

**Presbyterian Savings & Development Society of New Zealand Inc**

**ANNUAL REPORT**

**YEAR ENDED 30 JUNE 2008**

**Presbyterian Savings & Development Society of New Zealand Inc.**  
**Annual Report**  
**For the year ended 30 June 2008**

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**Presbyterian Savings & Development Society of New Zealand Inc.  
Directory**

**As at 30 June 2008**

<b>Nature of business</b>	Financial services to churches and related organisations.
<b>Board Members</b>	George T Wadsworth – Chairman LLB FLCM Simon Bilton BPhEd PGDipBus MBA W A (Tony) Caughey BCom MBA[Harv] ACA ACIS Don Clark BCom 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
<b>Address</b>	17 Great South Road Newmarket Auckland
<b>Auditors</b>	Jolly Duncan & Wells P O Box 11053 Ellerslie Auckland
<b>Bankers</b>	ANZ Bank
<b>Solicitors</b>	Hesketh Henry Wadsworth Ray

**Presbyterian Savings & Development Society of New Zealand Inc.  
Income Statement**

**For the year ended 30 June 2008**

	Note	2008 \$	2007 \$
<b>Revenue</b>			
Rental revenue		400,261	536,326
Interest earned		3,395,553	2,945,079
Change in fair value of investments		(678,419)	552,335
Profit on Sale of Investments		223,994	112,600
Miscellaneous Income		4,129	2,410
Donations and Bequests		<u>176,930</u>	<u>15,809</u>
<b>Total revenue</b>		<u>3,522,448</u>	<u>4,164,559</u>
<b>Expenses</b>			
Property Expenses		56,981	76,983
Interest expended		2,939,132	2,629,764
Administration		239,941	214,891
Promotion and Marketing		105,280	54,019
Depreciation		<u>2,391</u>	<u>281</u>
<b>Total expenses</b>		<u>3,343,726</u>	<u>2,975,938</u>
<b>Profit Before Income Tax</b>		<u>178,722</u>	<u>1,188,621</u>
Income tax expense		-	-
<b>Net Profit for the year</b>		<u>178,722</u>	<u>1,188,621</u>

*The accompanying notes form part of these financial statements and should be read in conjunction with the auditors report thereon.*

**Presbyterian Savings & Development Society of New Zealand Inc.  
Statement of Changes in Equity**

**For the year ended 30 June 2008**


	Note	2008 \$	2007 \$
Net Profit		<u>178,722</u>	<u>1,188,621</u>
<b>Total Income and Expense</b>		<u>178,722</u>	<u>1,188,621</u>
Equity at beginning of the year		4,757,028	3,644,216
<b><u>Distributions</u></b>			
Grants to Presbyterian New Vision Foundation		(243,596)	(75,809)
<b>Equity at end of the year</b>		<u><u>4,692,154</u></u>	<u><u>4,757,028</u></u>


*The accompanying notes form part of these financial statements and should be read in conjunction with the auditors report thereon.*

**Presbyterian Savings & Development Society of New Zealand Inc.  
Balance Sheet**

As at 30 June 2008

	Note	2008 \$	2007 \$
<b>Society's equity</b>		<u>4,692,154</u>	<u>4,757,028</u>
<b>Current Liabilities</b>			
Accounts payable		6,444	10,010
Accrued Interest		722,030	492,232
Depositors' funds - Current portion	10	37,987,338	36,609,776
Provisions		32,448	25,620
GST payable		<u>1,119</u>	<u>4,350</u>
		38,749,379	37,141,988
<b>Non-current Liabilities</b>			
Depositors' funds - Term portion	10	1,013,317	1,111,534
<b>Total funds employed</b>		<u>\$ 44,454,850</u>	<u>\$ 43,010,550</u>
<b>Non-current Assets</b>			
Property, plant and equipment	3	12,292	3,386
Investment property		4,632,774	7,462,948
Loans & advances	5	8,541,179	10,403,452
Other investments	6	<u>12,869,700</u>	<u>10,189,900</u>
		26,055,945	28,059,686
<b>Current Assets</b>			
Cash & Cash Equivalents		352,552	33,424
Money Market & Call Deposits		6,845,874	9,792,537
Loans & advances	5	7,809,211	956,826
Other investments	6	2,977,400	3,847,885
Accounts receivable	12	<u>413,868</u>	<u>320,191</u>
		18,398,905	14,950,863
<b>Total Assets</b>		<u>\$ 44,454,850</u>	<u>\$ 43,010,550</u>

