

THE PRESBYTERIAN DEVELOPMENT
SOCIETY OF NEW ZEALAND INC.



PDS

FINANCIAL STATEMENTS
For the year ended 30 June 2015

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Directory

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

In the opinion of the Directors:

- the statement of comprehensive income is drawn up so as to present fairly the financial result of the Society for the financial year ended 30 June 2015;
- the statement of financial position is drawn up so as to present fairly the state of affairs of the Society as at 30 June 2015; 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

29 March 2016

Director

Date

29 March 2016

Statement of Comprehensive Income

	Note	2015	2014
Revenue			
Rental Revenue		173,592	46,433
Interest Earned		804,005	2,488,978
Total Revenue	<i>3a</i>	977,598	2,535,411
Other Revenue			
Gain on Sale of Investments		-	-
Miscellaneous income		74,707	102,213
Donations and Bequests		13,477	20,875
Total Other Revenue	<i>3b</i>	88,184	123,088
Total Revenue	<i>3</i>	1,065,781	2,658,500
Expenses			
Loss on Sale of Investments			131
Interest on Investor deposits		602,428	1,798,068
Administration Costs		581,005	641,294
Promotion and Marketing Costs		11,601	55,738
Depreciation		7,666	29,056
Total Expenses	<i>5</i>	1,202,698	2,524,286
Profit before Income Tax, Grants Paid, and Fair Value changes		-136,918	134,214
Fair Value Gain / (Loss) on Investments		119,922	241,558
Fair Value Adjustment on Investment Property		(464,121)	-
Grants Paid		(160,847)	(210,252)
Other Comprehensive Income		-	-
Profit transferred to Retained Earnings		-641,964	165,519

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



Statement of Changes in Equity

	Retained Earnings	Total
Balance at 1 July 2013	6,381,395	6,381,395
Profit for the year	165,519	165,519
Other comprehensive income	-	-
Total comprehensive income for the year	165,519	6,546,914
Transfers	-	-
Grants paid	-	-
Balance at 30 June 2014	6,546,914	6,546,914
Profit for the year	-641,964	-641,964
Other comprehensive income	-	-
Total comprehensive income for the year	-641,964	-641,964
Transfers	-	-
Grants paid	-	-
Balance at 30 June 2015	5,904,950	5,904,950

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	2015	2014
ASSETS			
Cash and cash equivalents		403,037	3,404,907
Money market and call deposits		797,908	11,076,860
Accounts receivable	13	27,025	380,684
Investments at fair value through profit or loss	7	-	14,806,785
Investment properties	14	3,400,000	3,629,596
Property, plant and equipment	4	-	13,957
Other investments	15	1,300,000	1,763,868
Loans and advances	6	75,177	14,599,569
Total Assets		6,003,147	49,676,225
LIABILITIES			
Accounts payable		15,448	155,386
GST/Withholding Tax payable / (refundable)		(4,355)	(59,768)
Sundry accruals		16,780	80,355
Accrued interest		159	456,962
Depositors' funds	11	70,165	42,496,375
Total Liabilities		98,197	43,129,311
SOCIETY'S EQUITY			
Retained earnings		5,904,950	6,546,914
Grants reserve		-	-
Total Equity		5,904,950	6,546,914
TOTAL LIABILITIES and SOCIETY'S EQUITY		6,003,147	49,676,225

Signed on behalf of the Board of Directors:

Chairman				Date 29/03/2016
Director				Date 29/03/2016

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

Statement of Cash Flows

	Note	2015	2014
Cash flow from operating activities			
<i>Cash was provided from:</i>			
Rent received		224,512	46,434
Interest received		1,106,955	2,506,722
Donations and bequests		13,477	20,874
Other		74,496	-
		<u>1,419,440</u>	<u>2,574,030</u>
<i>Cash was disbursed to:</i>			
Payment to suppliers		(506,960)	(214,461)
Payment to and on behalf of employees		(289,161)	(341,950)
Rent paid		-	(36,113)
Interest paid		(456,803)	(699,314)
Grants Paid		(160,847)	(221,753)
Tax Paid		55,413	-
		<u>(1,358,358)</u>	<u>(1,513,591)</u>
Net cash flow from operating activities	17	<u>61,082</u>	<u>1,060,439</u>
Cash flow from investing activities			
<i>Cash was provided from:</i>			
Loans transferred to BSDS		14,524,392	-
Sales of BSDS Shares		200,000	-
Redemption of Fixed Rate Investment (Net)		16,690,575	-
Sale of property investments		-	-
		<u>31,414,967</u>	<u>-</u>
<i>Cash was disbursed to:</i>			
Providing Loans and Advances		-	(1,491,339)
(Purchase) of Fixed Rate Investment (Net)		-	5,916,323
Purchase of property, plant and equipment		-	-
Purchase of BSDS Shares		(1,500,000)	-
Purchase of investment property		(228,234)	(3,629,596)
		<u>(1,728,234)</u>	<u>795,388</u>
Net cash flow from investing activities		<u>29,686,733</u>	<u>795,388</u>
<i>Cash was disbursed to:</i>			
Depositors Fund (Net)		(43,028,638)	(1,591,137)
Grants Paid		-	-
		<u>(43,028,638)</u>	<u>(1,591,137)</u>
Net cash flow from financing activities		<u>(43,028,638)</u>	<u>(1,591,137)</u>
Net increase (decrease) in cash		(13,280,823)	264,690
Cash at the beginning of year		<u>14,481,767</u>	<u>14,217,077</u>
Cash at the end of year		<u>1,200,944</u>	<u>14,481,767</u>

