

THE PRESBYTERIAN SAVINGS AND  
DEVELOPMENT SOCIETY OF NEW  
ZEALAND INC.

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FINANCIAL STATEMENTS  
For the year ended 30 June 2014

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## Directory

<b>Object of the Society</b>	To facilitate the mission and ministry of the Presbyterian Church
<b>Board Members</b>	George Wadsworth LLB FLCM (Chairman) Simon Bilton BPhEd PGDipBus MBA (General Manager) W.A. (Tony) Caughey, ONZM, BCom (Auckland) MBA (Harvard) ACA ACIS CFInstD Dr. Kathryn Jones PhD M ComLaw (Hons) BSc(Hons), First Class Rev. Mark Johnston BSc(Hons) DipTchg BD Ian. W. Kendall (Resigned 25 September 2013) Rev. Doug Lendrum BTh Glenn R. Mottram JP CA Craig Prosser B.Com N Dip Internal Auditing (Appointed 25 September 2013)
<b>Registered Office</b>	Level 2, 111 Great South Road Newmarket Auckland
<b>Business Location</b>	Level 2, 111 Great South Road Newmarket Auckland
<b>Auditors</b>	CST Nexia Audit PO Box 76-261 Manukau City Auckland 2241
<b>Bankers</b>	ANZ Bank New Zealand Limited
<b>Solicitors</b>	Hesketh Henry Lawyers Duncan King Law

## Statement of Responsibility for Annual Financial Statements

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 page 26 to 27.

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. Please see note 21 for events subsequent to balance date that can impact on going concern.

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 2014;
- 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 2014; 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 22/10/2014

  
\_\_\_\_\_  
Director Date 22/10/2014

## Statement of Comprehensive Income

	Note	2014	2013
<b>Revenue</b>			
Rental Revenue		46,433	15,527
Interest Earned		2,488,978	2,792,946
<b>Total Revenue</b>	<i>3a</i>	<b>2,535,411</b>	<b>2,808,473</b>
<b>Other Revenue</b>			
Gain on Sale of Investments		-	-
Miscellaneous income		102,213	104,317
Donations and Bequests		20,874	17,774
<b>Total Other Revenue</b>	<i>3b</i>	<b>123,087</b>	<b>122,090</b>
<b>Total Revenue</b>	<i>3</i>	<b>2,658,499</b>	<b>2,930,563</b>
<b>Expenses</b>			
Loss on Sale of Investments		131	14,541
Interest on Investor deposits		1,798,068	1,871,407
Administration Costs		641,294	656,561
Promotion and Marketing Costs		55,738	54,626
Depreciation		29,056	29,707
<b>Total Expenses</b>		<b>2,524,286</b>	<b>2,626,842</b>
<b>Profit before Income Tax, Grants Paid, and Fair Value changes</b>		<b>134,213</b>	<b>303,721</b>
Fair Value Gain / (Loss) on Investments	<i>5</i>	241,558	(12)
Income Tax Expense		-	-
<b>Profit for year before Grants Paid</b>		<b>375,770</b>	<b>303,709</b>
Grants Paid		(210,252)	(295,893)
Other Comprehensive Income		-	-
<b>Profit transferred to Retained Earnings</b>		<b>165,519</b>	<b>7,816</b>

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

## Statement of Changes in Equity

	<b>Total</b>
<b>Balance at 1 July 2012</b>	6,373,579
Profit for the year	7,816
Other comprehensive income	-
<b>Total comprehensive income for the year</b>	<b>6,381,395</b>
Transfers	-
Grants paid	-
<b>Balance at 30 June 2013</b>	<b>6,381,395</b>
Profit for the year	165,519
Other comprehensive income	-
<b>Total comprehensive income for the year</b>	<b>165,519</b>
Transfers	-
Grants paid	-
<b>Balance at 30 June 2014</b>	<b>6,546,913</b>

Certain comparatives have been restated due to a reclassification of some items between the different categories of the financial statements. These reclassifications, including grants paid, do not have an impact on the total equity reported in the prior year.


