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PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY of NEW ZEALAND INCORPORATED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2011

THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.
Financial Statements
For the year ended 30 June 2011

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Object of the Society	To facilitate the mission and ministry of the Presbyterian Church
Board Members	George T Wadsworth – Chairman LLB FLCM Simon Bilton BPhEd PGDipBus MBA W A (Tony) Caughey BCom MBA[Harv] ACA ACIS AFInstD Don Clark BCom - Resigned March 2011 Rev. Mark Johnston BSc(Hons) DipTchg BD Ian W Kendall Rev. Doug Lendrum BTh Glenn R Mottram JP CA Kerry Stotter FACA - Appointed February 2011
Address	17 Great South Road Newmarket Auckland
Auditors	CST Nexia Audit P O Box 76-261 Manukau City Auckland 2241
Bankers	ANZ Bank
Solicitors	Hesketh Henry Wadsworth Ray

THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.
Statement of Responsibility for Annual Financial Statements
For the year ended 30 June 2011

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The independent external auditors, CST Nexia Audit, have audited the annual financial statements and their report appears on pages xx to xx.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. Appropriate systems of internal control have been employed to ensure that all transactions have been executed in accordance with authority and correctly processed and accounted for in the financial statements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Society will not remain a going concern in the foreseeable future.

In the opinion of the Directors:

- the statement of comprehensive income is drawn up so as to give a true and fair view of the financial result of the Society for the financial year ended 30 June 2011;
- the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Society as at 30 June 2011; and
- there are reasonable grounds to believe that the Society will be able to pay its debts as and when they fall due.

Signed on behalf of the Board of Directors:

Chairman — Date: 28 SEP 2011

I.W. Kendall

Director — Date: 28 SEP 2011

THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.

Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	2011	2010
		$	$
Revenue			
Rental revenue		127,250	137,203
Interest earned		3,044,993	2,965,372
Total revenue	3a	3,172,243	3,102,575
Other income			
Gain on sale of investments		49,475	-
Miscellaneous income		2,200	2,389
Donations and bequests		1,500	1,430
Total other income	3b	53,175	3,819
Total revenue and other income	3	3,225,418	3,106,394
Expenses			
Loss on sale of investments		-	32,451
Interest on customer deposits		2,071,643	1,943,128
Administration costs		367,701	330,935
Promotion and marketing costs		82,836	59,764
Depreciation		3,074	3,863
Total expenses		2,525,253	2,370,141
Profit before income tax		700,165	736,253
Income tax expense		-	-
Net profit for the year		700,165	736,253
Change in fair value of investments	5	129,498	1,144,058
Total comprehensive income for the year		829,663	1,880,311

The Society has no "Other Comprehensive Income"

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

THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.
Statement of Changes in Equity
For the year ended 30 June 2011

	Retained Earnings	Grant Reserve	Total
		$	$
Balance at 1 July 2009	3,557,322	-	3,557,322
Profit for the year	1,880,311	-	1,880,311
Other comprehensive income	-	-	-
Total comprehensive income for the year	1,880,311	-	1,880,311
Transfers	-	-	-
Grants paid	-	-	-
Balance at 30 June 2010	5,437,633	-	5,437,633
Profit for the year	829,663	-	829,663
Other comprehensive income	-	-	-
Total comprehensive income for the year	829,663	-	829,663
Transfers	(200,000)	200,000	-
Grants paid	-	(197,327)	(197,327)
Balance at 30 June 2011	6,067,296	2,673	6,069,969

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

THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.

Statement of Financial Position

As at 30 June 2011

	Note	2011	2010
		$	$
Society's Equity			
Retained earnings		6,067,296	5,437,633
Grants reserve		2,673	-
		6,069,969	5,437,633
Current Liabilities			
Accounts payable		17,346	2,668
Accrued interest		539,022	480,772
Depositors' funds - current portion	11	38,189,091	37,524,495
Sundry accruals		42,013	38,464
GST payable		1,217	1,078
		38,788,690	38,047,476
Non-current Liabilities			
Depositors' funds - term portion	11	4,224,171	3,924,293
		4,224,171	3,924,293
Total equity and liabilities		49,082,830	47,409,402
Non-current Assets			
Property, plant and equipment	4	6,319	9,393
Investment properties	14	1,500,000	1,630,000
Other investments	15	1,877,597	2,006,250
Loans and advances	6	7,758,506	8,067,219
Investments at fair value through profit or loss	7	19,199,100	20,063,000
		30,341,523	31,775,862
Current Assets			
Cash and cash equivalents		196,051	96,833
Money market and call deposits		14,540,441	10,690,196
Loans and advances	6	2,291,745	2,054,226
Investments at fair value through profit or loss	7	1,366,400	2,411,100
Accounts receivable	13	346,670	381,185
		18,741,308	15,633,541
Total Assets		49,082,830	47,409,402

