

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT  
SOCIETY OF NEW ZEALAND INC.**

**ANNUAL REPORT**

**For the year ended 30 June 2010**

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.**

**Annual Report**

**For the year ended 30 June 2010**

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**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.**

**Directory**

**For the year ended 30 June 2010**

<b>Object of the Society</b>	To facilitate the mission and ministry of the Presbyterian Church
<b>Board Members</b>	George T Wadsworth – Chairman LLB FLCM Simon Bilton BPhEd PGDipBus MBA W A (Tony) Caughey BCom MBA[Harv] ACA ACIS AFInstD Don Clark BCom Rev. Mark Johnston BSc(Hons) DipTchg BD - Appointed June 2010 Ian W Kendall Rev. Doug Lendrum BTh Glenn R Mottram JP CA Margaret Slater JP - Resigned May 2010
<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

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.**

**Statement of Comprehensive Income**

**For the year ended 30 June 2010**

	Note	<u>2010</u>	<u>2009</u>
		\$	\$
<b>Revenue</b>			
Rental revenue		137,203	137,072
Interest earned		2,965,372	3,373,743
Miscellaneous income		2,389	2,300
Donations and bequests		1,430	15,952
<b>Total revenue</b>	<b>2</b>	<u>3,106,394</u>	<u>3,529,067</u>
<b>Expenses</b>			
Loss on sale/write-off of investments		32,451	135,100
Interest expended		1,943,128	2,919,304
Administration		330,935	321,900
Promotion and marketing		59,764	104,808
Depreciation		3,863	2,842
<b>Total expenses</b>		<u>2,370,141</u>	<u>3,483,954</u>
<b>Profit before income tax</b>		736,253	45,113
Income tax expense		-	-
<b>Net profit for the year</b>		736,253	45,113
Change in fair value of investments		1,144,058	(1,179,945)
<b>Total comprehensive income</b>		<u><u>1,880,311</u></u>	<u><u>(1,134,832)</u></u>

*The accompanying notes form part of these financial statements and must be read in conjunction with the audit report.*

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.**

**Statement of Changes in Equity**

**For the year ended 30 June 2010**

	Note	<u>2010</u>	<u>2009</u>
		\$	\$
Total comprehensive income		<u>1,880,311</u>	<u>(1,134,832)</u>
<b>Total Income and Expense</b>		1,880,311	(1,134,832)
Equity at beginning of the year		3,557,322	4,692,154
<b>Equity at end of the year</b>		<u><u>5,437,633</u></u>	<u><u>3,557,322</u></u>

*The accompanying notes form part of these financial statements and must be read in conjunction with the audit report.*

THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.

Statement of Financial Position

As at 30 June 2010

	Note	2010	2009
		\$	\$
<b>Society's Equity</b>		<u>5,437,633</u>	<u>3,557,322</u>
<b>Current Liabilities</b>			
Accounts payable		2,668	5,369
Accrued interest		480,772	590,750
Depositors' funds - current portion	10	37,524,495	36,188,949
Sundry accruals		38,464	42,130
GST payable		1,078	1,419
		<u>38,047,476</u>	<u>36,828,617</u>
<b>Non-current Liabilities</b>			
Depositors' funds - term portion	10	<u>3,924,293</u>	<u>3,843,288</u>
		3,924,293	3,843,288
<b>Total funds employed</b>		<u><u>47,409,402</u></u>	<u><u>44,229,226</u></u>
<b>Non-current Assets</b>			
Property, plant and equipment	3	9,393	13,256
Investment properties	13	1,630,000	2,520,000
Other investments	14	2,006,250	2,189,557
Loans and advances	5	8,067,219	7,346,766
Investments held to maturity	6	20,063,000	20,051,800
		<u>31,775,862</u>	<u>32,121,379</u>
<b>Current Assets</b>			
Cash and cash equivalents		96,833	183,661
Money market and call deposits		10,690,196	9,621,002
Loans and advances	5	2,054,226	1,383,951
Investments held to maturity	6	2,411,100	600,700
Accounts receivable	12	381,185	318,533
		<u>15,633,541</u>	<u>12,107,847</u>
<b>Total Assets</b>		<u><u>47,409,402</u></u>	<u><u>44,229,226</u></u>

Signed on behalf of the Board of Directors:

  
 \_\_\_\_\_  
 Chairman

25/8/10  
 \_\_\_\_\_  
 Date

  
 \_\_\_\_\_  
 Director

25/8/10  
 \_\_\_\_\_  
 Date

The accompanying notes form part of these financial statements and must be read in conjunction with the audit report.

THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.

Cash Flow Statement

For the year ended 30 June 2010

	Note	<u>2010</u>	<u>2009</u>
		\$	\$
<b>Cash flow from operating activities</b>			
<i>Cash was provided from:</i>			
Rent received		137,203	254,189
Interest received		2,902,720	3,351,962
Donations and bequests		1,430	15,952
Other		2,389	2,300
		<u>3,043,742</u>	<u>3,624,402</u>
<i>Cash was disbursed to:</i>			
Payment to suppliers		(94,380)	(98,827)
Payment to and on behalf of employees		(250,507)	(273,209)
Rent paid		(52,180)	(46,064)
Interest paid		(925,188)	(1,290,565)
Other		(341)	299
		<u>(1,322,596)</u>	<u>(1,708,366)</u>
<b>Net cash flow from operating activities</b>	<b>17</b>	<u><u>1,721,147</u></u>	<u><u>1,916,036</u></u>
<b>Cash flow from investing activities</b>			
<i>Cash was provided from:</i>			
Repayment Mortgages		1,475,232	10,201,479
Repayment Other Investments		180,000	105,000
Sale of property investments		820,000	-
		<u>2,475,232</u>	<u>10,306,479</u>
<i>Cash was disbursed to:</i>			
Providing Mortgage Finance		(2,865,960)	(3,331,806)
Fixed Rate Investment (Net)		(636,686)	(5,552,228)
Purchase of fixed assets		-	(3,806)
		<u>(3,502,646)</u>	<u>(8,887,841)</u>
<b>Net cash flow from investing activities</b>		<u><u>(1,027,414)</u></u>	<u><u>1,418,639</u></u>
<b>Cash flow from financing activities</b>			
<i>Cash was disbursed to:</i>			
Depositors Fund (Net)		288,634	(728,437)
Grant to Presbyterian New Vision Foundation		-	-
		<u>288,634</u>	<u>(728,437)</u>
<b>Net cash flow from financing activities</b>		<u><u>288,634</u></u>	<u><u>(728,437)</u></u>
<b>Net increase (decrease) in cash</b>		982,366	2,606,237
Cash at the beginning of year		9,804,663	7,198,426
Cash at the end of year		<u><u>10,787,030</u></u>	<u><u>9,804,663</u></u>

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

The accompanying notes form part of these financial statements and must be read in conjunction with the audit report.

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.**  
**Notes to and forming part of the financial statements**  
**For the year ended 30 June 2010**

**1 Statement of accounting policies**

**Reporting entity**

The Presbyterian Savings And Development Society of New Zealand Incorporated ('the Society') is a society incorporated under the Incorporated Societies Act 1908 and domiciled in New Zealand. The Society 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 Society is registered as a charitable entity with the Charities Commission under the Charities Act 2005. The financial statements of the Society 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 the Society.

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 and financial position 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 i.e., as it is earned.  
Dividends are recognised when the right to receive payment is established.

**b) Income tax**

As a registered charity, the Society is exempt from income tax.

**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 and 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. Changes in fair value of investments are recorded in the income statement.

Unquoted, non-tradable fixed interest investments are recorded at cost.

**g) Leases**

The Society leases its offices.

The Society has no assets which are subject to finance leases or operating leases.



**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.**

**Notes to and forming part of the financial statements**

**For the year ended 30 June 2010**

***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***

The Society is predominantly involved in providing financial services, therefore only a proportion of GST paid on inputs is recoverable. The non-recoverable portion of GST is treated as an expense.

***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 a 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
- 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 in the balance sheet. Annual leave is recorded at the undiscounted amount expected to be paid.

