

**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND**

**Financial Statements**

**For the Year Ended 30 June 2008**

**INDEX**

Auditor's Report	Page 1 - 2
Statement of Net Assets	Page 3
Statement of Changes in Net Assets	Page 4 - 5
Statement of Cash Flows	Page 6
Notes to the Financial Statements	Pages 7 to 16

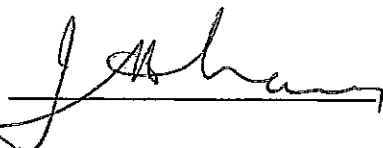
**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND**

**Statement of Net Assets**

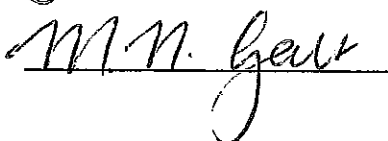
As at 30 June 2008

	Note	2008 \$	2007 \$
<b>Investments</b>	6		
Arcus Investment Management Ltd		-	13,545,704
ING (NZ) Ltd		12,400,724	19,957,659
Russell Investments		13,795,502	7,636,930
ANZ Term Deposits		10,033,289	4,000,000
Tyndall Investment Management NZ Ltd		19,129,518	24,504,444
Trust Investments		7,788,033	7,613,070
AllianceBernstein		11,354,802	-
		<u>74,501,868</u>	<u>77,257,807</u>
<b>Trustees</b>			
Mortgages on Properties		<u>361,849</u>	<u>475,357</u>
<b>Total Investments</b>		<u>74,863,717</u>	<u>77,733,164</u>
<b>CURRENT ASSETS</b>			
Cash at Bank		65,281	117,366
Contributions Receivable - Member		2,847	1,429
Contributions Receivable - Employer		-	1,064
Sundry Debtors		<u>221,105</u>	<u>207,437</u>
<b>Total Current Assets</b>		<u>289,233</u>	<u>327,296</u>
<b>Total Assets</b>		<u>75,152,950</u>	<u>78,060,460</u>
<b>Less LIABILITIES</b>			
Prepaid Contributions		5,293	35,075
Sundry Creditors		<u>132,474</u>	<u>152,723</u>
		<u>137,767</u>	<u>187,798</u>
<b>Term Liabilities</b>			
Supplementary Benefit Scheme		<u>1,781,300</u>	<u>2,042,463</u>
<b>Total Liabilities</b>		<u>1,919,067</u>	<u>2,230,261</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	2 & 3	<u>73,233,883</u>	<u>75,830,199</u>

For and on behalf of the Church Property Trustees which authorised the issue of these financial statements on:

Trustee 

Date 25 Sept 2008

Trustee 

This statement is to be read in conjunction with the notes on pages 7 to 16



**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND**

**Statement of Changes in Net Assets  
For the Year Ended 30 June 2008**

	Note	2008 \$	2007 \$
<b>INVESTMENT ACTIVITIES</b>			
<b>Increase in assets from:</b>			
<b>Investment activities</b>			
Change in net market values	8	(2,750,279)	1,749,642
<b>Revenue from Trustees Investments</b>			
Dividends		1,766,516	844,309
Interest		1,526,140	2,265,479
<b>Total revenue from trustees investments</b>		<u>3,292,656</u>	<u>3,109,788</u>
<b>Total Investment Revenue</b>		542,377	4,859,430
<b>Less: Investment Expenses</b>		<u>(119,567)</u>	<u>(161,319)</u>
<b>Net Investment Revenue</b>		422,810	4,698,111
 <b>OTHER EXPENSES</b>			
Actuarial Fees	11	67,071	20,981
Administration and management charges		133,972	124,960
Auditors' Remuneration		25,397	34,531
Investment Consulting		116,327	83,377
Legal expenses		27,958	2,822
Sundry expenses		9,174	6,202
<b>Total Other Expenses</b>		<u>379,899</u>	<u>272,873</u>
<b>Change in Net Assets before membership activities</b>		<u>42,911</u>	<u>4,425,238</u>
 <b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions</b>			
Member Contributions	5	540,189	486,139
Employer Contributions		753,547	740,830
Other employer assessments		159,671	146,073
Legacies and Gifts		40,443	-
<b>Total Contributions</b>		<u>1,493,850</u>	<u>1,373,042</u>