Signed on behalf of the Board of Directors:

Chairman — Date: 28 SEP 2011

Director — Date: 28 SEP 2011

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

THE PRESBYTERIAN SAVINGS AND DEVELOPMENT SOCIETY OF NEW ZEALAND INC.
Statement of Cash Flows
For the year ended 30 June 2011

	Note	2011	2010
		$	$
Cash flow from operating activities			
Cash was provided from:			
Rent received		127,250	137,203
Interest received		3,079,508	2,902,720
Donations and bequests		1,500	1,430
Other		2,200	2,389
		3,210,458	3,043,742
Cash was disbursed to:			
Payment to suppliers		(116,383)	(94,380)
Payment to and on behalf of employees		(262,390)	(250,507)
Rent paid		(53,534)	(52,180)
Interest paid		(854,411)	(925,188)
Other		139	(341)
		(1,286,580)	(1,322,596)
Net cash flow from operating activities	17	1,923,878	1,721,147
Cash flow from investing activities			
Cash was provided from:			
Repayment of Loans and Advances		1,431,694	1,475,232
Repayment of Other Investments		82,500	180,000
Redemption of Fixed Rate Investment (Net)		2,263,726	-
Sale of property investments		-	820,000
		3,777,920	2,475,232
Cash was disbursed to:			
Providing Loans and Advances		(1,360,500)	(2,865,960)
Purchase of Fixed Rate Investment (Net)		-	(636,686)
Purchase of fixed assets		-	-
		(1,360,500)	(3,502,646)
Net cash flow from investing activities		2,417,420	(1,027,414)
Cash flow from financing activities			
Cash was disbursed to:			
Depositors Fund (Net)		(194,507)	288,634
Grants Paid		(197,327)	-
		(391,834)	288,634
Net cash flow from financing activities		(391,834)	288,634
Net increase (decrease) in cash		3,949,464	982,366
Cash at the beginning of year		10,787,030	9,804,663
Cash at the end of year		14,736,494	10,787,030

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 financial statements.

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 2011

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 exemptions under the Securities Act (Charitable and Religious Purposes) Exemption Notice 2003 and the Deposit Takers (Charitable and Religious Organisations) Exemption Notice 2010. 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.

The Society's object is to facilitate mission and ministry of the Presbyterian Church. The address of the Society's registered office is 17 Great South Road, Newmarket, Auckland.

The financial statements of the Society for the year ended 30 June 2011 were authorised for issue in accordance with the resolution of the directors on the date indicated on page 5.

Measurement base

The financial statements have also been prepared on a historical cost basis, except for investment properties and financial assets at fair value through profit or loss that have been measured at fair value.

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, which is the Society's functional currency.

Specific accounting policies

The following specific accounting policies which materially affect the measurement of income and financial position have been applied;

a) Revenue

Revenue is recognised at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised.
Rental income: Rental income on the investment property is recognised on a straight-line basis over the lease term.
Interest: Revenue is recognised as interest accrues, i.e. as it is earned, using the effective interest method.
Dividends: Dividends are recognised when the Society's right to receive payment is established.

b) Income tax

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

c) Impairment of non-financial assets

At each reporting date the Society assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the statement of comprehensive income where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, investments in money market instruments and call deposits, and other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

e) Receivables

Receivables are initially recorded at fair value and subsequently carried at amortised cost using the effective interest method. Collectibility of receivables is assessed on an ongoing basis. An allowance is made for doubtful debts where there is objective evidence that the Society will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor or default payments. Except for a few customers with extended credit terms, the resulting carrying amount for receivables is not materially different from estimated realisable value.

f) Investments and other financial assets

The Society classifies its financial assets in the following categories: loans and receivables, and financial assets at fair value through profit or loss. The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this designation at the end of each reporting period.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in accounts receivable (note 12) and loans and advances (note 5) in the statement of financial position.

Loans and receivables are carried at amortised cost, using the effective interest method, less impairment losses.