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

## Statement of Financial Position

	Note	2014	2013
<b>ASSETS</b>			
Cash and cash equivalents		3,404,907	259,318
Money market and call deposits		11,076,860	13,957,759
Accounts receivable	13	380,684	281,963
Investments at fair value through profit or loss	7	14,806,785	20,519,812
Investment properties	14	3,629,596	0
Property, plant and equipment	4	13,957	43,143
Other investments	15	1,763,868	1,728,355
Loans and advances	6	14,599,569	13,108,230
<b>Total Assets</b>		<b>49,676,225</b>	<b>49,898,580</b>
<b>LIABILITIES</b>			
Accounts payable		155,388	2,222
GST/Withholding Tax payable / (refundable)		(59,768)	6,408
Sundry accruals		80,355	62,835
Accrued interest		456,962	495,373
Depositors' funds	11	42,496,375	42,950,347
<b>Total Liabilities</b>		<b>43,129,313</b>	<b>43,517,185</b>
<b>SOCIETY'S EQUITY</b>			
Retained earnings		6,546,912	6,381,395
Grants reserve		0	0
<b>Total Equity</b>		<b>6,546,912</b>	<b>6,381,395</b>
<b>TOTAL LIABILITIES and SOCIETY'S EQUITY</b>		<b>49,676,225</b>	<b>49,898,580</b>

Signed on behalf of the Board of Directors:

  
 \_\_\_\_\_ Date 22/10/2014  
 Chairman

  
 \_\_\_\_\_ Date 22/10/2014  
 Director

## Statement of Cash Flows

	Note	2014	2013
<b>Cash flow from operating activities</b>			
<i>Cash was provided from:</i>			
Rent received		46,434	28,990
Interest received		2,506,722	2,923,755
Donations and bequests		20,874	17,774
Other		-	60,930
		<u>2,574,030</u>	<u>3,031,448</u>
<i>Cash was disbursed to:</i>			
Payment to suppliers		(214,461)	(328,124)
Payment to and on behalf of employees		(341,950)	(339,266)
Rent paid		(36,113)	(67,280)
Interest paid		(699,314)	(600,191)
Grants Paid		(221,753)	-
Other		-	(10,264)
		<u>(1,513,591)</u>	<u>(1,345,125)</u>
<b>Net cash flow from operating activities</b>	17	<u>1,060,439</u>	<u>1,686,323</u>
<b>Cash flow from investing activities</b>			
<i>Cash was provided from:</i>			
Sale of property investments		-	1,740,116
		<u>-</u>	<u>1,740,116</u>
<i>Cash was disbursed to:</i>			
Providing Loans and Advances		(1,491,339)	(528,325)
Redemption / (Purchase) of Fixed Rate Investment (Net)		5,916,323	(284,423)
Purchase of property, plant and equipment		-	(3,405)
Purchase of investment property		(3,629,596)	-
		<u>795,388</u>	<u>(816,153)</u>
<b>Net cash flow from investing activities</b>		<u>795,388</u>	<u>923,963</u>
<i>Cash was disbursed to:</i>			
Depositors Fund (Net)		(1,591,137)	1,203,263
Grants Paid		-	(295,924)
		<u>(1,591,137)</u>	<u>907,339</u>
<b>Net cash flow from financing activities</b>		<u>(1,591,137)</u>	<u>907,339</u>
<b>Net increase (decrease) in cash</b>		264,690	3,517,625
Cash at the beginning of year		<u>14,217,077</u>	<u>10,699,452</u>
Cash at the end of year		<u>14,481,767</u>	<u>14,217,077</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 financial statements



## Notes to and forming part of the financial statements

### 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 (Charity Debt Securities) Exemption Notice 2013. 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 the mission and ministry of the Presbyterian Church. The address of the Society's registered office is Level 2, 111 Great South Road, Greenlane, Auckland.

The financial statements of the Society for the year ended 30 June 2014 were authorised for issue in accordance with the resolution of the Directors on the date indicated on page 4.

