,621</u>   | <u>37,938,825</u>   |
| <u>OTHER CURRENT ASSETS</u>           |                     |                     |
| Money Market & Call Deposits          | 6,950,000           | 4,675,000           |
| Bank Balances                         | ✓87,109             | ✓573,301            |
| Interest Income Receivable            | ✓212,465            | ✓236,933            |
| Debtors                               | ✓116,650            | ✓141,152            |
|                                       | <u>7,366,224</u>    | <u>5,626,387</u>    |
| <u>FIXED ASSETS</u>                   | 2                   | -                   |
|                                       | <u>42,513,846</u>   | <u>43,565,212</u>   |
| <b>TOTAL ASSETS</b>                   |                     |                     |
| <u>LIABILITIES</u>                    |                     |                     |
| Depositors Funds                      | ✓38,352,855         | ✓40,514,415         |
| Accrued Interest on Depositors' Funds | ✓471,173            | ✓473,897            |
| Sundry Creditors and Accruals         | ✓41,692             | ✓13,416             |
| GST                                   | ✓ 3,909             | 3,899               |
|                                       | <u>38,869,629</u>   | <u>41,005,628</u>   |
| <b>TOTAL LIABILITIES</b>              |                     |                     |
| <b>NET ASSETS</b>                     | <u>\$ 3,644,216</u> | <u>\$ 2,559,585</u> |

The above statement is to be read in conjunction with the notes and is subject to the Auditor's Report.

  
 Director  
  
 Director

Date 11/10/06  
 Date 11/10/06

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT  
SOCIETY OF NEW ZEALAND (INCORPORATED)**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2006**

|   | <u>Notes</u> | <u>2006</u>        | <u>2005</u>        |
|---|--------------|--------------------|--------------------|
|   |              | \$                 | \$                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b> |              |                    |                    |
| <u>Cash was provided from:</u>              |              |                    |                    |
| Investment Income                           |              | 2,978,567          | 2,922,715          |
| Rental Income                               |              | 517,868            | 428,460            |
| Miscellaneous Income                        |              | 2,100              | 1,925              |
| Donations and Bequests                      |              | 638                | 363                |
|   |              | <u>3,499,173</u>   | <u>3,353,463</u>   |
| <u>Cash was disbursed for:</u>              |              |                    |                    |
| Interest Paid to Depositors                 |              | (998,102)          | (901,812)          |
| Grants paid                                 |              | (60,000)           | (27,000)           |
| Payments to Suppliers and Employees         |              | (413,941)          | (423,934)          |
|   |              | <u>(1,472,042)</u> | <u>(1,352,746)</u> |
| Net Cash Flows from Operating Activities    | 5            | <u>2,027,131</u>   | <u>2,000,717</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b> |              |                    |                    |
| <u>Cash was provided from:</u>              |              |                    |                    |
| Mortgage Repayments                         |              | 4,063,013          | 3,047,577          |
| Fixed Rate Investments (Net)                |              | 2,520,070          | 263,473            |
|   |              | <u>6,583,083</u>   | <u>3,311,050</u>   |
| <u>Cash was applied to:</u>                 |              |                    |                    |
| Providing Mortgage Finance                  |              | (3,069,992)        | (2,839,946)        |
| Purchase of Investment Property             |              | (35,436)           | (1,889,000)        |
| Purchase of Fixed Assets                    |              | -                  | (422)              |
|   |              | <u>(3,105,428)</u> | <u>(4,729,368)</u> |
| Net Cash used in Investing Activities       |              | 3,477,655          | (1,418,318)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b> |              |                    |                    |
| <u>Cash was provided from</u>               |              |                    |                    |
| Depositors Funds (Net)                      |              | -                  | (1,234,500)        |
| <u>Cash was applied to</u>                  |              |                    |                    |
| Depositors Funds (Net)                      |              | (3,715,980)        | -                  |
| Net Cash Flows from Financing Activities    |              | <u>(3,715,980)</u> | <u>(1,234,500)</u> |
| Net Increase/ (Decrease) in cash held       |              | 1,788,805          | (652,101)          |
| Opening Cash brought forward                |              | 5,248,302          | 5,900,402          |
| Ending Cash carried forward                 | 6            | <u>7,037,109</u>   | <u>5,248,302</u>   |

The above statement is to be read in conjunction with the notes and is subject to the Auditor's Report.



THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF  
NEW ZEALAND (INCORPORATED)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2006.**

1. **STATEMENT OF ACCOUNTING POLICIES**  
**REPORTING ENTITY**

The Presbyterian Savings and Development Society of New Zealand (Incorporated) is an incorporated society incorporated under the Incorporated Societies Act 1908.