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

**Changes in accounting policies**

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

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.**  
**Notes to and forming part of the financial statements**  
**For the year ended 30 June 2010**

**2 Operating revenues**

	<u>2010</u>	<u>2009</u>
	\$	\$
Rental revenue	137,203	137,072
Interest earned	2,965,372	3,373,743
Miscellaneous Income	2,389	2,300
Donations & Bequests	1,430	15,952
<b>Total Operating revenues</b>	<u><u>3,106,394</u></u>	<u><u>3,529,067</u></u>

**3 Property, plant and equipment**

	<u>Cost</u>	<u>Depreciation charge</u>	<u>Accumulated depreciation</u>	<u>2010 Book value</u>
	\$	\$	\$	\$
Equipment & Computers	133,401	2,604	127,900	5,501
Office Fitouts	7,542	1,259	3,650	3,892
	<u>140,943</u>	<u>3,863</u>	<u>131,550</u>	<u>9,393</u>

	<u>Cost</u>	<u>Depreciation charge</u>	<u>Accumulated depreciation</u>	<u>2009 Book value</u>
	\$	\$	\$	\$
Equipment & Computers	133,401	1,583	125,296	8,105
Office Fitouts	7,542	1,259	2,391	5,151
	<u>140,943</u>	<u>2,842</u>	<u>127,687</u>	<u>13,256</u>

**4 Additional information**

	<u>2010</u>	<u>2009</u>
	\$	\$
Rental income from investment property	137,203	137,072
Donations and Bequests	1,430	15,952
Change in fair value of investments	1,144,058	(1,179,945)
Profit/(loss) on sale of investments	(32,451)	(135,100)
Depreciation	(3,863)	(2,842)
Rental and operating lease expenses		
Minimum lease payments	(52,180)	(46,064)
Auditor's fees		
Auditing the financial statements	(9,600)	(9,113)
Impairment in the value of assets (by asset class)	-	-
Impairment losses reversed (by asset class)	-	-
Employee benefits		
Salaries and wages	(246,828)	(278,416)
Investment property operating expenses for properties that generated rental income	-	-
Investment property operating expenses for properties that did not generate rental income	(3,147)	(16,378)

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.**  
**Notes to and forming part of the financial statements**  
**For the year ended 30 June 2010**

**5 Loans and Advances**

	<u>2010</u>	<u>%</u>	<u>2009</u>	<u>%</u>
Church Loans - secured	10,121,206	100.00%	8,503,084	97.39%
Church Loans - unsecured	239	0.00%	55,625	0.64%
Commercial Loans - secured	-	0.00%	172,009	1.97%
Commercial Loans - unsecured	-	0.00%	-	0.00%
	<u>10,121,445</u>	<u>100.00%</u>	<u>8,730,717</u>	<u>100.00%</u>

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

**6 Investments held to maturity**

	<u>2010</u>	<u>%</u>	<u>2009</u>	<u>%</u>
Fixed Interest investments				
Listed	16,468,200	73.28%	15,413,000	74.63%
Unlisted				
Traded	4,880,900	21.72%	4,114,500	19.92%
Non-Traded	1,125,000	5.01%	1,125,000	5.45%
	<u>22,474,100</u>	<u>100.00%</u>	<u>20,652,500</u>	<u>100.00%</u>

The ratings of the Fixed Interest investments are:

AA	1,562,000	6.95%	3,370,800	16.32%
AA-	2,404,500	10.70%	-	0.00%
A+	1,567,800	6.98%	2,534,700	12.27%
A	1,815,300	8.08%	1,329,400	6.44%
A-	1,034,600	4.60%	598,400	2.90%
BBB+	2,090,100	9.30%	2,014,700	9.76%
BBB	2,049,400	9.12%	1,983,400	9.60%
BBB-	1,304,700	5.81%	2,063,900	9.99%
BB+	750,000	3.34%	-	0.00%
BB	805,100	3.58%	1,132,000	5.48%
B-	375,000	1.67%	-	0.00%
NR*	6,715,600	29.88%	5,625,200	27.24%
	<u>22,474,100</u>	<u>100.00%</u>	<u>20,652,500</u>	<u>100.00%</u>

\* NR - Not rated by any credit agency.

**7 Employees long service leave and sick leave 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 (2009: \$-).

The Society receives legal services from Wadsworth Ray, a firm in which a Director, Mr George Wadsworth, is a consultant. The amount paid for legal services during the year was \$2,702.67 (2009: \$-).

At 30 June 2010 loans to Directors and staff amounted to \$- (2009: \$-).