- Financial assets at fair value through profit or loss

Financial assets which are risk managed and reported to the Board on a fair value basis are included in this category. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised under profit or loss in the statement of comprehensive income. This category includes the fixed term investments included under note 7.

g) Impairment of financial assets

Losses for impaired loans are recognised immediately when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment losses are calculated on individual loans and loans assessed collectively. Losses expected from future events no matter how likely, are not recognised.

Individually assessed loans

At each balance date, the Society assesses on a case by case basis whether there is any objective evidence that a loan is impaired. This procedure is applied to all loan accounts that are considered individually significant. In determining individual impairment allowances on these loans, many factors are considered, including the following:

- Delinquency in contractual payments of principal or interest.
- Deterioration in the value of collateral.
- Solvency of the borrower and guarantor.
- Payment history on the account.

Impairment losses are calculated by discounting the estimated future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loan's current carrying amount. Any loss is charged in the statement of comprehensive income. The carrying amount of impaired loans on the statement of financial position is reduced through use of an allowance account.

The Society had no impaired loans at 30 June 2011 (2010: none).

h) Property, plant and equipment

Property, plant and equipment are stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less accumulated depreciation and any accumulated impairment losses.

i) Depreciation

Deprecation 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

The assets' residual values and useful lives are reviewed and updated, if appropriate, at each balance sheet date.

j) Investment properties and properties intended for sale

Investment properties are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, which is based on active market prices. If this information is not available, alternative valuation methods are used such as recent prices in less active markets or discounted cash flow projections. 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 statement of comprehensive income. No investment properties are held under operating leases.

k) Leases

The Society leases its offices. Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.
The Society has no assets which are subject to finance leases or operating leases.

l) Payables

Trade and other payables represent liabilities for goods and services provided to the Society prior to the year end and which are unpaid. These amounts are unsecured and have 30 to 60 day payment terms.

m) Interest Bearing Borrowings

Interest bearing borrowings (depositors fund) are initially recorded at fair value net of any directly attributable transaction costs. Borrowings are subsequently at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.
All borrowing costs are recognised as an expense in the period they are incurred.

n) 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.

o) Employee entitlements

Liabilities for annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services rendered up to the reporting date and measured at undiscounted amounts expected to be paid when the liabilities are settled.
Sick leave is not accrued in the balance sheet as it can not be measured reliably.

p) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it earns revenues or incurs expenses (including revenues and expenses relating to transactions with other components of the entity), whose results are regularly reviewed by the Society's Board to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Changes in accounting policies and disclosures

All policies have been applied on bases consistent with those used in the previous year. In 2008 and 2009 various amendments to NZ IFRS were issued as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the following amendments resulted in change to accounting policies but did not have an impact on the financial position or financial performance of the Society.

(i) NZ IFRS 8 *Operating Segments:* clarifies that segment assets and segment liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Society's Board does not review segment assets and segment liabilities, the Society has continued not to disclose this information.

(ii) NZ IAS 7 *Statement of Cash Flows:* states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will have no impact on the presentation of the statement of cash flows of the Society.

(iii) NZ IAS 36 *Impairment of Assets:* the amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in NZ IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Society as the annual impairment test is performed before aggregation.

Accounting Standards Issued But Not Yet Effective

(i) NZ IFRS 9 *Financial Instruments:* The standard is applicable for the Society from 1 July 2013. This standard is part of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement.* The standard applies to all financial assets, their classification and measurement. All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially recorded at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value. Management is still assessing the impact of this standard on the Society.

(ii) *Annual Improvements 2010:* The Accounting Standards Review Board has issued improvements for International Financial Reporting Standards 2010. Most of these amendments became effective in annual periods beginning on or after 1 January 2011. These amendments are not expected to have a significant impact on the Society's financial statements.

2 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

(i) Fair value of investment property and financial assets
Investment properties are required to be disclosed at fair value at each reporting date. The fair value is derived through use of mathematical models. As observable market data is not readily available for input into the models, judgement is required to establish fair values. 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.

Where the fair value of assets or liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The fair value of quoted fixed rate investments has been determined by reference to published price quotations in an active market. The fair values of unlisted investments not traded in an active market are determined by an appropriately qualified independent valuer by projecting future cash inflows from expected future dividends and subseauent disposal of the securities.