The Presbyterian Savings and Development Society of New Zealand (Incorporated) is a reporting entity for the purposes of the Financial Reporting Act 1993. The financial statements of The Presbyterian Savings and Development Society of New Zealand (Incorporated) have been prepared in accordance with the generally accepted accounting practices in New Zealand.

**MEASUREMENT BASE**

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 Society.

**SPECIFIC ACCOUNTING POLICIES**

The specific accounting policies adopted in the accounts and which have a significant effect on the results and financial position disclosed are:-

(a) **Fixed Assets**  
Fixed assets are recorded at cost.

b) **Depreciation**  
Depreciation is provided on a straight line basis on all tangible fixed assets, at rates calculated to allocate the assets' cost less estimated residual value, over their estimated useful lives.  
The depreciation period for office furniture and equipment is 10 years and for computers, it is 5 years.

(c) **Investments**  
Investments are stated at balance date as follows:

(i) **Fixed Rate Investments**  
Revalued using the market yield rates at the year-end.

(ii) **Mortgages**  
Recorded at cost less provision for losses where applicable.

(iii) **Investment Properties**  
Investment properties are valued at year-end at net current values, as calculated by an independent registered valuer.  
Depreciation is not charged on the investment Properties.

(iv) **Other Investments**  
Recorded at cost.

THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF  
NEW ZEALAND (INCORPORATED)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

- (d) Investment Income  
Investment Income includes interest accrued and not paid at balance date.
- (e) Changes in Market Value of Investments  
The change in the market value of the society's investment assets during the reporting period is included as a component of revenue or expense for the period. If investment assets are sold during the period, revenue or expense will also include the difference between the carrying amount of the asset at the beginning of the reporting period (or when acquired, if acquired after the beginning of the reporting period) and the proceeds from the sale of assets.

- (f) Movement in Revaluation of Investments  
Fixed rates investments and investment property are revalued at year-end as per accounting policy (c) (i) and c (iii) above. The unrealised gains or losses resulting from the revaluation are disclosed in the Statement of Financial Performance. If these investments are sold during the reporting period, the realised gains or losses is the difference between the carrying amount of the assets at the beginning of the reporting period (or when acquired, if acquired after the beginning of the reporting period) and the proceeds from the sale of assets and is included as a component of revenue or expense for the period.

- (g) Cash Flows  
For the purpose of Statement of Cash Flows, cash includes bank balances, deposits held at call with banks, and other financial institutions and investments in money market instruments.

**CHANGES IN ACCOUNTING POLICIES**

There have been no changes in accounting policies during the year. All policies have been applied on bases consistent with those used in the prior year.

|    |  |              |             |              |             |  |  |
|----|--|--------------|-------------|--------------|-------------|--|--|
|    |  |              |             |              |             |  |  |
| 2. | <b><u>FIXED ASSETS</u></b>                         |              | <u>2006</u> |              | <u>2005</u> |  |  |
|    | <u>Office Furniture, Equipment &amp; Computers</u> | \$           |             | \$           |             |  |  |
|    | <u>At Cost</u>                                     |              | 122,172     |              | 122,172     |  |  |
|    | <u>Accumulated Depreciation</u>                    |              | 122,172     |              | 122,172     |  |  |
|    | <u>Total book value</u>                            | <u>\$Nil</u> |             | <u>\$Nil</u> |             |  |  |

THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF  
NEW ZEALAND (INCORPORATED)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

|   |                      |                    |
|---|----------------------|--------------------|
|   | 2006                 | 2005               |
| 3. <u>COMMITMENTS</u>                                   |                      |                    |
| Mortgages approved but not advanced<br>by balance date. | \$9,673,889<br>===== | \$840,005<br>===== |

4. MOVEMENT IN INVESTMENT REVALUATIONS

|                     |                  |                 |
|---------------------|------------------|-----------------|
| Investment Property | 798,824          | 137,000         |
| Fixed Interest      | (109,950)        | (113,000)       |
|                     | <u>\$688,874</u> | <u>\$24,000</u> |

5. RECONCILIATION OF NET SURPLUS TO CASH FLOWS FROM OPERATING ACTIVITIES

Table 1

|   |                  |                  |
|---|------------------|------------------|
| Net Surplus/(Deficit) for the year                  | 1,084,630        | 660,364          |
| Add/ (Less) non-cash items and non-operating items: |                  |                  |
| Depreciation( Incl. Loss on sale of fixed assets)   | Nil              | 6,466            |
| Deficit/(Surplus) on Sale of Investment Properties  | 5,680            | (22,663)         |
| Investments Revaluations                            | (688,874)        | (24,000)         |
| Depositors Interest compounded                      | 1,554,421        | 1,423,737        |
| Bad Loans Recovery                                  | (3,256)          | (64,303)         |
|   | <u>867,971</u>   | <u>1,319,237</u> |
| Add/(Less) movement in working capital:             |                  |                  |
| (Increase)/Decrease in Interest Receivable          | 24,468           | 33,386           |
| (Increase)/Decrease in Debtors                      | 24,502           | (61,785)         |
| Increase/(Decrease) in Accrued Interest             | (2,725)          | 86,052           |
| Increase/(Decrease) in Sundry Creditors             | 28,276           | (38,081)         |
| Increase/(Decrease) in GST                          | 10               | 1,544            |
|   | <u>74,531</u>    | <u>21,116</u>    |
| Net Cash Flows from Operating Activities            | <u>2,027,131</u> | <u>2,000,717</u> |

THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF  
NEW ZEALAND (INCORPORATED)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

|    |                                   |                    |                    |
|----|-----------------------------------|--------------------|--------------------|
| 6. | <u>Cash:</u>                      | <u>2006</u>        | <u>2005</u>        |
|    | Bank balances                     | 87,109             | 573,301            |
|    | Money market and on call deposits | <u>6,950,000</u>   | <u>4,675,000</u>   |
|    | Total cash                        | <u>\$7,037,109</u> | <u>\$5,248,301</u> |

7. **FINANCIAL INSTRUMENTS**

Credit Risk

Financial Instruments, which potentially subject the Society to credit risk principally consist of bank balances, accrued interest receivable, term and call deposits, fixed rate investments and managed funds. The Society performs evaluations of all potential investments and continuously monitors the performance of these.

Maximum exposures to credit risk at balance date are:-

|                                 | <u>2006</u> | <u>2005</u> |
|---------------------------------|-------------|-------------|
| Bank Balances                   | 87,109      | 573,301     |
| Interest Income Receivable      | 215,341     | 236,933     |
| Church Mortgage Loans           | 9,127,797   | 10,045,603  |
| Commercial Mortgage Loans       | 1,935,563   | 2,007,522   |
| Money Market & on Call Deposits | 6,950,000   | 4,675,000   |
| Fixed Rate Investments          | 17,434,000  | 20,069,700  |

The above maximum exposures are net of any recognised provisions for losses on these financial instruments. The Society holds collateral over church mortgage loans amounting to \$9,127,797 and over commercial mortgage loans amounting to \$1,935,563.

Concentrations of Credit Risk

The society's Fixed Rate Investments account for 49.70% of all investments at balance date.

Fair Values

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

Bank Balances, Accrued Interest Receivable, Money Market Deposits, Fixed Rate Investments, Depositors Funds, Accrued Interest, GST and Sundry Creditors - the carrying value is the fair value for each of these classes of financial instruments. There are no unrecognised financial assets or liabilities.

THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF  
NEW ZEALAND (INCORPORATED)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

Interest Risk

Liabilities

The interest rates on Depositor Funds range from 0% to 7.25%. The maturity of Depositors Funds range from on call to 2 years. A significant percentage of deposits are in the range of 6% to 7.25%.

Assets

*Fixed Rate Investments have maturities in the range 15/09/2006 to 15/02/2020 with a coupon rate range of 6.50% to 9.75%. Term and Call Deposits have maturities from call to 14 days with an interest rate range of 4% to 7.25%. Church Mortgage Loans have maturities in the range 31/08/2006 to 15/03/2011 with an interest rate of 5% to 8.75%.*

Commercial Mortgage Loans have maturities in the range of 31/07/2006 to 31/10/2009 with an interest rate range of 8% to 10.05%.

8. LEASE COMMITMENTS

Lease Commitments under non cancelable operating leases:

|             | <u>2006</u>   | <u>2005</u>    |
|-------------|---------------|----------------|
| Current     | \$ 67,123     | \$ 67,123      |
| Non-Current | -             | 67,123         |
|             | <u>67,123</u> | <u>134,246</u> |

9. RELATED PARTY TRANSACTIONS

At 30 June 2006, commercial loans to directors and staff amount to \$ 150,000 (2005: \$160,000).

During the year, the Society received legal services from Wadsworth Ray, a firm in which a director, Mr George Wadsworth, is a partner. The amount paid for legal services during the year is \$ Nil (2005: \$ Nil).

10. NZIFRS

The Accounting Standard Review Board's decision to recommend that reporting entities comply with International Financial Reporting Standards (NZIFRS) by 2007 indicates a major change to Generally Accepted Accounting Practice (GAAP) in New Zealand. This requires the preparation and amendments to accounting system before the date of IFRS adoption.

Furthermore, the requirement for comparative figures to comply with IFRS in the year of adoption means that the opening (transactional) balance sheet date is 1<sup>st</sup> July 2006 and the comparatives to the 30<sup>th</sup> June 2008 will be need to be in NZ GAAP as well as NZIFRS.