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.**

**Notes to and forming part of the financial statements**

**For the year ended 30 June 2010**

**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:

	<u>2010</u>	<u>2009</u>
	\$	\$
Bank balances	96,833	183,661
Receivables	381,185	319,058
Money market & call deposits	10,690,196	9,621,002
Fixed interest investments	22,474,100	20,652,500
Other investments	2,006,250	1,649,557
Loans and advances	10,121,445	9,375,717

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

**Concentrations of credit risk**

The Society's largest depositor accounts for 3% (2009: 3%) of total deposits and the largest loan accounts for 17% (2009: 13%) of loans & advances at balance date. 43% (2009: 52%) 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.

**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 2010 was 89.2% (2009: 86.9%). The Society generates sufficient cash flows from its operating activities to make timely payments. The Society holds 78% of depositors' funds (2009: 55%) in cash, short term deposits and negotiable securities. The Society has a total bank overdraft facility of \$20,000 (2009: \$20,000). Of this, \$- (2009: \$-) was drawn by the Society at balance date.

**Liquidity profile of monetary assets and liabilities**

	<u>0 - 6 months</u>	<u>7 - 12 months</u>	<u>1 - 2 years</u>	<u>2 - 5 years</u>	<u>Total</u>
<b>As at 30 June 2010</b>					
<b>Assets</b>					
Cash and cash equivalents	96,833	-	-	-	96,833
Accounts receivable	381,185	-	-	-	381,185
Money market and call deposits	10,690,196	-	-	-	10,690,196
Loans and advances	1,456,386	597,840	2,707,110	5,360,109	10,121,445
Fixed interest investments	625,000	1,786,100	2,179,800	17,883,200	22,474,100
<b>Total Assets</b>	<b><u>13,249,600</u></b>	<b><u>2,383,940</u></b>	<b><u>4,886,910</u></b>	<b><u>23,243,309</u></b>	<b><u>43,763,759</u></b>
<b>Liabilities</b>					
Payables and provisions	38,464	-	-	-	38,464
Accrued interest	403,848	76,924	-	-	480,772
Depositors' funds	20,667,608	16,856,887	3,924,293	-	41,448,788
<b>Total Liabilities</b>	<b><u>21,109,920</u></b>	<b><u>16,933,811</u></b>	<b><u>3,924,293</u></b>	<b><u>-</u></b>	<b><u>41,968,024</u></b>

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.**

**Notes to and forming part of the financial statements**

**For the year ended 30 June 2010**

**9.2 Liquidity risk (continued)**

	<u>0 - 6 months</u>	<u>7 - 12 months</u>	<u>1 - 2 years</u>	<u>2 - 5 years</u>	<u>Total</u>
<b>As at 30 June 2009</b>					
<b>Assets</b>					
Cash and cash equivalents	183,661	-	-	-	183,661
Accounts receivable	319,058	-	-	-	319,058
Money market and call deposits	9,621,002	-	-	-	9,621,002
Loans and advances	1,328,951	55,000	2,488,312	5,398,454	9,270,717
Fixed interest investments	100,100	500,600	2,907,700	17,144,100	20,652,500
<b>Total Assets</b>	<b>11,552,773</b>	<b>555,600</b>	<b>5,396,012</b>	<b>22,542,554</b>	<b>40,046,939</b>
<b>Liabilities</b>					
Payables and provisions	40,111	-	-	-	40,111
Accrued interest	496,230	94,520	-	-	590,750
Depositors' funds	22,782,911	13,406,038	3,821,883	21,405	40,032,237
<b>Total Liabilities</b>	<b>23,319,252</b>	<b>13,500,558</b>	<b>3,821,883</b>	<b>21,405</b>	<b>40,663,098</b>

The tables above show the cash flows of the Society's financial liabilities on the basis of their earliest possible contractual maturity. Based on the Society's historical reinvestment rate, actual maturities of Depositors Funds are expected to be within the maturity profile of the financial assets. The Society holds a portfolio of liquid assets, and the Directors have guidelines to ensure that adequate funds are available or can be realised to meet the Society's financial obligations on time. Liquidity is monitored on a daily basis.

**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 2010 comprises a fixed interest investment denominated in Australian dollars of A\$667,725 (2009: A\$633,861).

**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 24% of depositors funds (2009: 23%) 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 or forward rate agreements to manage interest rate risk.

