

Presbyterian Church of Aotearoa New Zealand
Presbyterian Investment Fund

Statement of Financial Performance
For the Year Ended 30 June 2009

	Note	30 June 2009 \$	30 June 2008 \$
Gross Investment Income			
Interest Income		8,446,514	8,166,986
Other Income		655	-
Total Operating Revenue		<u>8,447,169</u>	<u>8,166,986</u>
Total Income		<u>8,447,169</u>	<u>8,166,986</u>
Operating Expenses			
Administration Expenses		(312,827)	(341,841)
Interest Expense	6	(6,808,052)	(7,512,052)
Total Operating Expenses		<u>(7,120,879)</u>	<u>(7,853,893)</u>
Net Surplus		<u><u>1,326,290</u></u>	<u><u>313,093</u></u>

Statement of Movements in Equity
For the Year Ended 30 June 2009

	Note	30 June 2009 \$	30 June 2008 \$
Opening Equity at 1 July		3,606,814	3,293,721
Net Surplus for the year		<u>1,326,290</u>	<u>313,093</u>
Closing Equity at 30 June		<u><u>4,933,104</u></u>	<u><u>3,606,814</u></u>

The accompanying notes form part of these financial statements

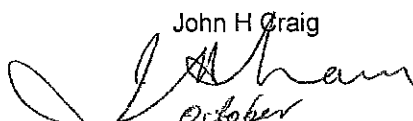


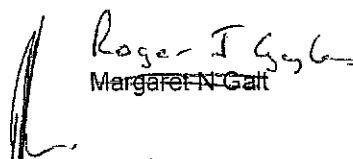
**Presbyterian Church of Aotearoa New Zealand
Presbyterian Investment Fund**

**Statement of Financial Position
As at 30 June 2009**

	Note	30 June 2009 \$	30 June 2008 \$
Equity			
Reserve Fund		4,933,104	3,606,814
Current Liabilities			
Sundry Creditors		34,502	76,500
Trust Account Deposits	8	<u>110,113,364</u>	<u>101,234,672</u>
Total Current Liabilities		<u>110,147,866</u>	<u>101,311,172</u>
Total Equity and Liabilities		<u><u>115,080,970</u></u>	<u><u>104,917,986</u></u>
Non Current Assets			
Bank Bonds - Fixed Interest	4	32,155,139	33,708,593
Bank Deposits - Fixed Interest	4	3,000,000	8,000,000
Local Authority Stock	4	12,581,271	2,449,789
Private Sector Bonds	4	<u>21,062,299</u>	<u>16,977,055</u>
Total Non Current Assets		<u>68,798,709</u>	<u>61,135,437</u>
Current Assets			
Accrued Interest Receivable		2,261,198	2,895,487
Bank Deposits at Call	4	2,410,796	3,908,828
Bank Bonds - Fixed Interest	4	12,639,975	10,935,635
Bank Deposits - Fixed Interest	4	21,000,000	19,500,000
Private Sector Bonds	4	<u>7,970,292</u>	<u>6,542,599</u>
Total Current Assets		<u>46,282,261</u>	<u>43,782,549</u>
Total Assets		<u><u>115,080,970</u></u>	<u><u>104,917,986</u></u>

For and on behalf of the Trustees, who authorised the issue of these financial statements on 22 September 2009.