**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND**

**Statement of Changes in Net Assets  
For the Year Ended 30 June 2008**

		<b>2008</b>	<b>2007</b>
		<b>\$</b>	<b>\$</b>
<b>Benefits Paid</b>			
Annuities paid		2,065,268	2,056,165
Cash payments on retirement		715,174	561,383
Commutation payments on retirement		282,652	362,866
Surviving spouse annuities		789,971	804,377
Disablement allowances		157,338	157,083
Funeral grants		25,108	21,308
Special grants		96,410	43,308
Medical insurance premiums		300	-
Refunds on withdrawals		-	3,385
Earnings credited to members		856	78,300
<b>Total Benefits Paid</b>		<u>4,133,077</u>	<u>4,088,175</u>
<b>Net contributions paid</b>		<u>(2,639,227)</u>	<u>(2,715,133)</u>
<b>Net (Decrease)/Increase in Net Assets During the Year</b>	8	(2,596,316)	1,710,105
Net Assets Available for Benefits at Beginning of the Year		<u>75,830,199</u>	<u>74,120,094</u>
<b>Net Assets Available for Benefits at End of the Year</b>	10	<u>73,233,883</u>	<u>75,830,199</u>

This statement is to be read in conjunction with the notes on pages 7 to 16



**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND**

**Statement of Cash Flows**

**For the Year Ended 30 June 2008**

	Note	2008 \$	2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash provided from</i>			
Member Contributions		1,431,432	1,376,545
Legacies and Gifts		40,443	-
Debtors		6,316	3,571
Contributions to Supplementary Accounts		10,221	6,122
Dividends		469,136	521,805
Interest		227,536	12,667
		<u>2,185,084</u>	<u>1,920,710</u>
<i>Cash applied to</i>			
Benefits Paid		4,133,077	3,978,549
Fund Operating Costs		288,962	152,182
Fund and Investment Manager Fees		225,645	230,687
Withdrawals from Supplementary Accounts		272,037	114,387
		<u>4,919,721</u>	<u>4,475,805</u>
<b>Net Cash Flows from Operating Activities</b>	8	<u>(2,734,637)</u>	<u>(2,555,095)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash provided from</i>			
Proceeds from Sale of Investment Assets		7,530,000	14,415,603
Mortgages Repaid		152,552	58,853
		<u>7,682,552</u>	<u>14,474,456</u>
<i>Cash applied to</i>			
Purchase of Investments		5,000,000	11,807,767
Mortgage Investments Advanced		-	123,000
		<u>5,000,000</u>	<u>11,930,767</u>
<b>Net Cash Flows from Investing Activities</b>		<u>2,682,552</u>	<u>2,543,689</u>
<b>Net Decrease in Cash Held</b>		(52,085)	(11,406)
<b>Cash at Beginning of Year</b>		117,366	128,772
<b>Cash at End of Year</b>		<u>65,281</u>	<u>117,366</u>

This statement is to be read in conjunction with the notes on pages 7 to 16



## PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND

### Notes to the Financial Statements For the Year Ended 30 June 2008

#### 1. Statement of Accounting Policies

##### (a) *Reporting Entity*

The Presbyterian Church of Aotearoa New Zealand Beneficiary Fund (Beneficiary Fund or the Fund) provides retirement and other benefits to ordained ministers of the Presbyterian Church under a Trust Deed, the Regulations of which are published as Appendix E-23 of the 2003 Book of Order. The Presbyterian Church Property Trustees are the Fund's Trustees, and Aon Consulting Limited administers the Fund. The financial statements have been prepared in accordance with the provisions of the Trust Deed and generally accepted accounting practice.

##### (b) *Measurement Base*

The measurement base adopted in the preparation of the financial statements is that of historical cost with the exception of investments, which are stated at current value.

##### (c) *Particular Accounting Policies*

The following are the significant accounting policies, which have been adopted in the preparation of the financial statements.

