

PRESBYTERIAN SAVINGS & DEVELOPMENT SOCIETY OF N.Z. INC

FINANCIAL STATEMENTSFOR THE YEAR ENDED 30TH JUNE 2007

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PRESBYTERIAN SAVINGS & DEVELOPMENT SOCIETY OF N.Z. INC

DIRECTORY

Registered Office

17 Great South Road
Newmarket
Auckland

Directors

George T Wadsworth – Chairman LLB FLCM
W A (Tony) Caughey BCom MBA[Harv] ACA ACIS CMA
Don Clark BCom FACA
Ian W Kendall
Rev. Doug Lendrum BTh
Rev. Samuel J D McCay MA MTh (uniSA)
Rev. Simon McLeay BA BD MMin
Glenn R Mottram JP CA
Margaret Slater JP
Richard Pidgeon LLB MComLaw (Resigned Sep 2006)

General Manager/Secretary

Paul Walker BE(Hons) BCom DipBS(PFP)

Solicitors

Hesketh Henry
Wadsworth Ray

Auditors

Jolly Duncan & Wells
P O Box 11053 Ellerslie
Auckland



AUDIT REPORT

To the Members The Presbyterian Savings & Development Society of New Zealand (Inc).

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 2007. 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 2007 and of the results of its operations and cash flows for the year ended 30 June 2007.

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 2007 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 31 August 2007 and our unqualified opinion is expressed as at that date.

Jolly Duncan & Wells
JOLLY DUNCAN & WELLS
ELLERSLIE
AUCKLAND

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**PRESBYTERIAN SAVINGS & DEVELOPMENT
SOCIETY OF N.Z. INC**

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE 2007**

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
		\$	\$
INVESTMENT INCOME			
Interest Income		2,945,079	2,929,599
Rental Income		536,326	517,868
Miscellaneous Income		2,410	2,100
Profit/(Loss) on Sale of Investments		112,600	(5,680)
Movement in Investment Revaluations	4	552,335	688,874
Bad Loans Recovery		-	3,256
		<u>4,148,750</u>	<u>4,136,017</u>
Less:			
Interest Expense on Depositors' Funds		<u>(2,629,764)</u>	<u>(2,549,799)</u>
NET INVESTMENT INCOME		<u>1,518,985</u>	<u>1,586,218</u>
OTHER INCOME			
Donations and Bequests		15,809	639
		<u>15,809</u>	<u>639</u>
TOTAL INCOME		<u>1,534,794</u>	<u>1,586,856</u>
EXPENSES			
Property Expenses		76,983	76,004
Audit Fees		6,618	6,348
Depreciation		281	-
Administration		208,273	316,358
Publicity and Promotion		54,019	43,516
TOTAL EXPENSES		<u>346,173</u>	<u>442,226</u>
Surplus/(Deficit) from Operational Activities		1,188,621	1,144,630
Grants and Donations		(75,809)	(60,000)
Surplus / (Deficit) for the year	5	<u>\$ 1,112,812</u>	<u>\$ 1,084,630</u>

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

**PRESBYTERIAN SAVINGS & DEVELOPMENT SOCIETY
OF N.Z. (INC)**

**STATEMENT OF MOVEMENTS IN SOCIETY FUNDS
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 \$	2006 \$
Net Surplus / (Deficit) for the Year		1,112,812	1,084,630
Total Recognised Revenues and Expenses for the Year		1,112,812	1,084,630
Society Funds at 1 July 2006		3,644,216	2,559,585
Society Funds at 30 June 2007		<u>4,757,027</u>	<u>3,644,216</u>


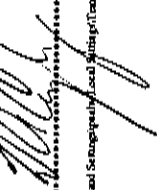
The above statement is to be read in conjunction with the notes and is subject to the Auditors' Report