#### Measurement base

The financial statements have been prepared on an 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. They comply with New Zealand equivalents to the International Financial Reporting Standards. They also comply with International Financial Reporting Standards. The Society has designated itself as a public benefit entity.

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.

##### *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. Collectability of receivables is assessed on an on-going 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 includes financial difficulties of the debtor or default payments. 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 13) and loans and advances (note 6).

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 2014 (2013: 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*

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	7.20% - 36.00%
Office Fit outs	8.40%

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

*j) Investment properties*

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 owns its offices. 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' funds) 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) Goods 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. However, the building at 111 Gt South Road, Greenlane is owned and, therefore, GST-claiming/paying.

*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 cannot 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.

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

## 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 7

**Amendments to NZ IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities**

These amendments introduce disclosures, which provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position.

The amendments to NZ IFRS 7 do not apply to public benefit entities. This standard had no material impact on the Society.

(ii) NZ IFRS 7

**Amendments to NZ IFRS 7 Financial Instruments: Disclosures – Transition Disclosures**

These amendments to NZ IFRS 7 remove the requirement for the restatement of comparative period financial statements upon initial application of the classification and measurement requirements of NZ IFRS 9.

Instead, the amendments introduce additional disclosures on transition from the classification and measurement requirements of NZ IAS 39 Financial Instruments: Recognition and Measurement to those of NZ IFRS 9. This standard had no material impact on the Society.

(iii) NZ IFRS 13

**Fair Value Measurement**

NZ IFRS 13 establishes a single source of guidance under NZ IFRS for determining the fair value of assets and liabilities. NZ IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under NZ IFRS when fair value is required or permitted by NZ IFRS. Application of this guidance may result in different fair values being determined for the relevant assets.

NZ IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. This standard had no material impact on the Society.

(iv) NZ IFRS 9 (2009)

**Financial Instruments**

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of NZ IAS 39. The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:

- Two categories for financial assets being amortised cost or fair value
- Strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if
  - (a) the contractual cash flows from the instrument represent principal and interest and
  - (b) the entity's purpose for holding the instrument is to collect the contractual cash flows

This standard had no material impact on the Society.

## 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 accounted for and disclosed at fair value at each reporting date. The fair value is derived through use of mathematical models. Normally, observable market data is not readily available for input into the models so judgement through independent valuers is required to establish fair values.

Where the fair value of financial assets or financial 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 subsequent 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. This assessment includes consideration of the agreed transition of authorised deposits and loans to an alternative provider. 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.

## 3. Total Revenue and Other Income

	2014	2013
<b>3a Total revenue</b>		
Rental revenue	46,433	15,527
Interest earned	2,488,978	2,792,946
	<u>2,535,411</u>	<u>2,808,473</u>
<b>3b Total other income</b>		
Gain on sale of investments	-	-
Miscellaneous Income	102,213	104,317
Donations & Bequests	20,874	17,774
	<u>123,087</u>	<u>122,090</u>
<b>3 Total revenue and other income</b>	<u><u>2,658,499</u></u>	<u><u>2,930,564</u></u>

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

#### 4. Property Plant and Equipment

	2014	2013
<b>Equipment &amp; Computers</b>		
Cost	89,083	89,083
Accumulated Depreciation	(75,127)	(46,071)
<b>Carrying Amount</b>	<b>13,957</b>	<b>43,012</b>
<b>Office Fitouts</b>		
Cost	0	7,567
Accumulated Depreciation	-	(7,436)
<b>Carrying Amount</b>	<b>0</b>	<b>131</b>
<b>Total Carrying Amount</b>	<b>13,957</b>	<b>43,142</b>
Depreciation Charge for year ended 30 June	29,056	29,707
Disposals for the year end 30 June	0	7,473
Purchases for the year ended 30 June	0	3,405