###### (i) *Assets*

Assets of the Fund are recorded at market values as at balance date and changes in the market values of assets are recognised in the Statement of Changes in Net Assets in the years in which they occur. Market values have been determined as follows:

- In the case of shares in listed companies and government and other fixed interest securities by reference to relevant market quotations;
- In the case of property advances and mortgages on property, by reference to the outstanding principal of the loans.

###### (ii) *Foreign Currencies*

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction.

At balance date foreign monetary assets are translated at the closing rate. The exchange difference arising from the translation of the opening net investment at an exchange rate different from that previously reported is taken as a change in the market value of the investment as reported in the Statement of Changes in Net Assets.

###### (iii) *Taxation*

- Income Tax - the fund is charitable and is exempt from income tax.

- GST - The Fund does not produce any taxable supplies and is therefore unable to claim any input credits. All transactions are shown inclusive of GST.



**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND**

**Notes to the Financial Statements (Cont'd)  
For the Year Ended 30 June 2008**

**1. Statement of Accounting Policies (cont'd)**

iv) Financial Instruments (cont'd)

The Fund, through its fund managers, is party to financial instruments with off balance sheet risk to reduce exposure to fluctuations in foreign currency exchange rates.

The Fund managers can use instruments to manage the Fund's exposure to currency risk. Any exposure to gains or losses on these instruments is generally offset by a related loss or gain on the item being hedged. The Fund does not purchase or sell financial instruments for the purpose of speculation.

The financial instruments recognised in the Statement of Net Assets include cash balances, debtors creditors and investments. Any financial instruments that do not qualify as hedges are stated at market value and any gain or loss is recognised in the Statement of Changes in Net Assets.

**(d) Changes in Accounting Policies**

There have been no changes in the accounting policies. All of the policies have been applied on a consistent basis with those used in previous years.



**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND**

**Notes to the Financial Statements (Cont'd)  
For the Year Ended 30 June 2008**

**2. Description of the Fund**

The Fund is a contributory defined benefit superannuation fund covering ordained ministers of the Presbyterian Church of Aotearoa New Zealand ("the Church"). Under the Trust Deed the members and the Church make contributions. The Fund is registered under the Superannuation Schemes Act 1989.

Members are able to make additional contributions to the Supplementary Benefit Scheme within the Fund. Such contributions are held in the name of the member and restrictions are placed on the withdrawal of these funds until the member reaches the age of 55. Funds deposited with the Supplementary Benefit Scheme are invested with fund managers as part of the general funds within the Fund. In the event that the Fund is wound up, repayment of contributions to the supplementary scheme have first call on fund assets. Investments in the Supplementary Benefit Scheme receive interest from time to time at rates determined by the Beneficiary Fund Committee.

**3. Actuarial Information**

a) Triennial Actuarial Review

The valuation of the Fund was undertaken as at 30 June 2006. The Fund was previously valued as at 30 June 2003.

b) Details of Actuary

Ms Linda Caradus, a principal of Melville Jessup Weaver, prepared the report. Ms Caradus is a Fellow of the New Zealand Society of Actuaries.

c) Significant Actuarial Assumptions

Significant actuarial assumptions used in the valuation of accrued benefits were:

	2006	2003
Investment return	6.25%	6.25%
Stipend escalation rate	3.25%	2.25%
Pension increase rate	1.625%	1.125%
Medical insurance premium increase rate	n/a	7.25%
Expense inflation rate	2.25%	2.25%

Rates of mortality are based on standard published tables adjusted in line with the Fund's experience. Rates of morbidity and withdrawal are in line with the Fund's experience.

Payment of medical benefits ceased on 30 June 2004, post the appropriate notification from the Fund Trustees and the six month notification period required to be given to members.

d) Liability for Accrued Benefits

The amount disclosed below has been determined by reference to expected future stipend levels and by the application of appropriate interest and inflation rates and relevant actuarial assumptions.