**PRESBYTERIAN SAVINGS & DEVELOPMENT
SOCIETY OF N.Z. INC**

**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2007**

	Notes	2007	2006
SOCIETY FUNDS			
Accumulated Surplus		4,757,027	3,644,216
		<u>\$ 4,757,027</u>	<u>\$ 3,644,216</u>
REPRESENTED BY INVESTMENT ASSETS			
Church Mortgage Loans		9,657,876	9,127,797
Commercial Mortgage Loans		1,702,402	1,935,563
Investment Properties		7,462,948	6,650,261
Fixed Rate Investments		14,037,785	17,434,000
		<u>32,861,011</u>	<u>35,147,621</u>
OTHER CURRENT ASSETS			
Money Market & Call Deposits		9,792,537	6,950,000
Bank Balances		33,424	87,109
Interest Income Receivable		253,208	212,465
Debtors		66,983	116,650
		<u>10,146,153</u>	<u>7,366,224</u>
FIXED ASSETS	2	3,386	-
TOTAL ASSETS		<u>43,010,549</u>	<u>42,513,846</u>
LIABILITIES			
Depositors Funds		37,721,310	38,352,855
Accrued Interest on Depositors' Funds		492,232	471,173
Sundry Creditors and Accruals		35,630	41,692
GST		4,350	3,909
TOTAL LIABILITIES		<u>38,253,522</u>	<u>38,869,629</u>
NET ASSETS		<u>\$ 4,757,027</u>	<u>\$ 3,644,216</u>

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

 Director
 Director

Date 31. 8. 07,
Date 31. 8. 07

**PRESBYTERIAN SAVINGS & DEVELOPMENT
SOCIETY OF N.Z. INC**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2007**

	Notes	2007	2006
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Cash was provided from:</u>			
Investment Income		2,983,996	2,978,567
Rental Income		506,333	517,868
Miscellaneous Income		2,410	2,100
Donations and Bequests		15,809	638
		<u>3,508,548</u>	<u>3,499,173</u>
<u>Cash was disbursed for:</u>			
Interest Paid to Depositors		(1,027,188)	(998,102)
Grants paid		(75,809)	(60,000)
Payments to Suppliers and Employees		(351,514)	(413,941)
		<u>(1,454,511)</u>	<u>(1,472,042)</u>
Net Cash Flows from Operating Activities	5	<u>2,054,037</u>	<u>2,027,131</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Cash was provided from:</u>			
Mortgage Repayments		2,576,619	4,063,013
Fixed Rate Investments (Net)		3,257,193	2,520,070
		<u>5,833,812</u>	<u>6,583,083</u>
<u>Cash was applied to:</u>			
Providing Mortgage Finance		(2,873,536)	(3,069,992)
Purchase of Investments		(8,730)	(35,436)
Purchase of Fixed Assets		(3,667)	-
		<u>(2,885,934)</u>	<u>(3,105,428)</u>
Net Cash from / (used) in Investing Activities		2,947,878	3,477,655
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Cash was provided from</u>			
<u>Cash was applied to</u>			
Depositors Funds (Net)		(2,213,063)	(3,715,980)
Net Cash Flows from/ (used) Financing Activities		<u>(2,213,063)</u>	<u>(3,715,980)</u>
Net Increase/ (Decrease) in cash held		2,788,852	1,788,805
Opening Cash brought forward		7,037,109	5,248,302
Ending Cash carried forward	6	<u>9,825,961</u>	<u>7,037,109</u>

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

PRESBYTERIAN SAVINGS & DEVELOPMENT SOCIETY OF N.Z. INC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2007.

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Presbyterian Savings & Development Society of N.Z. (Inc) is an incorporated society incorporated under the Incorporated Societies Act 1908.

Presbyterian Savings & Development Society of N.Z (Inc) is an issuer for the purposes of the Financial Reporting Act 1993 and holds exemption under Securities Act (Charitable and Religious Purposes) Exemption Notice 2003.

The financial statements of Presbyterian Savings & Development Society of N.Z. (Inc) 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 rates used are as follows:

Equipment and Computers 28.8%- 36% SL

(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.

PRESBYTERIAN SAVINGS & DEVELOPMENT SOCIETY OF N.Z. INC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

- (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.
- (h) Taxation
The Society is exempt from income tax in accordance with the present rules relating to non profitable charitable organizations.