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

## 5. Expenses

	2014	2013
The expenses in the statement of comprehensive income include:		
Change in fair value of investments		
- Financial assets at fair value through profit and loss	206,045	(32,909)
- Other Investments at fair value through profit and loss	35,513	32,897
- Investment property	-	-
Gain/(loss) on sale of investments	131	14,541
Depreciation	(29,056)	(29,707)
Rental and operating lease expenses		
- Minimum lease payments	(36,113)	(56,735)
Auditor's fees		
- Auditing the financial statements	(21,483)	(15,799)
Impairment in the value of assets (by asset class)	-	-
Impairment losses reversed (by asset class)	-	-
Employee benefits		
- Salaries and wages	(373,011)	(372,425)
Investment property operating expenses for		
- properties that generated rental income	(26,144)	(5,051)
- properties that did not generate rental income	-	-

## 6. Loans and Advances

	2014	%	2013	%
Church Loans - secured	14,599,569	100%	13,108,230	100%
Church Loans - unsecured	-	-	-	-
	14,599,569	100%	13,108,230	100%

Church loans are provided for terms ranging from 1 to 15 years. Principal repayments are made by way of fortnightly or monthly instalments. Additional principal repayments may be made without penalty. Church loans include 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 ageing of the loans is given under note 10.4.

No collateral was repossessed during the year (2013: \$nil). The Society has no past due or impaired assets as at 30 June 2014 (2013: \$nil). Please refer to note 21 for further details.

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

## 7. Investments at Fair Value through Profit and Loss

	2014	%	2013	%
Fixed Interest Investments				
- Listed	9,082,972	61.34%	8,885,434	43.30%
- Unlisted				
- Traded	5,723,813	38.66%	11,634,378	56.70%
- Untraded	0	0.00%	0	0.00%
	<b>14,806,785</b>	<b>100.00%</b>	<b>20,519,812</b>	<b>100.00%</b>

The ratings of the Fixed Interest investments are:

AA	513,742	3.47%	1,042,303	5.08%
AA-	2,057,892	13.90%	6,986,943	34.05%
A+	2,384,049	16.10%	404,304	1.97%
A	274,633	1.85%	2,188,226	10.66%
A-	1,247,102	8.42%	864,510	4.21%
Ba2	0	0.00%	0	0.00%
BBB+	4,979,820	33.63%	2,347,638	11.44%
BBB	0	0.00%	1,995,020	9.72%
BBB-	816,871	5.52%	1,530,058	7.46%
BB+	0	0.00%	0	0.00%
BB	0	0.00%	0	0.00%
B-	0	0.00%	0	0.00%
NR*	2,532,675	17.10%	3,160,810	15.40%
	<b>14,806,785</b>	<b>100.00%</b>	<b>20,519,811</b>	<b>100.00%</b>

\*NR – Not rated by any agency

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



## 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 \$1,590 (2013: \$4,443).

At 30 June 2014 loans to Directors and staff amounted to \$nil- (2013: \$nil-).

There were no related party balances with any key management personnel (2013: \$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.

The Society is exempt from specific requirements of the Reserve Bank Act 1989, due to the Deposit Takers (Charities) Exemption Notice 2014. The specific exemptions are:

- Section 157I – the requirement to have a credit rating
- Section 157L – governance requirements
- Section 157M – risk management requirements
- Sections 157T and 157U – capital ratio requirements
- Sections 157X and 157Y – related party exposure requirements
- Sections 157ZA and 157ZB – liquidity requirements

### 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.

*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.  
Financial Statements for the year ended 30 June 2014*

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

	2014	2013
	\$	\$
Bank balances	3,404,907	259,318
Receivables	380,684	281,963
Money market & call deposits	11,076,860	13,957,759
Fixed interest investments	14,806,785	20,519,812
Other investments	1,763,868	1,728,355
Loans and advances	14,599,569	13,108,230

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 2.08% (2013: 2.81%) of total deposits and the largest loan accounts for 14.71% (2013: 11.44%) of loans & advances at balance date. 21.18% (2013: 24.18%) 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.

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

## 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 2014 was 87.54% (2013: 88%). The Society generates sufficient cash flows from its operating activities to make timely payments.

The Society holds 69% of Depositors' funds (2013: 80%) in cash, short term deposits and negotiable securities. The Society has a total bank overdraft facility of \$20,000 (2013: \$20,000). Of this, \$Nil (2013: \$Nil) was drawn by the Society at balance date.