John H Craig

 22 ~~September~~ ^{October} 2009

Roger I Gyles
 Margaret N Galt

 22 ~~September~~ ^{October} 2009

The accompanying notes form part of these financial statements



Presbyterian Church of Aotearoa New Zealand
Presbyterian Investment Fund

Statement of Cash Flows
For the Year Ended 30 June 2009

	Note	30 June 2009 \$	30 June 2008 \$
Cash Flows from Operating Activities			
Cash was provided from:			
Interest Income		9,080,803	8,155,828
Other Investment Income		655	-
		<u>9,081,458</u>	<u>8,155,828</u>
Cash was Disbursed for:			
Interest Paid on Deposits		(6,808,052)	(7,512,052)
Management Costs		(354,824)	(358,350)
		<u>(7,162,876)</u>	<u>(7,870,402)</u>
Net Cash Inflow from Operations	5	<u><u>1,918,582</u></u>	<u><u>285,426</u></u>
Cash Flows from Investing Activities			
Cash was Provided from:			
Sale of Investments		91,191,750	86,812,613
Cash was Applied to:			
Purchase of Investments		(103,487,055)	(97,997,550)
Net Cash Outflow from Investing Activities		<u>(12,295,305)</u>	<u>(11,184,937)</u>
Net Cashflows from Financing Activities			
Cash was Provided from:			
Trust Account Deposits Received		25,999,748	31,926,061
Cash was Applied to:			
Trust Account Deposits Repaid		(17,121,057)	(22,746,621)
Net Cash inflow from Financing Activities		<u>8,878,691</u>	<u>9,179,440</u>
Net Cash Inflow		(1,498,032)	(1,720,071)
Add Cash at 1 July		3,908,828	5,628,899
Deposited with Bank at 30 June		<u><u>2,410,796</u></u>	<u><u>3,908,828</u></u>

The accompanying notes form part of these financial statements



Presbyterian Church of Aotearoa New Zealand

Presbyterian Investment Fund

1 Statement of Accounting Policies

a) Reporting Entity

The Presbyterian Church of Aotearoa New Zealand Presbyterian Investment Fund (the Fund) was established by the Presbyterian Church Property Trustees Empowering Act 1957 (The Act).

The Act that established the Fund provides for an Income Account and a Reserve Fund. These have the following purposes:

i) Income Account

This account receives all investment income after deducting administration expenses and transactions necessary for the maintenance of the Reserve Fund. The remainder is available to be credited to the trusts deposited in the Fund. The balance of the Income Account is transferred to the Reserve Fund at the end of the year.

ii) Reserve Fund

The Reserve Fund receives investment income on its funds and the balance of the Income Account at the end of the year is transferred to the Reserve Fund. The Fund is used to stabilise or increase the income of the Fund, to reinstate any capital losses and to hold unrealised gains or losses on fixed interest investments until maturity.

The Fund accepts money on deposit from parishes, presbyteries and Presbyterian organisations within New Zealand.

The financial statements of the Fund have been prepared in accordance with generally accepted accounting practice in New Zealand.

b) Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed by the Fund.

c) Specific Accounting Policies

The following specific accounting policies, which materially affect the measurement of financial performance and the financial position, have been applied:

i) Investment Assets

Government and local body stock, bank and private sector bonds, and bank and private sector deposits are recorded at amortised cost using the yield to maturity method exclusive of accrued interest. The total of all accrued interest is disclosed separately.

ii) Revenue and Expenditure Recognition

Revenue and expenditure are recognised on an accruals basis with any premium or discount applied over the term of the security so that it attains its redemption value at maturity.

iv) Taxes

Income Tax - The Fund is charitable and is exempt from income tax.

GST - As the Fund does not carry out any taxable activity it cannot claim recovery of GST inputs. Amounts subject to GST where applicable are shown as GST inclusive.

v) Financial Instruments

Financial instruments recognised in the statement of financial position include cash balances, bank overdrafts, receivables, payables, and investments.

d) Changes in Accounting Policies

Accounting policies have been applied on bases consistent with those used in previous years.



Presbyterian Church of Aotearoa New Zealand
Presbyterian Investment Fund

2 Prior Year Comparatives

Where necessary, prior year comparative numbers have been reclassified to reflect current year presentation.

3 Reserve Fund

In accordance with the Act, the closing balance in the Statement of Financial Performance Income Account is transferred to the Reserve Fund. The Reserve Fund is used by the Trustees to stabilise or increase the Fund's income, to reinstate any capital losses and to hold unrealised gains or losses on fixed interest investments until maturity.