	2006 \$,000	2003 \$,000
Accrued benefits at 30 June	<u>61,491</u>	<u>59,103</u>

The report states that the assets held are 121% of the value of the benefits, an increase from the 2003 level of 107%. It was noted that the accrued benefits at 30 June 2003 included \$329,000 in respect of medical insurance premiums for six months, being the notification period prior to termination of that benefit.



## PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND

### Notes to the Financial Statements (cont'd) For the Year Ended 30 June 2008

#### 3. Actuarial Information (cont'd)

##### e) Financial Condition of the Fund

The actuary has advised that the results of the 2006 review show that the Fund has an actuarial deficit assuming the continuation of payment of the current level of benefits. The financial condition has improved significantly since the 2003 review as a result of ceasing payment of medical benefits on 30 June 2004, together with investment returns being higher than assumed by the Actuary.

The Fund's actuary has concluded that the Fund has sufficient assets to pay all members' vested benefits as at 30 June 2006. Vested benefits comprise payment of a withdrawal benefit to frozen members and contributing members aged under 55, a retirement pension to contributing members aged 55 and continued payment of pensions to annuitants and their spouses.

##### f) Contribution levels

The report notes that if the Fund were to continue to pay benefits at their current level, the contribution rate required from parishes and employers to fully fund the liabilities would need to be 6.3% (2003: 43%) of the basic stipend.

##### g) Vested benefits

Vested benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Scheme at balance date.

2008	2006
\$,000	\$,000
65,369	65,138

#### 4. Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits (2007: Nil).

#### 5. Funding arrangements

The funding policy in respect of the Fund is directed at ensuring that benefits accruing to members and beneficiaries are fully funded as the benefits fall due. Contribution rates are set after taking advice from the Fund's actuary. When recommending contribution rates, the actuary has considered long-term trends in such factors as scheme membership, stipend and value of the Fund's assets

During the year the Church has contributed to the Fund at the rate recommended by the Actuary. In 2008 the rate was approximately 6.5% of the basic stipend (net of specified superannuation contribution withholding tax) (2007 - 6.5%) times the number of parishes. Ministers contributed to the Fund during 2008 at the rate of 5% (2007 - 5%) of the basic stipend. Thus, any difference between the assets and liabilities of the Fund as reported each year has been anticipated, except for the effects of short-term variations in the experience of the Fund from that anticipated when framing the contributions rates.

As noted above, it is anticipated the funding policy adopted for the scheme will overcome these effects in the long term.

PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND

Notes to the Financial Statements (cont'd)  
For the Year Ended 30 June 2008

6. Investment Assets

At 30 June 2008 the total market value of investments controlled through fund managers was \$74,501,868 (2007: \$77,257,807), comprising:

Investments 30 June 2008	ING NZ \$,000	Tyndall \$,000	Alliance Bernstein \$,000	Trust Investments \$,000	Russell Investments \$,000	ANZ Term Deposit \$,000	Total \$,000
Short Term Deposits	4,804	9,598	-	-	-	10,033	24,435
Fixed Interest - OnShore	4,772	5,944	-	-	-	-	10,716
Fixed Interest - OffShore	-	-	-	-	-	-	-
Equities - Trans Tasman	2,660	3,223	-	-	-	-	-
Equities - Offshore	-	-	-	-	-	-	-
Global Bonds	-	-	11,355	-	-	-	11,355
Settlements Receivable	-	-	-	-	13,795	-	13,795
Property (Unitised)	165	365	-	-	-	-	365
<b>Total</b>	<b>12,401</b>	<b>19,130</b>	<b>11,355</b>	<b>7,788</b>	<b>13,795</b>	<b>10,033</b>	<b>74,502</b>

Investments 30 June 2007	ING NZ \$,000	Tyndall \$,000	Arcus \$,000	Trust Investments \$,000	Russell Investments \$,000	ANZ Term Deposits \$,000	Total \$,000
Call Money Market	7,376	3,987	-	-	-	-	15,363
Fixed Interest - OnShore	7,850	6,502	-	-	-	4,000	14,352
Fixed Interest - OffShore	-	5,325	-	-	-	-	5,325
Equities - Trans Tasman	4,732	4,232	-	-	-	-	8,964
Equities - Offshore	-	4,308	13,546	-	-	-	17,854
Global Bonds	-	-	-	-	-	-	-
Property (Unitised)	-	-	-	7,613	7,637	-	15,250
Hedges and Currency deposits	-	150	-	-	-	-	150
<b>Total</b>	<b>19,958</b>	<b>24,504</b>	<b>13,546</b>	<b>7,613</b>	<b>7,637</b>	<b>4,000</b>	<b>77,258</b>