Chairman  Date 3 / 9 / 08

Director  Date 3 / 9 / 08

*The accompanying notes form part of these financial statements and should be read in conjunction with the auditors report thereon.*

**Presbyterian Savings & Development Society of New Zealand Inc.**

**Cash Flow Statement**

For the year ended 30 June 2008

	Note	2008	2007
<b>Cash flow from operating activities</b>			
<i>Cash was provided from:</i>			
Rent received		393,466	506,333
Interest received		3,308,671	2,983,996
Donations and Bequests		176,930	15,809
Other		4,129	2,410
		<u>3,883,196</u>	<u>3,508,548</u>
<i>Cash was disbursed to:</i>			
Payment to suppliers		(115,841)	(89,561)
Payment to and on behalf of employees		(234,721)	(188,099)
Rent paid		(48,379)	(73,854)
Interest paid		(1,111,814)	(1,027,188)
Other		(3,231)	-
		<u>(1,513,984)</u>	<u>(1,378,702)</u>
<b>Net cash flow from operating activities</b>		<u><u>2,369,211</u></u>	<u><u>2,129,846</u></u>

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**Presbyterian Savings & Development Society of New Zealand Inc.**  
**Cash Flow Statement (Continued)**  
For the year ended 30 June 2008

	Note	2008	2007
<b>Cash flow from investing activities</b>			
<i>Cash was provided from:</i>			
Mortgage Repayments		4,883,275	2,576,619
Fixed Rate Investment (Net)		-	3,257,193
Sale of property investments		2,937,494	-
		<u>7,820,769</u>	<u>5,833,812</u>
<i>Cash was disbursed to:</i>			
Providing Mortgage Finance		(9,873,388)	(2,873,536)
Fixed Rate Investment (Net)		(3,241,545)	-
Purchase of property investments		-	(8,730)
Purchase of fixed assets		(11,297)	(3,667)
		<u>(13,126,230)</u>	<u>(2,885,933)</u>
<b>Net cash flow from investing activities</b>		<u><u>(5,305,460)</u></u>	<u><u>2,947,879</u></u>

*The accompanying notes form part of these financial statements and should be read in conjunction with the auditors report thereon.*



Presbyterian Savings & Development Society of New Zealand Inc.

Cash Flow Statement (Continued)

For the year ended 30 June 2008

	Note	2008	2007
<b>Cash flow from financing activities</b>			
<i>Cash was provided from:</i>			
Borrowings		-	-
		<u>-</u>	<u>-</u>
<i>Cash was disbursed to:</i>			
Depositors Fund (Net)		(318,176)	(2,213,063)
Grant to Presbyterian New Vision Foundation		(243,596)	(75,809)
		<u>(561,772)</u>	<u>(2,288,872)</u>
<b>Net cash flow from financing activities</b>		<u>(561,772)</u>	<u>(2,288,872)</u>
Net Increase (decrease) in cash held		(3,498,021)	2,788,853
Effect of change in exchange rates		-	-
Cash at the beginning of year		9,825,962	7,037,109
Cash at the end of year		6,327,941	9,825,962
Comprising:			
Cash		7,198,426	9,825,962
Bank overdraft		-	-
Cash at the end of year		<u>7,198,426</u>	<u>9,825,962</u>

All cash balances are available to the Society without restriction and include money market & call deposits.

*The accompanying notes form part of these financial statements and should be read in conjunction with the auditors report thereon.*

**Presbyterian Savings & Development Society of New Zealand Inc.**  
**Notes to and forming part of the financial statements for the year ended 30 June 2008**

**1 Statement of accounting policies**

**Reporting entity**

Presbyterian Savings & Development Society of New Zealand Inc. is an incorporated society incorporated under the Incorporated Societies Act 1908 and domiciled in New Zealand. Presbyterian Savings & Development Society of New Zealand 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. Presbyterian Savings & Development Society of New Zealand Inc. is registered as a charitable entity with the Charities Commission under the Charities Act 2005 on 5 February 2008. The financial statements of Presbyterian Savings & Development Society of New Zealand Inc. are general purpose financial statements which have been prepared according to generally accepted accounting practice and in accordance with the Financial Reporting Act 1993.