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 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 no longer an issuer for the purposes of the Financial Reporting Act 1993 nor 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 2015 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.

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

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 has no loans categorised as impaired at 30 June 2015 (2014: 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 was 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.

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 an independent valuer 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

	2015	2014
3a Total revenue		
Rental revenue	173,592	46,433
Interest earned	804,005	2,488,978
	977,598	2,535,411
3b Total other income		
Gain on sale of investments	-	-
Miscellaneous Income	74,707	102,213
Donations & Bequests	13,477	20,875
	88,184	123,088
3 Total revenue and other income	1,065,781	2,658,500

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

4. Property Plant and Equipment

	2015	2014
Equipment & Computers		
Cost	0	89,083
Accumulated Depreciation	-	(75,127)
Carrying Amount	0	13,956
Office Fitouts		
Cost	0	0
Accumulated Depreciation	-	-
Carrying Amount	0	0
Total Carrying Amount	0	13,956
Depreciation Charge for year ended 30 June	7,666	29,056
Disposals for the year end 30 June	6,348	0
Purchases for the year ended 30 June	0	0

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

5. Expenses

	2015	2014
The expenses in the statement of comprehensive income include:		
Change in fair value of investments		
- Financial assets at fair value through profit and loss	119,922	206,045
- Other Investments at fair value through profit and loss	-	35,513
- Investment property	(464,121)	-
Gain/(loss) on sale of investments	-	131
Depreciation	(7,666)	(29,056)
Rental and operating lease expenses		
- Minimum lease payments	-	(36,113)
Auditor's fees		
- Auditing the financial statements	(20,805)	(21,483)
Impairment in the value of assets (by asset class)	17,195	-
Impairment losses reversed (by asset class)	-	-
Employee benefits		
- Salaries and wages	(289,161)	(373,011)
Investment property operating expenses for		
- properties that generated rental income	(30,631)	(26,144)
- properties that did not generate rental income	-	-

6. Loans and Advances

	2015	%	2014	%
Church Loans - secured	75,177	100%	14,599,569	100%
Church Loans - unsecured	-	-	-	-
	75,177	100%	14,599,569	100%

The single remaining Church loan is provided for a term remaining of less than 2 years. Principal repayments are made on full loan repayment. The Church is a Presbyterian Church and is secured by first mortgage. The loan is 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 (2014: \$nil). The Society has no past due or impaired assets as at 30 June 2015 (2014: \$nil). Please refer to note 21 for further details.

7. Investments at Fair Value through Profit and Loss

	2015	%	2014	%
Fixed Interest Investments				
- Listed	0		9,082,972	61.34%
- Unlisted				
- Traded	0		5,723,813	38.66%
- Untraded	0		0	0.00%
	0	0.00%	14,806,785	100.00%

The ratings of the Fixed Interest investments are:

AA	0		513,742	3.47%
AA-	0		2,057,892	13.90%
A+	0		2,384,049	16.10%
A	0		274,633	1.85%
A-	0		1,247,102	8.42%
Ba2	0		0	0.00%
BBB+	0		4,979,820	33.63%
BBB	0		0	0.00%
BBB-	0		816,871	5.52%
BB+	0		0	0.00%
BB	0		0	0.00%
B-	0		0	0.00%
NR*	0		2,532,675	17.10%
	0	0.00%	14,806,785	100.00%

*NR – Not rated by any 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.

The Society no longer has any staff employed. All staff payment liabilities are complete and no liabilities are therefore recorded.

9. Related parties

At 30 June 2015 loans to Directors and staff amounted to \$nil- (2014: \$nil-).