(ii) Going Concern
The Society's management has made an assessment of the Society's ability to continue as a going concern and is satisfied that the Society has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Society's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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 2011

3 Total revenue and other income

	2011	2010
	$	$
3a Total revenue		
Rental revenue	127,250	137,203
Interest earned	3,044,993	2,965,372
	3,172,243	3,102,575
3b Total other income		
Gain on sale investments	49,475	-
Miscellaneous Income	2,200	2,389
Donations & Bequests	1,500	1,430
	53,175	3,819
Total revenue and other income	3,225,418	3,106,394

4 Property, plant and equipment

As at 30 June 2011	Cost	Depreciation charge	Accumulated depreciation	2011 Carrying amount
	$	$	$	$
Equipment & Computers	133,401	1,815	129,715	3,686
Office Fitouts	7,542	1,259	4,909	2,633
	140,943	3,074	134,624	6,319

As at 30 June 2010	Cost	Depreciation charge	Accumulated depreciation	2010 Carrying amount
	$	$	$	$
Equipment & Computers	133,401	2,604	127,900	5,501
Office Fitouts	7,542	1,259	3,650	3,892
	140,943	3,863	131,550	9,393

There were no additions or disposals recorded in the current year (2010: $nil).

5 Additional information

	2011	2010
	$	$
Rental income from investment property	127,250	137,203
Donations and Bequests	1,500	1,430
Change in fair value of investments		
Financial assets at fair value through profit and loss	305,651	1,217,365
Investment property	(176,153)	(73,307)
Gain/(loss) on sale of investments	49,475	(32,451)
Depreciation	(3,074)	(3,863)
Rental and operating lease expenses		
Minimum lease payments	(53,534)	(52,180)
Auditor's fees		
Auditing the financial statements	(17,025)	(9,600)
Impairment in the value of assets (by asset class)	-	-
Impairment losses reversed (by asset class)	-	-
Employee benefits		
Salaries and wages	(268,510)	(246,828)
Investment property operating expenses for properties that generated rental income	-	-
Investment property operating expenses for properties that did not generate rental income	-	(3,147)

6 Loans and Advances

	2011	%	2010	%
Church Loans - secured	10,050,252	100.00%	10,121,206	100.00%
Church Loans - unsecured	-	0.00%	239	0.00%
	10,050,252	100.00%	10,121,445	100.00%

Church loans includes loans to other organisations such as church schools, church camps and retirement housing. Church loans are secured by first mortgage. All loans have been assessed as "not past due and not impaired". The aging of the loans is given under note 10.4.

No collateral was repossessed during the year (2010: $nil). The Society has no past due or impaired assets as at 30 June 2011 (2010: $nil)

7 Investments at fair value through profit or loss

	2011	%	2010	%
Fixed Interest investments				
Listed	15,620,500	75.95%	16,468,200	73.28%
Unlisted				
Traded	4,695,000	22.83%	4,880,900	21.72%
Non-Traded	250,000	1.22%	1,125,000	5.01%
	20,565,500	100.00%	22,474,100	100.00%
The ratings of the Fixed Interest investments are:				
AA	1,296,100	6.30%	1,562,000	6.95%
AA-	2,973,350	14.46%	2,404,500	10.70%
A+	1,586,600	7.71%	1,567,800	6.98%
A	2,395,600	11.65%	1,815,300	8.08%
A-	1,055,100	5.13%	1,034,600	4.60%
BBB+	2,122,200	10.32%	2,090,100	9.30%
BBB	1,052,300	5.12%	2,049,400	9.12%
BBB-	1,567,450	7.62%	1,304,700	5.81%
BB+	250,000	1.22%	750,000	3.34%
BB	-	0.00%	805,100	3.58%
B-	-	0.00%	375,000	1.67%
NR*	6,266,800	30.47%	6,715,600	29.88%
	20,565,500	100.00%	22,474,100	100.00%

* NR - Not rated by any credit agency.

8 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.

9 Related parties
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 $Nil- (2010: $2,702.67).

At 30 June 2011 loans to Directors and staff amounted to $nil- (2010: $nil-).

There were no related party balances with any key management personnel (2010: $nil-).

10 Financial instruments

The principal financial risks faced by the Society are credit risk, liquidity risk and interest rate risk, which are described in the remainder of this note.

The Board has overall responsibility for the establishment, oversight and on-going compliance of the Society's risk management programme. The Society's risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies also minimise any potential adverse effects of the risks it faces on financial performance. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products, services offered and emerging best practice.

10.1 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 also 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:

	2011	2010
	$	$
Bank balances	196,051	96,833
Receivables	342,521	381,185
Money market & call deposits	14,540,441	10,690,196
Fixed interest investments	20,565,500	22,474,100
Other investments	1,877,597	2,006,250
Loans and advances	10,050,252	10,121,445

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% (2010: 3%) of total deposits and the largest loan accounts for 11% (2010: 17%) of loans & advances at balance date. 54% (2010: 43%) of the Society's cash and short term deposits was with one bank at balance date. The Society has a policy that generally 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.