**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND**

**Notes to the Financial Statements (cont'd)**  
**For the Year Ended 30 June 2008**

**7. Investments in Church and Related Party Transactions**

The Beneficiary Fund paid \$39,468 to the General Assembly for the management services provided by the General Assembly (2007: \$36,000).

The Beneficiary Fund paid \$40,000 to the Church Property Trustees for trustee services provided. (2007: \$35,946).

No debts were forgiven during the year (2007: \$Nil). At balance date \$Nil was owed by the Beneficiary Fund to the General Assembly (2007: \$Nil).

**8. Reconciliation of Net Cash Flows from Operating Activities to Increase Net Assets**

	<b>2008</b>	<b>2007</b>
	<b>\$,000</b>	<b>\$,000</b>
(Decrease)/Increase in Net Assets	(2,596)	1,710
<b>Non-cash Items</b>		
Changes in net market values	2,750	(1,750)
Dividends and interest receivable	(2,525)	(2,527)
<b>Movements in Other Working Capital Items</b>		
Decrease/(Increase) in Sundry Receivables	(14)	51
Decrease/(Increase) in Contributions Receivable	-	(3)
(Decrease)/Increase in Prepaid Contributions	(30)	20
(Decrease)/Increase in Benefits Payable	-	(37)
(Decrease)/Increase in Sundry Creditors	(20)	46
(Decrease)/Increase in Supplementary Benefit Scheme	(261)	(28)
<b>Items Classified as Investing Activities</b>		
Interest on mortgages classified as investing activities	(39)	(37)
<b>Net Cash Flows from Operating Activities</b>	<u>(2,735)</u>	<u>(2,555)</u>

**9. Contributions Receivable**

At balance date the following amounts were due from members and employers:

	<b>2008</b>	<b>2007</b>
	<b>\$,000</b>	<b>\$,000</b>
Parish and Members	<u>3</u>	<u>2</u>
	<u>3</u>	<u>2</u>



**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND**

**Notes to the Financial Statements (Cont'd)  
For the Year Ended 30 June 2008**

**10. Fund Balance**

The movements in the Fund's balance are summarised below:	2008 \$,000	2007 \$,000
Opening balance 1 July	75,830	74,120
Investment income	423	4,698
Earnings credited to members	-	(78)
Contributions & other receipts	1,494	1,373
Less benefits paid	(4,133)	(4,010)
Less other expenditure	(380)	(273)
Closing balance 30 June	<u>73,234</u>	<u>75,830</u>

**11. Actuarial Fees**

Actuarial fees increased in 2008 due to extra consultation work required for establishing a complying superannuation fund to the existing beneficiary fund.

**12. Segmental Reporting**

The Fund operates in a single industry geographical segment being financial investment in New Zealand.

**13. Financial Instruments**

(a) Disclosures concerning currency and interest rate risk

The Trustees have determined, in consultation with professional investment advisors, an investment strategy for the Fund. This strategy is contained in the Statement of Investment Policies and Objectives (SIPO). This document is regularly reviewed by the Trustees to ensure it remains appropriate for prevailing market conditions and the liability profile of the Fund and in June 2007 was altered to reflect the maturing nature of the fund, ie the increasing proportion of liabilities relating to retired members. The revisions resulted in a decrease in investment in equities and an increase in fixed interest investments.

The SIPO establishes an investment target (ie to achieve a rate of return that exceeds an investment index) for each manager in each asset class that they manage for the fund. Failure by an investment manager to achieve the benchmark rate of return can result in its mandate being revoked.

The asset classes can be divided into capital and income assets. Capital assets offer significant long-term growth prospects but at the expense of potentially large variations in the short-term asset valuation, whereas income assets are not expected to vary as greatly in their capital value, and provide a regular income stream.