There were no related party balances with any key management personnel (2014: \$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 no longer a registered financial service provider and does not trade in debt securities. Remaining debt security balance are unclaimed funds.

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:

	2015	2014
	\$	\$
Bank balances	403,037	3,404,907
Receivables	27,025	380,684
Money market & call deposits	797,908	11,076,860
Fixed interest investments	1,300,000	14,806,785
Other investments	0	1,763,868
Loans and advances	75,177	14,599,569

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 48% (2014: 2.08%) of total deposits and the largest loan accounts for 100% (2014: 14.71%) of loans & advances at balance date. 80% (2014: 21.18%) 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.

10.2 Liquidity risk

Liquidity risk represents the Society's ability to meet its financial obligations on time. The Society's no longer receives deposits and has actively pursued the repayment of all outstanding debt securities. Consequently there is no reinvestment rate for the year to 30 June 2015 (2014: 87.54%). The Society generates sufficient cash flows from its operating activities to make timely payments.

The Society holds 100% of Depositors' funds (2014: 69%) in cash and short term deposits. The Society has a total bank overdraft facility of \$20,000 (2014: \$20,000). Of this, \$Nil (2014: \$Nil) was drawn by the Society at balance date.

Liquidity Profile of Monetary Assets and Liabilities

As at 30 June 2015	0 - 6 months	7 - 12 months	1 - 2 years	Over 2 years	Total
Financial Assets - expected maturities					
Cash and cash equivalents	403,037	-	-	-	403,037
Accounts receivable	27,025	-	-	-	27,025
Money market and call deposits	47,908	750,000	-	-	797,908
Loans and advances	75,177	-	-	-	75,177
Fixed interest investments	-	-	-	1,300,000	1,300,000
Total Assets	553,147	750,000	-	1,300,000	2,603,147
Financial Liabilities - expected maturities					
Payables and provisions	23,061	-	-	-	23,061
Accrued interest	62	-	-	-	62
Depositors' funds	15,335	3,340	5,227	-	23,903
Total Liabilities	38,459	3,340	5,227	-	47,026
As at 30 June 2014					
	0 - 6 months	7 - 12 months	1 - 2 years	Over 2 years	Total
Assets					
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	2,304,823	508,738	1,191,792	10,802,755	14,808,108
Total Assets	17,971,924	1,838,898	3,176,433	21,282,873	44,270,128
Liabilities					
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
Total Liabilities	21,652,239	15,973,400	5,503,674	-	43,129,313

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. (2014:\$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 0% of Depositors' funds (2014: 34%) is made at floating interest rates. Future interest rate movements will affect cash flows and the market value of fixed interest investments.

The Society does not use interest rate swaps or forward rate agreements to manage interest rate risk.

Re-pricing Analysis.

As at 30 June 2015

Financial Assets	Effective Interest Rate	0 - 6 months	7 - 12 months	1 - 2 years	Over 2 years	Total
Cash and cash equivalents		430,062	-	-	-	430,062
Money market and call deposits		47,908	750,000	-	-	797,908
Loans and advances		75,177	-	-	-	75,177
Investments at fair value through profit or loss		-	-	-	1,300,000	1,300,000
Total Financial Assets		553,147	750,000	-	1,300,000	2,603,148
Financial Liabilities						
Depositors' funds	2.80%	15,335	3,340	5,227	-	23,903
Total Financial Liabilities		15,335	3,340	5,227	-	23,903

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		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
Total Financial Assets		18,467,778	5,587,878	4,848,179	18,941,284	47,845,119
Financial Liabilities						
Depositors' funds	4.48%	21,073,574	15,919,127	5,503,674	-	42,496,375
Total Financial Liabilities		21,073,574	15,919,127	5,503,674	-	42,496,375

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 2015			Year Ended 30 June 2014		
	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)	0	0	0	9,082,972	0	9,082,972
- Unlisted (note 7)	0	0	0	0	5,723,813	5,723,813
Trust Investment Fund (note 15)	0	0	0	0	1,686,651	1,686,651
	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,082,972</u>	<u>7,410,464</u>	<u>16,493,436</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

	<u>2015</u>	<u>2014</u>
Depositors funds	70,165	42,496,375
Less: current portion	64,937	36,992,701
Total term liabilities	<u>5,227</u>	<u>5,503,674</u>
Repayable as follows:		
less than 1 year	64,937	36,992,701
between 1-5 years	5,227	5,503,674
greater than 5 years	0	0
	<u>70,165</u>	<u>42,496,375</u>

The policy for managing liquidity risk is described in note 10.2

The Society had no secured bank loans outstanding in 2015 (2014: \$nil-). The Society had no finance leases outstanding in 2015 (2014: \$nil-).