10.2 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 2011 was 88.4% (2010: 89.2%). The Society generates sufficient cash flows from its operating activities to make timely payments. The Society holds 83% of depositors' funds (2010: 78%) in cash, short term deposits and negotiable securities. The Society has a total bank overdraft facility of $20,000 (2010: $20,000). Of this, $- (2010: $-) was drawn by the Society at balance date.

Liquidity profile of monetary assets and liabilities

	0 - 6 months	7 - 12 months	1 - 2 years	2 - 5 years	Total
As at 30 June 2011					
Assets					
Cash and cash equivalents	196,051	-	-	-	196,051
Accounts receivable	342,521	-	-	-	342,521
Money market and call deposits	14,540,441	-	-	-	14,540,441
Loans and advances	533,102	1,758,643	1,708,296	6,050,210	10,050,252
Fixed interest investments	250,000	1,116,400	5,162,100	14,037,000	20,565,500
Total Assets	15,862,116	2,875,043	6,870,396	20,087,210	45,694,765
Liabilities					
Payables and provisions	42,014	-	-	-	42,014
Accrued interest	467,572	71,451	-	-	539,022
Depositors' funds	23,560,268	14,628,823	4,224,171	-	42,413,262
Total Liabilities	24,069,854	14,700,274	4,224,171	-	42,994,299

10.2 Liquidity risk (continued)

	0 - 6 months	7 - 12 months	1 - 2 years	2 - 5 years	Total
As at 30 June 2010					
Assets					
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
Total Assets	13,249,600	2,383,940	4,886,910	23,243,309	43,763,759
Liabilities					
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
Total Liabilities	21,109,920	16,933,811	3,924,293	-	41,968,024

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.

10.3 Currency risk

The Society has no direct exposure to foreign exchange risk and a policy not to make investments denominated in foreign currencies. (2010: AUD$667,725)

10.4 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 21% of depositors funds (2010: 24%) 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

	Effective Interest	0 - 6 months	7 - 12 months	1 - 2 years	2 - 5 years	Total
As at 30 June 2011						
Assets						
Cash and cash equivalents	-	196,051	-	-	-	196,051
Money market and call deposits	4.83%	14,540,441	-	-	-	14,540,441
Loans and advances	6.38%	533,102	1,758,643	1,708,296	6,050,210	10,050,252
Investments at fair value through profit or loss	7.37%	250,000	1,116,400	5,162,100	14,037,000	20,565,500
Total Assets		15,519,595	2,875,043	6,870,396	20,087,210	45,352,244
Liabilities						
Depositors' funds	4.86%	23,560,268	14,628,823	4,224,171	-	42,413,262
Total Liabilities		23,560,268	14,628,823	4,224,171	-	42,413,262

10.4 Interest rate risk (continued)

As at 30 June 2010						
Assets						
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 at fair value through profit or loss	7.67%	625,000	1,786,100	2,179,800	17,883,200	22,474,100
Total Assets		12,868,415	2,383,940	4,886,910	23,243,309	43,382,574
Liabilities						
Depositors' funds	4.85%	20,667,608	16,856,887	3,924,293	-	41,448,788
Total Liabilities		20,667,608	16,856,887	3,924,293	-	41,448,788

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.

10.5 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.

	Year ended 30 June 2011			Year ended 30 June 2010		
	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Total	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Total
Financial assets						
Fixed term investments						
Listed (note 7)	15,620,500	-	15,620,500	16,468,200	-	16,468,200
Unlisted (note 7)		4,945,000	4,945,000		6,005,900	6,005,900
Trust Investment Fund (note 15)		1,600,097	1,600,097		1,646,250	1,646,250
	15,620,500	6,545,097	22,165,597	16,468,200	7,652,150	24,120,350

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction of transacting costs. The fair value of the listed fixed term investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Society uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include unlisted fixed term investments and the trust investment fund.

The Society has no Level 3 financial instruments.

11 Term liabilities	2011	2010
	$	$
Depositors funds	42,413,262	41,448,788
Less: current portion	38,189,091	37,524,495
Total term liabilities	4,224,171	3,924,293
Repayable as follows:		
less than 1 year	38,189,091	37,524,495
between 1-5 years	4,224,171	3,924,293
greater than 5 years	-	-
	42,413,262	41,448,788

The policy for managing liquidity risk is described in note 10.2

The Society had no secured bank loans outstanding in 2011 (2010: $nil-). The Society had no finance leases outstanding in 2011 (2010: $nil-).