**Measurement base**

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by Presbyterian Savings & Development Society of New Zealand Inc.

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and therefore also comply with the International Financial Reporting Standards. For this purpose the society has designated itself as non profit-oriented.

The information is presented in New Zealand dollars.

**Specific accounting policies**

The following specific accounting policies which materially affect the measurement of Income Statement and Balance Sheet have been applied;

**a) Revenue**

Revenue from rent is recognised for each day the property is occupied.  
Interest is accounted for using the effective interest method, ie; as it is earned.  
Dividends are recognised when the right to receive payment is established.

**b) Income tax**

The society is exempt from income tax in accordance with the present rules relating to non profitable charitable organizations.

**c) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation.

**d) 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
Office Fitouts	16.7% SL

**e) Investment properties and properties intended for sale**

Investment properties have been valued at fair value. Depreciation is not charged on investment properties. Gains/(losses) arising on determination of fair value at the end of each year on such properties have been recognised in the income statement.

No investment properties are held under operating leases.

**f) Investment**

Fixed rate investments are held to maturity.  
Quoted fixed rate investments are initially recorded at fair value, and subsequently revalued to last market price as a measure of fair value. Gains and losses are recorded in the income statement.  
Unquoted non-tradeable fixed rate investments are recorded at cost.

**Presbyterian Savings & Development Society of New Zealand Inc.**  
**Notes to and forming part of the financial statements for the year ended 30 June 2008**

**g) Leases**

The society leases its offices.

Finance leases, which effectively transfer to the society substantially all of the risks and benefits incident to ownership of the leased item, are capitalised at the present value of the minimum lease payments. The leased assets and corresponding liabilities are recognised and the leased assets are depreciated over the period the society is expected to benefit from their use.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal installments over the period of the lease.

**h) Financial Instruments**

Financial instruments are recognised in the balance sheet when the Society becomes party to a financial contract. They include cash balances, bank overdraft, bills payable, receivables, payables, investment in and loans to others, and term borrowings.

All the Society's financial instruments are initially recorded at cost and subsequently carried at amortised cost using the effective interest method. Due allowance is made for impaired receivables (doubtful debts).

**i) Receivable and payables**

Receivables and payables are initially recorded at fair value and subsequently carried at amortised cost using the effective interest method. Due allowance is made for impaired receivables (doubtful debts). Except for a few customers with extended credit terms, the resulting carrying amount for receivables is not materially different from estimated realisable value.

**j) Borrowing costs**

Borrowings are initially recorded at fair value net of transaction costs incurred, and subsequently at amortised cost using the effective interest method.

All borrowing costs are recognised as an expense in the period they are incurred..

**k) Good and Services Tax**

With the exception of trade payables and receivables, all items are stated exclusive of Good and Services Tax.

**l) Impairment**

If the recoverable amount of an item of property, plant and equipment is less than its carrying amount, the item is written down to its recoverable amount. The write down of an item recorded at historical cost is recognised as an expense in the income statement. When a revalued item is written down to recoverable amount, the write down is recognised as a downward revaluation to the extent of the corresponding revaluation reserve, and any balance recognised in the income statement.

The carrying amount of an item of property, plant and equipment that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write down. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred.

Reversals of impairment write downs are accounted for as follows:

- On property, plant and equipment that are not revalued, the reversal is recognised in the income statement; and
- On revalued property, plant and equipment, the reversal is recognised as an upward revaluation.

**m) Cash flows**

For the purpose of the cash flow statement, cash includes cash on hand, deposits held at call with banks, investments in money market instruments and call deposits, net of bank overdrafts.

**n) Employee entitlements**

Liabilities for annual leave are accrued and recognised in the balance sheet. Annual leave is recorded at the undiscounted amount expected to be paid for the entitlement.

Sick leave is not accrued in the balance sheet as it can not be measured reliably.