### Liquidity Profile of Monetary Assets and Liabilities

As at 30 June 2014	0 - 6 months	7 - 12 months	1 - 2 years	Over 2 years	Total
<b>Financial Assets - expected maturities</b>					
Cash and cash equivalents	3,404,907	-	-	-	3,404,907
Accounts receivable	380,684	-	-	-	380,684
Money market and call deposits	11,076,860	-	-	-	11,076,860
Loans and advances	804,650	1,330,160	1,984,641	10,480,118	14,599,569
Fixed interest investments	2,303,500	508,738	1,191,792	10,802,755	14,806,785
<b>Total Assets</b>	<b>17,970,601</b>	<b>1,838,898</b>	<b>3,176,433</b>	<b>21,282,873</b>	<b>44,268,805</b>
<b>Financial Liabilities - expected maturities</b>					
Payables and provisions	175,976	-	-	-	175,976
Accrued interest	402,689	54,273	-	-	456,962
Depositors' funds	21,073,574	15,919,127	5,503,674	-	42,496,375
<b>Total Liabilities</b>	<b>21,652,239</b>	<b>15,973,400</b>	<b>5,503,674</b>	<b>-</b>	<b>43,129,313</b>
As at 30 June 2013	0 - 6 months	7 - 12 months	1 - 2 years	Over 2 years	Total
<b>Assets</b>					
Cash and cash equivalents	259,318	-	-	-	259,318
Accounts receivable	281,963	-	-	-	281,963
Money market and call deposits	12,107,759	1,850,000	-	-	13,957,759
Loans and advances	-	372,010	1,998,844	10,737,376	13,108,230
Fixed interest investments	6,100,701	3,365,868	2,849,335	8,203,908	20,519,812
<b>Total Assets</b>	<b>18,749,740</b>	<b>5,587,878</b>	<b>4,848,179</b>	<b>18,941,284</b>	<b>48,127,081</b>
<b>Liabilities</b>					
Payables and provisions	65,057	-	-	-	65,057
Accrued interest	286,297	156,957	52,118	-	495,372
Depositors' funds	21,404,772	16,208,990	5,336,585	-	42,950,347
<b>Total Liabilities</b>	<b>21,756,126</b>	<b>16,365,947</b>	<b>5,388,703</b>	<b>-</b>	<b>43,510,776</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.

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

### 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. (2013:\$Nil)

### 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 34% of Depositors' funds (2013: 31%) 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.

#### Re-pricing Analysis.

As at 30 June 2014

Financial Assets	Effective Interest Rate	0 - 6 months	7 - 12 months	1 - 2 years	Over 2 years	Total
Cash and cash equivalents		3,785,591	-	-	-	3,785,591
Money market and call deposits		11,076,860	-	-	-	11,076,860
Loans and advances		804,650	1,330,160	1,984,641	10,480,118	14,599,569
Investments at fair value through profit or loss		2,303,500	508,738	1,191,792	10,802,755	14,806,785
<b>Total Financial Assets</b>		<b>17,970,601</b>	<b>1,838,898</b>	<b>3,176,433</b>	<b>21,282,873</b>	<b>44,268,806</b>
<b>Financial Liabilities</b>						
Depositors' funds	4.30%	21,073,574	15,919,127	5,503,674	-	42,496,375
<b>Total Financial Liabilities</b>		<b>21,073,574</b>	<b>15,919,127</b>	<b>5,503,674</b>	<b>-</b>	<b>42,496,375</b>

As at 30 June 2013

Financial Assets	Effective Interest Rate	0 - 6 months	7 - 12 months	1 - 2 years	Over 2 years	Total
Cash and cash equivalents		259,318	-	-	-	259,318
Money market and call deposits	4.80%	12,107,759	1,850,000	-	-	13,957,759
Loans and advances	6.29%	-	372,010	1,998,844	10,737,376	13,108,230
Investments at fair value through profit or loss	7.38%	6,100,701	3,365,868	2,849,335	8,203,908	20,519,812
<b>Total Financial Assets</b>		<b>18,467,778</b>	<b>5,587,878</b>	<b>4,848,179</b>	<b>18,941,284</b>	<b>47,845,119</b>
<b>Financial Liabilities</b>						
Depositors' funds	4.48%	21,404,772	16,208,990	5,336,585	-	42,950,347
<b>Total Financial Liabilities</b>		<b>21,404,772</b>	<b>16,208,990</b>	<b>5,336,585</b>	<b>-</b>	<b>42,950,347</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.