Security

Bank overdraft facilities are unsecured and unused at balance date. (2010: $nil-)

12 Employee entitlements

	2011	2010
	$	$
Balance at beginning of year	29,082	30,534
Additional provision	5,828	-
Amount utilised	-	(1,452)
Effect of discounting	-	-
Balance at end of year	34,910	29,082

This is represented by:

	2011	2010
Current liability	34,910	29,082
Non-current liability	-	-
Balance at end of year	34,910	29,082

13 Receivables and prepayments

	2011	2010
	$	$
Accruals	310,435	351,871
Accrued interest on Church loans	5,157	4,596
Accrued interest on Other Investments	26,903	24,615
Short-term investment receivable	-	70
Sundry Debtors	4,175	34
	346,670	381,185

At 30 June 2011 loans to directors and staff amounted to $nil- (2010: $nil-).

Health of receivables

All financial assets are within the contracted terms.

	2011		2010	
	Gross	Impairment	Gross	Impairment
Not yet due	341,779	-	376,485	-
Overdue 0-31 days	4,891	-	4,700	-
Total receivables and prepayments	346,670	-	381,185	-

	2011	2010
	$	$
Gross trade receivables	346,670	381,185
Related party receivables	-	-
Individually impaired debts	-	-
Allowance for collectively impaired debts	-	-
Total receivables and prepayments	346,670	381,185

The health of the church loans is given under note 6.

14 Investment properties

	2011	2010
	$	$
Carrying amount at 1 July 2010	1,630,000	2,520,000
Additions	-	-
Disposals and assets held for sale	-	(820,000)
Revaluations	(130,000)	(70,000)
Carrying amount at 30 June 2011	1,500,000	1,630,000

There are no restrictions on realising any of the society's properties or remitting rental income. There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance and enhancements.

Investment properties were valued on 30 June 2011, 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.

15 Other Investments

	2011	2010
Comprise investments in the following funds:	$	$
Auckland Mortgage Fund - at expected recoverable value	277,500	360,000
Trust Investment - Group Fund Investments: property fund - at market value	1,600,097	1,646,250
	1,877,597	2,006,250

16 Contingent liabilities

	2011	2010
	$	$
Guarantee of bank overdraft facilities		
At balance date the amount of the bank overdraft so guaranteed was:	-	-

17 Reconciliation of reported surplus with cash flows from operating activities

	2011	2010
	$	$
Net profit for the year	829,663	1,880,311
Add (less) non-cash items and non-operating items		
Depreciation	3,074	3,863
Profit/(Loss) on Sale of Investments	(49,475)	32,451
Change in fair value of investments	(129,498)	(1,144,058)
Depositors interest compounded	1,158,981	1,127,918
Movement in working capital:		
Increase (decrease) in accounts payable	14,678	(2,701)
Increase (decrease) in GST	139	(341)
Increase (decrease) in accrued interest	58,251	(109,978)
Increase (decrease) in provisions	3,549	(3,666)
(Increase) decrease in receivables	34,515	(62,652)
	1,923,877	1,721,147
Net cash flows from operating activities	1,923,878	1,721,147

18 Commitments

	2011	2010
Capital commitments	$	$
Estimated	-	-
Operating lease commitments		
Less than one year	53,799	52,739
Between 1 and 5 years	49,316	109,873
Greater than 5 years	-	-
Total operating lease commitments	103,115	162,612

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

- has 2 years remaining on the initial term, and has a right of renewal for two terms of 3 years each; 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 Subsequent Events

There were no subsequent events requiring disclosure or measurement changes to the financial statements in the June 2010 and June 2011 accounts.

CST NEXIA

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the members of The Presbyterian Savings and Development Society of New Zealand Inc

Report on the Financial Statements

We have audited the financial statements of The Presbyterian Savings & Development Society of New Zealand Inc on pages 3 to 18, which comprise the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditor, we have no relationship with, or interests in, The Presbyterian Savings & Development Society of New Zealand Inc.

CST NEXIA
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT Continued

Opinion

In our opinion, the financial statements on pages 3 to 18:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of The Presbyterian Savings & Development Society of New Zealand Inc as at 30 June 2011, and its financial performance and cash flows for the year ended on that date.

CST Nexia Audit

CST Nexia Audit
Chartered Accountants
Manukau City

28 September 2011