**Presbyterian Savings & Development Society of New Zealand Inc.**  
**Notes to and forming part of the financial statements for the year ended 30 June 2008**

**Changes in accounting policies**

The Society has implemented the New Zealand equivalents to International Financial Reporting Standards for the first time.

There have been changes to the disclosures made to comply with New Zealand equivalent to International Financial Reporting Standard. There is:-

- A significant change to the format of the income statement;
- More detailed information provided about leases.
- A detailed explanation of how impairment is assessed.
- A detailed policy on cashflow.

**2 Operating revenues**

	<b>2008</b>	<b>2007</b>
Rental revenue	400,261	536,326
Interest earned	3,395,553	2,945,079
Change in fair value of investments	(678,419)	552,335
Profit on Sale of Investments	223,994	112,600
Miscellaneous Income	4,129	2,410
Donations & Bequests	176,930	15,809
<b>Total Operating revenues</b>	<u><u>3,522,448</u></u>	<u><u>4,164,559</u></u>

**3 Property, plant and equipment**

	<b>Cost</b>	<b>Depreciation charge</b>	<b>Accumulated depreciation</b>	<b>2008 Book value</b>
	\$	\$	\$	\$
Equipment & Computers	129,595	1,259	123,713	5,882
Office Fitouts	7,542	1,132	1,132	6,410
	<u>137,137</u>	<u>2,391</u>	<u>124,845</u>	<u>12,292</u>

	<b>Cost</b>	<b>Depreciation charge</b>	<b>Accumulated depreciation</b>	<b>2007 Book value</b>
	\$	\$	\$	\$
Equipment & Computers	125,840	281	122,454	3,386
Office Fitouts	-	-	-	-
	<u>125,840</u>	<u>281</u>	<u>122,454</u>	<u>3,386</u>

**Presbyterian Savings & Development Society of New Zealand Inc.**  
**Notes to and forming part of the financial statements for the year ended 30 June 2008**

**4 Additional information**

	<b>2008</b>	<b>2007</b>
Rental income from investment property	400,261	536,326
Donations and Bequests	176,930	15,809
Change in fair value of investments	(678,419)	552,335
Profit/(loss) on sale of investments	223,994	112,600
Depreciation	2,391	281
Rental and operating lease expenses		
Minimum lease payments	48,379	73,854
Auditor's fees		
Auditing the financial statements	7,792	6,510
Impairment in the value of assets (by asset class)	-	-
Impairment losses reversed (by asset class)	-	-
Employee benefits		
Salaries and wages	241,549	188,099
Investment property operating expenses for properties that generated rental income	3,751	-
Investment property operating expenses for properties that did not generate rental income	-	-

**5 Loans and Advances**

	<b>2008</b>	<b>%</b>	<b>2007</b>	<b>%</b>
Church Loans - secured	15,189,920	92.90%	9,551,635	84.08%
Church Loans - unsecured	88,628	0.54%	106,240	0.94%
Commercial Loans - secured	1,071,842	6.56%	1,702,402	14.99%
Commercial Loans - unsecured	-	0.00%	-	0.00%
	<u>16,350,390</u>	<u>100%</u>	<u>11,360,278</u>	<u>100%</u>

Church loans includes loans to other organisations such as church schools, church camps and retirement housing.  
Church loans are secured by first mortgage.  
Commercial loans are secured by first mortgage.

**6 Other investments**

	<b>2008</b>	<b>%</b>	<b>2007</b>	<b>%</b>
	<b>\$</b>		<b>\$</b>	
Fixed Interest investments				
Listed	11,871,200	74.91%	10,870,385	77.44%
Unlisted				
Traded	2,600,900	16.41%	917,400	6.54%
Non-Traded	1,375,000	8.68%	2,250,000	16.03%
	<u>15,847,100</u>	<u>100%</u>	<u>14,037,785</u>	<u>100%</u>

**The ratings of the Fixed Interest investments are:**

AA	1,979,000	12.49%	-	0.00%
AA-	499,600	3.15%	549,650	3.92%
A+	2,425,600	15.31%	1,662,000	11.84%
BBB+	487,500	3.08%	297,900	2.12%
BBB-	2,358,900	14.89%	2,367,600	16.87%
BB	937,500	5.92%	1,459,000	10.39%
NR*	7,159,000	45.18%	7,701,635	54.86%
	<u>15,847,100</u>	<u>100%</u>	<u>14,037,785</u>	<u>100%</u>

\* NR- Not rated by any credit agency.