Security

Bank overdraft facilities are unsecured and unused at balance date. (2014: \$nil-) The Depositors' funds are also unsecured and the maturity term does not usually exceed two years.

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

12. Employee Entitlements

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	22,890	19,514
Additional provision	-	3,376
Amount utilised	(22,890)	-
Effect of discounting	-	-
Balance at end of year	0	22,890

This is represented by:

Current liability	0	22,890
Non-current liability	-	-
Balance at end of year	0	22,890

13. Receivables and Prepayments

	<u>2015</u>	<u>2014</u>
Accruals	-	27,321
Accrued interest on Church loans	-	30,193
Accrued interest on Commercial loans	-	-
Accrued interest on Other Investments	-	274,582
Short-term investment receivable	-	33,905
Prepayments	-	14,683
Sundry Debtors	27,025	-
	27,025	380,684

At 30 June 2015 loans to Directors and Staff amounted to \$nil-(2014:\$nil)

13.1 Health of Receivables

All financial assets are within the contracted terms.

	2015		2014	
	Gross	Impairment	Gross	Impairment
Not yet due	27,025	-	380,684	-
Overdue 0-31 days	-	-	-	-
Overdue 31-92 days	-	-	-	-
Overdue 93-184 days	-	-	-	-
Overdue more than 184 days	-	-	-	-
Total receivables and prepayments	27,025	-	380,684	-

	2015	2014
Gross trade receivables	27,025	380,684
Related party receivables	-	-
Individually impaired debts	-	-
Allowance for collectively impaired debts	-	-
Total receivables and prepayments	27,025	380,684

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

14. Investment Properties

	2015	2014
Carrying amount at 1 July 2015	3,629,596	3,629,596
Additions	-	-
Disposals and assets held for sale	-	-
Revaluations	(229,596)	-
Carrying amount at 30 June 2015	3,400,000	3,629,596

There are no restrictions on realising any of the society's properties or remitting rental income. Currently, the remaining portion of the owned property at 111 Gt South Rd, Greenlane is being negotiated for lease. There are no Capital Commitments at 30th June 2015 (Note 18).

15. Other Investments

Comprise investments in the following funds:	2015	2014
Trust Investment - Group Fund Investments: property fund - at market value	-	1,686,651
Auckland Mortgage Fund - at market value	-	77,217
BSDS shares	1,300,000	
	1,300,000	1,763,868

16. Contingent Liabilities

	2015	2014
Guarantee of bank overdraft facilities	-	-

17. Reconciliation of Reported Surplus with Cash Flows From Operating Activities

	2015	2014
Net profit for the year	(641,964)	165,519
Add (less) non-cash items and non-operating items		
Depreciation	7,666	29,056
Fair value adjustment on investment property	464,121	-
Profit/(Loss) on Sale of Property	-	131
Change in fair value of investments	(119,922)	(241,558)
Depositors interest compounded	602,428	1,137,165
Movement in working capital:		
Accounts payable	(139,940)	139,625
Employee accruals	-63,575	31,061
GST/Withholding Tax	55,412	(66,176)
Accrued Interest payable	(456,803)	(38,411)
Provisions accrued	-	-
Receivables	353,659	(95,972)
	61,082	1,060,440

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.

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

18. Commitments

18 Commitments

	<u>2015</u>	<u>2014</u>
Capital commitments	-	-
	<u>2015</u>	<u>2014</u>
Operating lease commitments		
Less than one year	-	-
Between 1 and 5 years	-	-

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 2015 accounts.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Presbyterian Development Society of New Zealand Inc on pages 5 to 25, which comprise the statement of financial position as at 30 June 2015, 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.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and for such internal control as the directors determine 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 made by management, 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 Development Society of New Zealand Inc.

INDEPENDENT AUDITOR'S REPORT Continued

Opinion

In our opinion, the financial statements on pages 5 to 25 present fairly, in all material respects, the financial position of The Presbyterian Development Society of New Zealand Inc as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Other Matter

In September 2014, the Society finalised a Sale and Purchase Agreement to transfer all loans, deposits with customer approval, selected investment bonds and cash balances to another entity. The consequent effect of the agreement was that the Society ceased to collect deposits from the public. In this regard, it is the Directors' view that the Society ceased to be a non-bank deposit taker and therefore no longer an FMC Reporting Entity. The financial statements for the year to 30 June 2015 have therefore not been filed within four months of the reporting date.

CST Nexia Audit

**CST Nexia Audit
Chartered Accountants
Manukau City**

28 June 2016