**Repricing analysis**

	<u>Effective Interest</u>	<u>0 - 6 months</u>	<u>7 - 12 months</u>	<u>1 - 2 years</u>	<u>2 - 5 years</u>	<u>Total</u>
<b>As at 30 June 2010</b>						
<b>Assets</b>						
Cash and cash equivalents	-	96,833	-	-	-	96,833
Money market and call deposits	4.96%	10,690,196	-	-	-	10,690,196
Loans and advances	6.34%	1,456,386	597,840	2,707,110	5,360,109	10,121,445
Investments held to maturity	7.67%	625,000	1,786,100	2,179,800	17,883,200	22,474,100
<b>Total Assets</b>		<b>12,868,415</b>	<b>2,383,940</b>	<b>4,886,910</b>	<b>23,243,309</b>	<b>43,382,574</b>
<b>Liabilities</b>						
Depositors' funds	4.85%	20,667,608	16,856,887	3,924,293	-	41,448,788
<b>Total Liabilities</b>		<b>20,667,608</b>	<b>16,856,887</b>	<b>3,924,293</b>	<b>-</b>	<b>41,448,788</b>

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.**

Notes to and forming part of the financial statements

For the year ended 30 June 2010

**9.4 Interest rate risk (continued)**

As at 30 June 2009

**Assets**

Cash and cash equivalents	-	183,661	-	-	-	183,661
Money market and call deposits	4.39%	9,621,002	-	-	-	9,621,002
Loans and advances	6.30%	1,328,951	55,000	2,488,312	5,398,454	9,270,717
Investments held to maturity	11.09%	100,100	500,600	2,907,700	17,144,100	20,652,500
<b>Total Assets</b>		<b>11,233,715</b>	<b>555,600</b>	<b>5,396,012</b>	<b>22,542,554</b>	<b>39,727,881</b>

**Liabilities**

Depositors' funds	5.17%	22,782,911	13,406,038	3,821,883	21,405	40,032,237
<b>Total Liabilities</b>		<b>22,782,911</b>	<b>13,406,038</b>	<b>3,821,883</b>	<b>21,405</b>	<b>40,032,237</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.

**10 Term liabilities**

	<u>2010</u>	<u>2009</u>
	\$	\$
Depositors funds	41,448,788	40,032,237
Less: current portion	<u>37,524,495</u>	<u>36,188,949</u>
Total term liabilities	<u>3,924,293</u>	<u>3,843,288</u>

**Repayable as follows:**

less than 1 year	37,524,495	36,188,949
between 1-5 years	3,924,293	3,843,288
greater than 5 years	-	-
	<u>41,448,788</u>	<u>40,032,237</u>

The policy for managing liquidity risk is described in note 9.2

The Society had no secured bank loans outstanding in 2010 (2009: \$-).

The Society had no finance leases outstanding in 2010 (2009: \$-).

**Security**

Bank overdraft facilities are unsecured and unused at balance date. (2009: \$-)

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.**

**Notes to and forming part of the financial statements**

**For the year ended 30 June 2010**

**11 Employee entitlements**

	<u>2010</u>	<u>2009</u>
	\$	\$
Balance at beginning of year	30,534	28,291
Additional provision	-	2,243
Amount utilised	(1,452)	-
Effect of discounting	-	-
Balance at end of year	<u>29,082</u>	<u>30,534</u>

*This is represented by:*

Current liability	29,082	30,534
Non-current liability	-	-
Balance at end of year	<u>29,082</u>	<u>30,534</u>

**12 Receivables and prepayments**

	<u>2010</u>	<u>2009</u>
	\$	\$
Accruals	351,871	279,492
Accrued interest on Church loans	4,596	6,623
Accrued interest on Other Investments	24,615	25,224
Short-term investment receivable	70	49
Sundry Debtors	34	7,144
	<u>381,185</u>	<u>318,533</u>

At 30 June 2010 loans to directors and staff amounted to \$- (2009: \$-).

**Health of receivables**

All financial assets are within the contracted terms.