(b) Credit Risk

Financial instruments, which potentially subject the Fund to credit risk, principally consist of debtors, accrued interest receivable, money market deposits and debentures.

The investment managers appointed for the Fund perform evaluations of all potential investments before investing and continuously monitor the performance of these.



**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND**

**Notes to the Financial Statements (Cont'd)  
For the Year Ended 30 June 2008**

**13. Financial Instruments (cont'd)**

(b) Credit risk (cont'd)

The Fund employs ING (NZ) Ltd, Tyndall Investment Management, Trust Investments Management Ltd, Russell Investments and AllianceBernstein Investment Management Ltd to manage its investments. The investment held with Arcus Investments was redeemed during the year. Maximum exposures to credit risk at balance date are:

	2008 \$,000	2007 \$,000
Bank account	65	117
Sundry debtors	224	210
Australasian shares	5,883	8,964
Call money market	14,402	11,363
Commercial property	7,953	7,613
Fixed interest New Zealand	15,857	14,352
Fixed interest - Overseas	18,687	16,962
Hedges and currency deposits	-	150
Settlements receivable	365	-
Mortgages on property	362	475
Overseas shares	11,355	17,854
	<u>75,153</u>	<u>78,060</u>

(c) Concentrations of Credit Risk

As the Fund employs five fund managers who have control over the majority of the Fund's financial instruments there is no apparent concentration of credit risk. Titles to financial instruments are either registered in the name of the Trustees or held by an independent trustee on behalf of the Trustees. Investment fund managers do not hold title to financial instruments. The Trustees also directly control a portion of the Fund's investments. The apportionment of investments over the various fund managers' comprise:

	2008 \$,000	2007 \$,000
Arcus Investment Management	-	13,546
AllianceBernstein	11,355	-
Trust Investments	7,788	7,613
Tyndall Investment Funds Management	19,130	24,504
ING (NZ)	12,401	19,958
Russell Investments	13,795	7,637
ANZ Term deposit	10,033	4,000
Trustees	362	475
	<u>74,864</u>	<u>77,733</u>

(d) Price Risk

The Fund's investments in financial instruments are subject to price risk. Price risk embodies not only the potential for loss but also the potential for gain.



**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND**

Notes to the Financial Statements (Cont'd)  
For the Year Ended 30 June 2008

**13. Financial Instruments (cont'd)**

(e) Currency Risk - 2008	ING NZ \$,000	Tyndall \$,000	Arcus \$,000	Trust \$,000	Russell \$,000	Term Deposit \$,000	Aberstein \$,000	Total \$,000
Overseas shares	-	-	-	-	-	-	11,355	11,355
Fixed interest overseas	-	-	-	-	13,795	4,892	-	18,687
Hedges and currency deposits	-	-	-	-	-	-	-	-
	-	-	-	-	13,795	4,892	11,355	30,042

Currency Risk - 2007	ING NZ \$,000	Tyndall \$,000	Arcus \$,000	Trust \$,000	Russell \$,000	Term Deposit \$,000	Aberstein \$,000	Total \$,000
Overseas shares	-	4,308	13,546	-	-	-	-	17,854
Fixed interest overseas	-	5,325	-	-	7,637	4,000	-	16,962
Hedges and currency deposits	-	150	-	-	-	-	-	150
	-	9,783	13,546	-	7,637	4,000	-	34,966

**(f) Interest Rate Risk**

Interest rate risk is the risk that the value of financial securities will fluctuate due to changes in market interest rates. The fund managers hedge the risk by using a range of maturities. Investment securities, invested through the fund managers and the Trustees, which are subject to interest rate risks, comprise:

Interest Risk - 2008	ING NZ \$,000	Tyndall \$,000	Arcus \$,000	Trust \$,000	Russell \$,000	Term Deposit \$,000	Trustees \$,000	Total \$,000
Call Money market	4,804	9,598	-	-	-	-	-	14,402
Fixed interest - New Zealand	4,772	5,944	-	-	-	5,141	-	15,857
Fixed interest - Overseas	-	-	-	-	13,795	4,892	-	18,687
Mortgages on property	-	-	-	-	-	-	362	362
Property advances	-	-	-	-	-	-	(2)	(2)
	9,576	15,542	-	-	13,795	10,033	360	49,306