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.

	<u>2007</u>	<u>2006</u>
2. <u>FIXED ASSETS</u>	\$	\$
<u>Equipment & Computers</u>		
At Cost	125,840	122,172
Accumulated Depreciation	122,454	122,172
Total book value	<u>\$3,386</u>	<u>\$Nil</u>

PRESBYTERIAN SAVINGS & DEVELOPMENT SOCIETY OF N.Z. INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
3. COMMITMENTS		
Mortgages approved but not advanced by balance date.	\$4,826,096	\$9,673,889
	=====	=====

4. MOVEMENT IN INVESTMENT REVALUATIONS

Investment Property	803,957	798,824
Fixed Interest	(251,622)	(109,950)
	=====	=====
	\$552,335	\$688,874

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

Table 1

Net Surplus/(Deficit) for the year	1,112,812	1,084,6304
Add/ (Less) non-cash items and non-operating items:		
Depreciation(Incl. Loss on sale of fixed assets)	281	Nil
Deficit/(Surplus) on Sale of Investment Properties	(112,600)	5,680
Investments Revaluations	(552,335)	(688,874)
Depositors interest compounded	1,581,518	1,554,421
Bad Loans Recovery	Nil	(3,256)
	916,864	867,971
Add/(Less) movement in working capital:		
(Increase)/Decrease in Interest Receivable	(40,743)	24,468
(Increase)/Decrease in Debtors	49,667	24,502
Increase/(Decrease) in Accrued Interest	21,059	(2,725)
Increase/(Decrease) in Sundry Creditors	(6,062)	28,276
Increase/(Decrease) in GST	441	10
	24,361	74,531
Net Cash Flows from Operating Activities	2,054,037	2,027,131

PRESBYTERIAN SAVINGS & DEVELOPMENT SOCIETY OF N.Z. INC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	<u>2007</u>	<u>2006</u>
6. <u>Cash:</u>		
Bank balances	33,424	87,109
Money market and on call deposits	<u>9,792,537</u>	<u>6,950,000</u>
Total cash	<u>\$9,825,961</u>	<u>\$7,037,109</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>2007</u>	<u>2006</u>
Bank Balances	33,424	87,109
Interest Income Receivable	253,208	215,341
Church Mortgage Loans	9,657,876	9,127,797
Commercial Mortgage Loans	1,702,402	1,935,563
Money Market & on Call Deposits	9,792,537	6,950,000
Fixed Rate Investments	14,037,785	17,434,000

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 \$9,625,975 and over commercial mortgage loans amounting to \$1,702,402.

Concentrations of Credit Risk

The society's Fixed Rate Investments account for 42.70% 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:

PRESBYTERIAN SAVINGS & DEVELOPMENT SOCIETY OF N.Z. INC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

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.

Interest Risk

Liabilities

The interest rates on Depositor Funds range from 0% to 8.10%. The maturity of Depositors Funds range from on call to 2 years. A significant percentage (85%) of deposits are in the range of 7% to 8%.

Assets

Fixed Rate Investments have maturities in the range 16/07/2007 to 15/02/2020 with a coupon rate range of 7.01% to 9.75%. Term and Call Deposits have maturities from call to 90 days with an interest rate range of 4% to 8.3%. Church Mortgage Loans have maturities in the range 8/08/2007 to 15/06/2012 with an interest rate of 5% to 9%.

Commercial Mortgage Loans have maturities in the range of 31/07/2007 to 31/10/2009 with an interest rate range of 8.50% to 10.30%.

8. LEASE COMMITMENTS

Lease Commitments under non cancelable operating leases:

	<u>2007</u>	<u>2006</u>
Current	\$ 42,462	\$ 67,123
Non-Current	204,452	-
	<u>246,914</u>	<u>67,123</u>

9. RELATED PARTY TRANSACTIONS

At 30 June 2007, commercial loans to directors and staff amount to \$ 7,789 (2006: \$150,000

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 was \$ Nil (2006: \$ Nil).