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

## 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 2014			Year Ended 30 June 2013		
	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
<b>Financial assets</b>						
Fixed term investments						
- Listed (note 7)	9,082,972	0	9,082,972	8,885,434	0	8,885,434
- Unlisted (note 7)	0	5,723,813	5,723,813	0	11,634,378	11,634,378
Trust Investment Fund (note 15)	0	1,686,651	1,686,651	0	1,651,138	1,651,138
	<u>9,082,972</u>	<u>7,410,465</u>	<u>16,493,436</u>	<u>8,885,434</u>	<u>13,285,516</u>	<u>22,170,950</u>

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. Depositors' Fund

### 11 Depositors' Funds

	<u>2014</u>	<u>2013</u>
Depositors funds	42,496,375	42,950,347
Less: current portion	36,992,701	37,613,761
<b>Total term liabilities</b>	<u>5,503,674</u>	<u>5,336,586</u>
Repayable as follows:		
less than 1 year	36,992,701	37,613,761
between 1-5 years	5,503,674	5,336,586
greater than 5 years	0	0
	<u>42,496,375</u>	<u>42,950,347</u>

The policy for managing liquidity risk is described in note 10.2

The Society had no secured bank loans outstanding in 2014 (2013: \$nil-). The Society had no finance leases outstanding in 2014 (2013: \$nil-).

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

**Security**

Bank overdraft facilities are unsecured and unused at balance date. (2013: \$nil-) The Depositors' funds are also unsecured and the maturity term does not usually exceed two years.

## 12. Employee Entitlements

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	19,514	16,138
Additional provision	3,376	3,376
Amount utilised	-	-
Effect of discounting	-	-
<b>Balance at end of year</b>	<b>22,890</b>	<b>19,514</b>

This is represented by:

Current liability	22,890	19,514
Non-current liability	-	-
<b>Balance at end of year</b>	<b>22,890</b>	<b>19,514</b>

## 13. Receivables and Prepayments

	<u>2014</u>	<u>2013</u>
Accruals	27,321	989
Accrued interest on Church loans	30,193	2,468
Accrued interest on Commercial loans	-	-
Accrued interest on Other Investments	274,582	234,360
Short-term investment receivable	33,905	44,146
Prepayments	14,683	-
Sundry Debtors	-	-
	<b>380,684</b>	<b>281,963</b>

At 30 June 2014 loans to Directors and Staff amounted to \$nil-(2013:\$nil)

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

### 13.1 Health of Receivables

All financial assets are within the contracted terms.

	2014		2013	
	Gross	Impairment	Gross	Impairment
Not yet due	380,684	-	281,963	-
Overdue 0-31 days	-	-	-	-
Overdue 31-92 days	-	-	-	-
Overdue 93-184 days	-	-	-	-
Overdue more than 184 days	-	-	-	-
<b>Total receivables and prepayments</b>	<b>380,684</b>	<b>-</b>	<b>281,963</b>	<b>-</b>

	2014	2013
Gross trade receivables	380,684	281,963
Related party receivables	-	-
Individually impaired debts	-	-
Allowance for collectively impaired debts	-	-
<b>Total receivables and prepayments</b>	<b>380,684</b>	<b>281,963</b>

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

### 14. Investment Properties

	2014	2013
Carrying amount at 1 July 2013	-	1,750,000
Additions	3,629,596	-
Disposals and assets held for sale	-	(1,750,000)
Revaluations	-	-
<b>Carrying amount at 30 June 2014</b>	<b>3,629,596</b>	<b>-</b>

There are no restrictions on realising any of the society's properties or remitting rental income. Currently, a portion of the owned property at 111 Gt South Rd, Greenlane is being renovated. The monetary balance of renovation costs is \$512,066 as at 30<sup>th</sup> June 2014. The Capital Commitments at 30<sup>th</sup> June 2014 are detailed in Note 18.