	<u>2010</u>		<u>2009</u>	
	Gross	Impairment	Gross	Impairment
Not yet due	376,485	-	279,492	-
Overdue 0-31 days	4,700	-	39,040	-
Total receivables and prepayments	<u>381,185</u>	<u>-</u>	<u>318,532</u>	<u>-</u>

	<u>2010</u>	<u>2009</u>
	\$	\$
Gross trade receivables	381,185	318,533
Related party receivables	-	-
Individually impaired debts	-	-
Allowance for collectively impaired debts	-	-
Total receivables and prepayments	<u>381,185</u>	<u>318,533</u>

**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.**

**Notes to and forming part of the financial statements**

**For the year ended 30 June 2010**

**13 Investment properties**

	<u>2010</u>	<u>2009</u>
	\$	\$
Carrying amount at 1 July 2009	2,520,000	2,860,000
Additions	-	-
Disposals and assets held for sale	(820,000)	-
Revaluations	<u>(70,000)</u>	<u>(340,000)</u>
Carrying amount at 30 June 2010	<u><u>1,630,000</u></u>	<u><u>2,520,000</u></u>

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

Investment properties were valued on 30 June 2010, 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 Other Investments**

	<u>2010</u>	<u>2009</u>
	\$	\$
Comprise investments in the following funds:		
Auckland Mortgage Fund - at expected recoverable value	360,000	540,000
Trust Investment - Group Fund Investments: property fund - at market value	<u>1,646,250</u>	<u>1,649,557</u>
	<u><u>2,006,250</u></u>	<u><u>2,189,557</u></u>

**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:

**16 Contingent liabilities**

	<u>2010</u>	<u>2009</u>
	\$	\$
<b>Guarantee of bank overdraft facilities</b>		
At balance date the amount of the bank overdraft so guaranteed was:	<u><u>-</u></u>	<u><u>-</u></u>

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

	<u>2010</u>	<u>2009</u>
	\$	\$
Net profit for the year	1,880,311	(1,134,832)
<b>Add (less) non-cash items and non-operating items</b>		
Depreciation	3,863	2,842
Profit/(Loss) on Sale of Investments	32,451	135,100
Change in fair value of investments	(1,144,058)	1,179,945
Depositors interest compounded	1,127,918	1,760,019
<b>Movement in working capital:</b>		
Increase (decrease) in accounts payable	(2,701)	(1,075)
Increase (decrease) in GST	(341)	299
Increase (decrease) in accrued interest	(109,978)	(131,279)
Increase (decrease) in provisions	(3,666)	9,682
(Increase) decrease in receivables	<u>(62,652)</u>	<u>95,335</u>
	1,721,146	1,916,036
Net cash flows from operating activities	<u><u>1,721,147</u></u>	<u><u>1,916,036</u></u>



**THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.**  
**Notes to and forming part of the financial statements**  
**For the year ended 30 June 2010**

**18 Commitments**

	<u>2010</u>	<u>2009</u>
<b>Capital commitments</b>	\$	\$
Estimated	<u>-</u>	<u>-</u>
<b>Operating lease commitments</b>		
Less than one year	52,739	41,403
Between 1 and 5 years	109,873	127,659
Greater than 5 years	<u>-</u>	<u>-</u>
Total operating lease commitments	<u>162,612</u>	<u>169,062</u>

Operating lease commitments relate to lease of office premises. The lease:

- is for a 3 year period and has a right of renewal for a further 3 year period; and
- has normal provisions for periodic rent reviews to market rates.

**19 Capital Management**

The Society's capital is its equity, which comprises retained earnings. Equity is represented by net assets. When managing capital, management's objective is to ensure the entity continues as a going concern and to maintain the security of depositors' funds by maintaining the capital at an amount equivalent to 10% of depositors' funds or greater. The Directors monitor the capital against depositors' funds and total assets on a monthly basis.

**20 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.

**21 Significant events after balance date**

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

## AUDIT REPORT

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

We have audited the financial statements on pages 2 to 15. The financial statements provide information about the past financial performance of the Society and its financial position as at 30 June 2010. This information is stated in accordance with the accounting policies set out on pages 6 to 7.

### **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 2010 and of the results of its operations and cash flows for the year ended 30 June 2010.

### **Auditors' Responsibilities**

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

### **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 New Zealand Auditing Standards. 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 obtain 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 auditor 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 CA(Aus) F Fin

## **Unqualified Opinion**

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

In our opinion, the financial statements on pages 2 to 15:

- 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 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 25 August 2010 and our unqualified opinion is expressed as at that date.

*Jolly Duncan & Wells*  
**JOLLY DUNCAN & WELLS**  
CHARTERED ACCOUNTANTS  
ELLERSLIE, AUCKLAND  
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