**Presbyterian Savings & Development Society of New Zealand Inc.**  
**Notes to and forming part of the financial statements for the year ended 30 June 2008**

**7 Provisions**

**Long service leave provision**

Employees are not entitled to long service leave.

**Sick leave provision**

Employees are entitled to carry forward unused sick leave in accordance with their employment agreement. It is impossible to predict if and when this will happen and be paid. No provision has been made as the sick leave cannot be measured reliably.

**8 Related parties**

There were no related party transactions with any key management personnel (2007: Nil)

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 \$5,388 (2007: \$Nil).

At 30 June 2008 loans to directors and staff amounted to \$2,693 (2007: \$7,789).

**9 Financial instruments**

**9.1 Credit risk**

To the extent that the society has a receivable from another party, there is a credit risk in the event of non-performance by that counterparty. Financial instruments which potentially subject the society to credit risk principally consist of bank balances, receivables, debt instruments, money market instruments and fixed rate investments.

The society manages its exposure to credit risk to minimise losses from bad debts. The society performs credit evaluations on all customers requiring credit and generally requires collateral or other security.

The society continuously monitors the credit quality of major institutions that are counter parties to its financial instruments, including independent professional advice on the composition and performance of its fixed interest investment portfolio, and does not anticipate non-performance by the counter parties. The society further minimises its credit exposure by limiting the amount of funds placed with any one institution at any one time.

Maximum exposures to credit risk at balance date are the carrying amounts of financial assets:

	2008	2007
Bank Balances	352,552	33,424
Receivables	413,868	320,191
Money market & call deposits	6,845,874	9,792,537
Investments in fixed rate	15,847,100	14,037,785
Loans and advances	16,350,390	11,360,278

The above maximum exposures are net of any recognised impairment losses on these financial instruments. Collateral is held for 99.4% by value of the loans and advances.

**Concentrations of credit risk**

The society's largest depositor accounts for 3% (2007: 3%) of total deposits and the largest loan accounts for 33% (2007: 9%) of loans & advances at balance date. 62% (2007: 84%) of the society's cash and short term deposits was with one bank at balance date. The society has a policy that limits the amount that can be placed with any one bank. The society only deals with banks having at least an A credit rating.

The society does not have any other significant concentrations of credit risk.

**Presbyterian Savings & Development Society of New Zealand Inc.**  
**Notes to and forming part of the financial statements for the year ended 30 June 2008**

**9.2 Liquidity risk**

Liquidity risk represents the society's ability to meet its financial obligations on time. The society's average reinvestment rate for the year to 30 June 2008 was 85.5% (Year to 30 June 2007: 87.6%). The society generates sufficient cash flows from its operating activities to make timely payments. The society holds 55% of depositors' funds (2007: 57%) in cash, short term deposits and negotiable securities. The society has a total bank overdraft facility of \$20,000 (2007: \$20,000). Of this, \$Nil (2007: \$Nil) has been drawn by the society at balance date.