4 Investment Assets

At 30 June 2009 the total book value of Investment Assets including accrued interest was \$2,567,350 more than cost (2008 - \$2,524,760 more than cost):

Description	30 June 2009			30 June 2008		
	Cost	Book Value	Unrealised Gain/(Loss)	Cost	Book Value	Unrealised Gain/(Loss)
	\$	\$	\$	\$	\$	\$
Bank Deposits Call	2,410,796	2,410,796	-	3,908,828	3,908,828	-
Bank Bonds Fixed	44,356,588	45,311,026	954,438	44,899,592	45,800,535	900,943
Bank Deposits Term	24,000,000	25,099,105	1,099,105	27,500,000	28,739,519	1,239,519
Local Authority Stock	12,658,362	12,782,392	124,030	2,445,824	2,493,601	47,777
Private Sector Bonds	29,087,874	29,477,651	389,777	23,638,982	23,975,503	336,521
	112,513,620	115,080,970	2,567,350	102,393,226	104,917,986	2,524,760

5 Reconciliation of Net Surplus for Year with Cash Flow from Operating Activities

A net surplus for the year of \$1,326,290 (2008 – \$313,093) is reported in the Statement of Financial Performance before transfers, and the reconciliation between this and the net operating cash outflow of \$1,918,582 (2007 – \$285,426) in the Statement of Cash Flows is:

	30 June 2009	30 June 2008
	\$	\$
Reported Net (Deficit)/Surplus for Year	1,326,290	313,093
Non Cash (Increase) Decrease in Market Value of Investments	-	(244,387)
(Increase) Decrease in Accrued Interest Receivable	634,289	233,230
Increase (Decrease) in Sundry Creditors	(41,997)	(95,072)
(Increase) Decrease in Sundry Debtors & Prepayments	-	78,562
Net Cash Flow from Operating Activities	1,918,582	285,426

6 Interest Paid on Deposits

Interest expense totalling \$6,808,052 was credited to trust funds (2008 – \$7,512,052).



Presbyterian Church of Aotearoa New Zealand
Presbyterian Investment Fund

7 Financial Instruments

a) Credit Risk

Financial Instruments that potentially subject the Fund to credit risk principally consist of bank balances, accrued interest receivable, and investments.

The Fund performs evaluations of all potential investments before investing and continuously monitors the performance of these. All investments have a minimum of an A- credit rating from Standard and Poor's, with a majority of investments rated higher than that.

Two exceptions to this is the holding of a Powerco bond, rated BBB which has been minuted by the Investment Committee and a North Shore City Council bond which is currently unrated.

Maximum exposures to credit risk at balance date are:

	30 June 2009	30 June 2008
	\$	\$
Accrued Interest Receivable	2,261,198	2,895,487
Local Authority Stock	12,581,272	2,449,789
Private Sector Bonds	29,032,592	23,519,654
Bank Bonds - Fixed	44,795,112	44,644,228
Bank Deposits - Fixed	24,000,000	27,500,000
Bank Deposits - Call	2,410,796	3,908,828
	<u>115,080,970</u>	<u>104,917,986</u>

The above maximum exposures are net of any recognised provision for losses on these financial instruments. No collateral is held on the above amounts.

b) Fair Values

The estimated fair values of financial instruments are as follows:

	30 June 2009		30 June 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Accrued Interest Receivable	2,261,198	2,261,198	2,895,487	2,895,487
Local Authority Stock	12,581,272	12,740,889	2,449,789	2,477,392
Private Sector Bonds	29,032,592	29,298,202	23,519,654	23,211,266
Bank Bonds - Fixed	44,795,112	46,231,486	44,644,228	44,695,440
Bank Deposits - Fixed	24,000,000	24,000,000	27,500,000	27,500,000
Bank Deposits - Call	2,410,796	2,410,796	3,908,828	3,908,828
Sundry Creditors	(34,502)	(34,502)	(76,500)	(76,500)
	<u>115,046,468</u>	<u>116,908,069</u>	<u>104,841,486</u>	<u>104,611,913</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instrument: Bank Balances, Sundry Debtors, Accrued Interest Receivable, Money Market Deposits, Sundry Creditors, NZ Government Stock, Local Body Stock.

The carrying value is the amortised cost for each of these classes of financial instruments exclusive of accrued interest, which is recognised separately.