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

## 15. Other Investments

Comprise investments in the following funds:	<u>2014</u>	<u>2013</u>
Trust Investment - Group Fund Investments: property fund - at market value	1,686,651	1,651,138
Auckland Mortgage Fund - at market value	77,217	77,217
	<u>1,763,868</u>	<u>1,728,355</u>

## 16. Contingent Liabilities

	<u>2014</u>	<u>2013</u>
Guarantee of bank overdraft facilities		
At balance date the amount of the bank overdraft so guaranteed was:	<u>0</u>	<u>0</u>

## 17. Reconciliation of Reported Surplus With Cash Flows From Operating Activities

	<u>2014</u>	<u>2013</u>
Net profit for the year	165,519	303,709
Add (less) non-cash items and non-operating items		
Depreciation	29,056	29,707
Profit/(Loss) on Sale of Investments	-	1,937
Profit/(Loss) on Sale of Property	131	12,604
Change in fair value of investments	(241,558)	12
Depositors interest compounded	1,137,165	1,271,217
Movement in working capital:		
Accounts payable	139,625	10,851
Employee accruals	31,061	2,933
GST/Withholding Tax	(66,176)	(218)
Accrued Interest payable	(38,411)	69,204
Provisions accrued	(0)	-
Receivables	(95,972)	(15,634)
	<u>1,060,439</u>	<u>1,686,322</u>

Cash inflows and outflows resulting from the sale and purchase of investments (including loans and advances) have been netted as have increases and decreases in deposits received. Disclosure of the gross receipts and payments is not essential to the understanding of these activities.



## 18. Commitments

	2014	2013
Capital commitments	-	-
	2014	2013
Operating lease commitments		
Less than one year	-	34,735
Between 1 and 5 years	-	-
Greater than 5 years	-	-
Total operating lease commitments	-	34,735

The Society used to lease premises at 17 Gt South Rd, Newmarket. The lease was terminated upon the purchase and moving into the property purchased at 111 Gt South Rd, Greenlane. There are further capital commitments of \$200,000 to complete the renovations.

## 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

By way of a Sale and Purchase Agreement signed in September 2014, the Society has agreed to transfer all loans, deposits with customer approval, selected investment bonds and cash balances to the Baptist Savings and Development Society (BSDS). In return, BSDS will maintain all current deposit and loan conditions and provide preferential rate secured loans for future Presbyterian Parish building needs. The transfer process will begin on 31 October 2014.

As a result of the above, the Society will cease to collect deposits from the public and provide loans to churches and related organisations. Presbyterian Savings will continue as an entity with a focus of investing its equity to provide funding for a grants programme in favour of the Presbyterian Church mission. There were no subsequent events requiring disclosure or measurement changes to the financial statements in the June 2013 or June 2014 accounts.

## **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 5 to 25, which comprise the statement of financial position as at 30 June 2014, 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.

## **INDEPENDENT AUDITOR'S REPORT Continued**

### **Opinion**

In our opinion, the financial statements on pages 5 to 25:

- 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 2014, and its financial performance and cash flows for the year ended on that date.

### **Other Matter**

As a consequence of the Sale and Purchase Agreement referred to in Note 21 to the financial statements, on 23 October 2014, The Presbyterian Savings and Development Society of New Zealand Inc changed its name to The Presbyterian Development Society of New Zealand Inc.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required.
- in our opinion proper accounting records have been kept by The Presbyterian Savings & Development Society of New Zealand Inc as far as appears from the examination of those records.
- The Presbyterian Savings & Development Society of New Zealand Inc did not register its 2013 financial statements with the Registrar within the period required by Section 18 of the Act.

*CST Nexia Audit*  
**CST Nexia Audit**  
**Chartered Accountants**  
**Manukau City**

**24 October 2014**