**Liquidity profile of monetary assets and liabilities**

	<b>0 - 6 months</b>	<b>6 - 12 months</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Total</b>
<b>As at 30 June 2008</b>					
<b>Assets</b>					
Cash & Cash Equivalents	352,552	-	-	-	352,552
Accounts receivable	413,868	-	-	-	413,868
Money Market & Call Deposits	6,845,874	-	-	-	6,845,874
Loans & advances	1,884,591	5,924,620	1,238,394	7,302,786	16,350,390
Other investments	1,813,700	1,163,700	589,800	12,279,900	15,847,100
<b>Total Assets</b>	<b>11,310,585</b>	<b>7,088,320</b>	<b>1,828,194</b>	<b>19,582,686</b>	<b>39,809,784</b>
<b>Liabilities</b>					
Payables and provisions	40,111	-	-	-	40,111
Accrued Interest	426,554	276,716	18,760	-	722,030
Depositors' funds	23,040,458	14,946,881	1,013,317	-	39,000,655
<b>Total Liabilities</b>	<b>23,507,123</b>	<b>15,223,596</b>	<b>1,032,077</b>	<b>-</b>	<b>39,762,796</b>
<b>As at 30 June 2007</b>					
<b>Assets</b>					
Cash & Cash Equivalents	33,424	-	-	-	33,424
Accounts receivable	320,191	-	-	-	320,191
Money Market & Call Deposits	9,792,537	-	-	-	9,792,537
Loans & advances	866,982	89,844	1,756,724	8,646,727	11,360,278
Other investments	2,849,850	998,035	2,616,050	7,573,850	14,037,785
<b>Total Assets</b>	<b>13,862,984</b>	<b>1,087,879</b>	<b>4,372,774</b>	<b>16,220,577</b>	<b>35,544,215</b>
<b>Liabilities</b>					
Payables and provisions	39,980	-	-	-	39,980
Accrued Interest	312,143	165,584	14,505	-	492,232
Depositors' funds	23,920,512	12,689,264	1,111,534	-	37,721,310
<b>Total Liabilities</b>	<b>24,272,634</b>	<b>12,854,849</b>	<b>1,126,039</b>	<b>-</b>	<b>38,253,522</b>

**9.3 Currency risk**

The society has exposure to foreign exchange risk as a result of investments denominated in foreign currencies, arising from normal investment activities. Other than NZ dollars, the currency in which the society primarily invests is in Australian dollars.

The maximum currency risk exposure at 30 June 2008 comprises a fixed rate investment denominated in Australian dollars of A\$763,425 (2007: A\$1,338,695).

**9.4 Interest rate risk**

The society has exposure to interest rate risk to the extent that it borrows or invests for a fixed term at fixed rates. Loans and advances which represent 42% of depositors funds are made at floating interest rates. Future interest rate movements will affect cash flows and the market value of fixed interest investments. The society manages its cost of borrowing by regularly reviewing and adjusting the interest rates offered. Interest rate on investments is managed by investing across a wide range of issuers and securities.

The society does not use interest rate swaps and forward rate agreements to manage interest rate risk.

Presbyterian Savings & Development Society of New Zealand Inc.  
Notes to and forming part of the financial statements for the year ended 30 June 2008

Repricing analysis

As at 30 June 2008	Effective Int Rate %	0 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Total
<b>Assets</b>						
Cash & Cash Equivalents	-	352,552	-	-	-	352,552
Money Market & Call Deposits	8.74%	6,845,874	-	-	-	6,845,874
Loans & advances	9.82%	1,884,591	5,924,620	1,238,394	7,302,786	16,350,390
Other investments	10.39%	1,813,700	1,163,700	589,800	12,279,900	15,847,100
<b>Total Assets</b>		<b>10,896,717</b>	<b>7,088,320</b>	<b>1,828,194</b>	<b>19,582,686</b>	<b>39,395,916</b>
<b>Liabilities</b>						
Depositors' funds	8.12%	23,040,458	14,946,881	1,013,317	-	39,000,655
<b>Total Liabilities</b>		<b>23,040,458</b>	<b>14,946,881</b>	<b>1,013,317</b>	-	<b>39,000,655</b>
<b>As at 30 June 2007</b>						
<b>Assets</b>						
Cash & Cash Equivalents	-	33,424	-	-	-	33,424
Money Market & Call Deposits	8.11%	9,792,537	-	-	-	9,792,537
Loans & advances	8.97%	866,982	89,844	1,756,724	8,646,727	11,360,278
Other investments	8.61%	2,849,850	998,035	2,616,050	7,573,850	14,037,785
<b>Total Assets</b>		<b>13,542,793</b>	<b>1,087,879</b>	<b>4,372,774</b>	<b>16,220,577</b>	<b>35,224,024</b>
<b>Liabilities</b>						
Depositors' funds	7.11%	23,920,512	12,689,264	1,111,534	-	37,721,310
<b>Total Liabilities</b>		<b>23,920,512</b>	<b>12,689,264</b>	<b>1,111,534</b>	-	<b>37,721,310</b>

By managing interest rate risk the society aims to moderate the impact of short-term fluctuations in interest rates. Over longer periods changes in rates will have an impact on profit.