Interest Risk - 2007	ING NZ \$,000	Tyndall \$,000	Arcus \$,000	Trust \$,000	Russell \$,000	Term Deposit \$,000	Trustees \$,000	Total \$,000
Call Money market	7,376	3,987	-	-	-	-	-	11,363
Fixed interest - New Zealand	7,850	6,502	-	-	-	-	-	14,352
Fixed interest - Overseas	-	5,325	-	-	7,637	4,000	-	16,962
Mortgages on property	-	-	-	-	-	-	475	475
Property advances	-	-	-	-	-	-	(2)	(2)
	15,226	15,814	-	-	7,637	4,000	473	43,150



PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND

Notes to the Financial Statements (Cont'd)  
For the Year Ended 30 June 2008

13. Financial Instruments (cont'd)

(g) Market Risk

Market Risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Fund has, through its fund managers and the Trustees, the following investments subject to market risk:

Market Risk - 2008	ING NZ \$,000	Tyndall \$,000	Arcus \$,000	Trust \$,000	Russell \$,000	Term Deposit \$,000	Abernstein \$,000	Total \$,000
Australasian shares	2,660	3,223	-	-	-	-	-	5,883
Commercial property	165	-	-	7,788	-	-	-	7,953
Overseas shares	-	-	-	-	-	-	11,355	11,355
Global bonds	-	-	-	-	13,795	-	-	13,795
	<u>2,825</u>	<u>3,223</u>	<u>-</u>	<u>7,788</u>	<u>13,795</u>	<u>-</u>	<u>11,355</u>	<u>38,986</u>

Market Risk - June 2007	ING NZ \$,000	Tyndall \$,000	Arcus \$,000	Trust \$,000	Russell \$,000	Term Deposit \$,000	Abernstein \$,000	Total \$,000
Australasian shares	4,732	4,232	-	-	-	-	-	8,964
Commercial property	-	-	-	7,613	-	-	-	7,613
Overseas shares	-	4,308	13,546	-	-	-	-	17,854
Global bonds	-	-	-	-	7,637	-	-	7,637
	<u>4,732</u>	<u>8,540</u>	<u>13,546</u>	<u>7,613</u>	<u>7,637</u>	<u>-</u>	<u>-</u>	<u>42,068</u>

(h) Fair Values

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Sundry debtors, money market deposits, trade creditors, mortgages on property and property advances. The carrying value is the fair value for each of these classes of financial instruments.

Mortgages on property have maturities from call to 12 years with an interest rate range of 9% to 10.30% (2007 call to 12 years with an interest range of 8.75% to 9%).



## Auditor's Report

To the Members of Presbyterian Church of Aotearoa New Zealand Beneficiary Fund ("the Fund").

We have audited the financial statements on pages 3 to 16. The financial statements provide information about the past financial performance of the Fund and its financial position as at 30 June 2008. This information is stated in accordance with the accounting policies set out on pages 7 to 8.

This report is made solely to the Members. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Members as a body, for our audit work, for this report, or for the opinions we have formed.

### Trustees' Responsibilities

The Trustees' are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and fairly present the financial position of the Fund as at 30 June 2008 and its financial performance and cash flows for the year ended on that date.

### Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Trustees and report our opinion to you.

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Trustees in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the Fund.

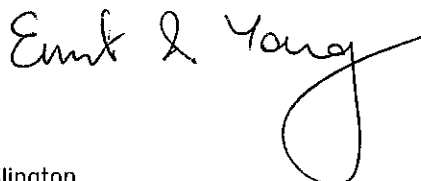
### Unqualified Opinion

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

In our opinion the financial statements on pages 3 to 16:

- comply with generally accepted accounting practice in New Zealand; and
- fairly present the financial position of the Fund as at 30 June 2008 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 25 September 2008 and our unqualified opinion is expressed as at that date.



Wellington