9.5 Fair values

The fair value of assets and liabilities are equivalent to their carrying values as reflected in the balance sheet.

The fair value of the fixed interest investments are based on the current market rates and values as determined by an independent valuation.

10 Term liabilities

	2008	2007
Depositors funds	39,000,655	37,721,310
	<u>39,000,655</u>	<u>37,721,310</u>
Less: Current portion Depositors funds	37,987,338	36,609,776
	<u>37,987,338</u>	<u>36,609,776</u>
<b>Total term liabilities</b>	<u>1,013,317</u>	<u>1,111,534</u>

Repayable as follows:

	2008 Less than 1 Year	2007	2008 Greater than 5 years	2007
Depositors funds	37,987,338	36,609,776	-	-
<b>Total</b>	<u>37,987,338</u>	<u>36,609,776</u>	-	-

The policy for managing liquidity risk is described in note 9.2

The Society had no secured bank loans outstanding in 2008 (2007: \$Nil).

The Society had no finance leases outstanding in 2008 (2007: \$Nil).

Security

Bank overdraft facilities are unsecured and unused at balance date. (2007: Nil)



**Presbyterian Savings & Development Society of New Zealand Inc.**  
**Notes to and forming part of the financial statements for the year ended 30 June 2008**

**11 Employee entitlements**

	2008	2007
Balance at beginning of year	22,235	19,218
Additional provision	6,056	3,017
Amount utilised	-	-
Effect of discounting	-	-
Balance at end of year	<u>28,291</u>	<u>22,235</u>

*This is represented by:*

Current liability	28,291	22,235
Non-current liability	-	-
Balance at end of year	<u>28,291</u>	<u>22,235</u>

**12 Receivables and prepayments**

	2008	2007
Accruals	279,500	224,946
Accrued interest on Church loans	65,797	52,706
Accrued interest on Commercial loans	18,098	6,514
Accrued interest Property investments	36,788	28,262
Short-term investment receivable	216	221
Prepayments	-	7,541
Sundry Debtors	13,469	-
	<u>413,868</u>	<u>320,190</u>

At 30 June 2008 loans to directors and staff amounted to \$2,693 (2007: \$7,789). The amount loaned is unsecured and is repayable by 31 January 2009.

**Health of receivables**

All financial assets are within the contracted terms.

	2008		2007	
	Gross	Impairment	Gross	Impairment
Not yet due	322,918	-	232,487	-
Overdue 0-31 days	90,950	-	87,703	-
Overdue 31-92 days	-	-	-	-
Overdue 93-184 days	-	-	-	-
Overdue more than 184 days	-	-	-	-
Total receivables and prepayments	<u>413,868</u>	<u>-</u>	<u>320,190</u>	<u>-</u>

	2008	2007
Gross trade receivables	411,175	312,401
Related party receivables	<u>2,693</u>	<u>7,789</u>
Individually impaired debts	-	-
Allowance for collectively impaired debts	-	-
Total receivables and prepayments	<u>413,868</u>	<u>320,190</u>

**Presbyterian Savings & Development Society of New Zealand Inc.**  
**Notes to and forming part of the financial statements for the year ended 30 June 2008**

Individually impaired trade debts relate to customers for whom there is objective evidence of inability to pay, eg the appointment of a receiver or a formal approach to compromise with creditors.

Generally, collateral is held for trade debts.

Changes in the impairment allowance (doubtful debts) account over the year were as follows:

	2008	2007
At 1 July 2007	-	-
Additional allowance	-	-
	<hr/>	<hr/>
Allowance released	-	-
30-Jun-08	<hr/> <hr/>	<hr/> <hr/>

**13 Investment properties**

	2008	2007
Carrying amount at 1 July 2007	7,462,948	6,650,261
Additions-new properties	-	-
Additions-existing properties	-	8,730
Disposals and assets held for sale	(2,710,174)	-
Revaluations	(120,000)	803,957
Carrying amount at 30 June 2008	<hr/> <hr/>	<hr/> <hr/>

There are no restrictions on realising any of the society's properties or remitting rental income.

**Valuer**

Investment properties were valued on 30 June 2008 by, T L Esplin, independent registered valuer of the firm Telfer Young (Auckland) Ltd. T L Esplin is a member of the New Zealand Institute of Valuers Inc. The properties are valued at market value by reference to market evidence.

**14 Reconciliation of reported surplus after taxation with cash flows from operating activities**

	2008	2007
Net profit for the year	178,722	1,188,621
<b><i>Add (less) non-cash items and non-operating items</i></b>		
Depreciation	2,391	281
Profit/(Loss) on Sale of Investments	(223,994)	(112,600)
Change in fair value of investments	678,419	(552,335)
Depositors interest compounded	1,597,521	1,581,518
<b><i>Movement in working capital:</i></b>		
Increase (decrease) in sundry creditors	(3,566)	(6,062)
Increase (decrease) in GST	(3,231)	441
Increase (decrease) in accrued interest	229,798	21,058
Increase (decrease) in provisions	6,828	-
(Increase) decrease in receivables	(93,677)	8,924
	<hr/> <hr/>	<hr/> <hr/>
Net cash flows from operating activities	2,369,211	2,129,846

**Presbyterian Savings & Development Society of New Zealand Inc.**  
**Notes to and forming part of the financial statements for the year ended 30 June 2008**

**15 Judgement and estimation uncertainty**

The preparation of financial statements of necessity involves judgement and estimation.

The effect of estimation on these financial statements is greatest in the revaluation of investment properties. The directors have therefore obtained independent valuations carried out in compliance with the professional standards of the NZ Institute of Valuers by very experienced valuers as detailed in note 13. Nevertheless, any valuation carries a degree of uncertainty and the amounts are not large:

	2008	2007
Land and buildings	-	-
Investment properties	4,632,774	7,462,948
Total	<u>4,632,774</u>	<u>7,462,948</u>

**16 Contingent liabilities**

	2008	2007
Guarantee of bank overdraft facilities	-	-
At balance date the amount of the bank overdraft so guaranteed was:	<u>-</u>	<u>-</u>

**17 Commitments**

**Capital commitments**

	2008	2007
Estimated commitments for the acquisition of property, plant and equipment contracted for at balance date but not provided for:	-	-

**Operating lease commitments**

	2008	2007
Lease commitments under non-cancellable operating leases payable:		
Less than one year	41,403	42,462
Between 1 and 5 years	165,612	165,612
Greater than 5 years	3,450	38,840
Total operating lease commitments	<u>210,465</u>	<u>246,914</u>

There are no subleases related to these operating leases.

All significant operating lease commitments relate to land and buildings. They:

- are for at least 6 years or have rights of renewal for at least that period; and
- have normal provisions for periodic rent reviews to market rates.

Some leases have 'ratchet' clauses that do not permit the rent to be revised downwards. These are not considered material to the society. No operating leases impose any restrictions on society's ability to raise debt or enter into further leases.

**18 Segment information**

**Industry segments**

The Society operates predominantly in one segment, financial services to Churches and related organisations.

**Geographical segments**

The Society operates in New Zealand only, therefore no segment information is provided.

**19 Significant events after balance date**

There were no significant events after balance date which could materially affect the accounts.

**20 Effects of adopting the New Zealand Equivalent to International Financial Reporting Standards**

There has been no material effect on the society's equity or profit from the adoption of the NZ equivalent to IFRS.

## AUDIT REPORT

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

We have audited the financial statements on pages 2 to 17. The financial statements provide information about the past financial performance of the Society and its financial position as at 30 June 2008. This information is stated in accordance with the accounting policies set out on page 8-10.

### **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 2008 and of the results of its operations and cash flows for the year ended 30 June 2008.

### **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 judgments 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.

#### **Partners**

Brian Sheridan      B.Com CA  
Murray Wells      B.Com CA CMA  
Vijay Goel      B.Com CA SA Fin

## Unqualified Opinion

We have obtained all the information and explanations we have required.  
In our opinion, the financial statements on pages 2 to 17:

- comply with generally accepted accounting practice;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the Society as at 30 June 2008 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 3 September 2008 and our unqualified opinion is expressed as at that date.

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