Presbyterian Church of Aotearoa New Zealand Presbyterian Investment Fund

c) Management of Liquidity

The Presbyterian Investment Fund aims to retain sufficient funds at call to meet the expected cash requirements of its Trust Account deposit holders. Over time it has been established that a balance of \$2,000,000 is sufficient to meet these requirements.

The maturity of Money Market deposits and interest income flows from stocks and debentures are reasonably staggered to provide access to more funds should the need arise in the short-term.

Bank Deposits have maturity dates from 24/07/09 to 6/05/11 with an interest rate range of 4.20% p.a. to 8.71% p.a. (2008 maturity dates were 28/07/08 to 21/05/10 with an interest rate range of 7.86% p.a. to 9.09% p.a.).

Bank Bonds have maturity dates from 19/12/09 to 18/04/18 with a coupon rate range of 3.28% p.a. to 9.66% p.a. (2008 maturity dates were from 15/09/08 to 18/04/18 with a coupon rate range of 0.00% p.a. to 9.66% p.a.).

Local Body Stock maturity dates are from 25/03/11 to 19/07/14 with a coupon range of 4.83% p.a. to 8.70% p.a. (2008 maturity dates were from 25/03/11 to 15/04/11 with a coupon range of 6.31% p.a. to 8.70% p.a.).

Private Sector Bond maturity dates are from 13/07/09 to 15/11/16 with a coupon range of 4.36% p.a. to 9.11% p.a. (2008 maturity dates were from 18/07/08 to 22/03/13 with a coupon range of 6.22% p.a. to 9.11% p.a.).

Trust Account Deposits are at call with an interest rate of 2.50% p.a. During the year rates have ranged from 8.25% p.a. to 2.50% p.a. (2008 they were at call with an interest rate range 7.50% p.a. to 8.25% p.a.).

The following table summarises the range of maturity dates:

2009					
Investment	0-6 Months	6-12 Months	1-2 Years	2-8 Years	Total
	\$	\$	\$	\$	\$
Bank Bonds	2,999,965	9,640,010	9,947,959	22,207,180	44,795,114
Bank Deposits	18,171,994	7,500,000	3,000,000	-	28,671,994
Private Sector Bonds	5,979,452	1,990,840	4,386,800	16,675,499	29,032,591
Local Body Stock	-	-	3,004,680	9,576,591	12,581,271
	27,151,411	19,130,850	20,339,439	48,459,270	115,080,970

2008					
Investment	0-6 Months	6-12 Months	1-2 Years	2-8 Years	Total
	\$	\$	\$	\$	\$
Bank Bonds	6,648,874	5,443,068	11,965,364	21,743,229	45,800,535
Bank Deposits	17,648,347	7,000,000	8,000,000	-	32,648,347
Private Sector Bonds	6,998,448	-	7,391,587	9,585,468	23,975,503
Local Body Stock	43,812	-	-	2,449,789	2,493,601
	31,339,481	12,443,068	27,356,951	33,778,486	104,917,986



Presbyterian Church of Aotearoa New Zealand Presbyterian Investment Fund

Whilst the depositors' funds are available at call, \$43,994,570 of the total is subject to restrictions of The Act. These funds arise from the sale of Church property and may only be drawn on for specific purposes, after receiving the approval of Presbytery and the Trustees. This approval process provides enough time to realise longer dated investments, should that be necessary.

The amalgamation of funds received from depositors enables the Presbyterian Investment Fund to invest in Debentures, Government and Local Authority Stock, and Money Market deposits. The Fund is then able to offer interest rates to the depositors that they would not be able to access or achieve independently for a similar level of credit risk. This in turn discourages depositors from withdrawing funds to place elsewhere and reduces the likelihood of any drain on liquid funds.

The fund has no formal credit lines or overdraft facilities with any of the banks it has dealings with but its investments are planned to provide maturity dates at intervals sufficient to avoid any liquidity problem.

d) Currency Risk

The Fund does not hold any overseas securities or deposits and is therefore not exposed to any currency risk.

e) Interest Rate Risk

Whilst the value of a financial instrument may fluctuate due to changes in market interest rates, this risk is reduced by the Fund's intention of investing one third in assets with a term of around 90 days, and the remaining two thirds in assets with terms of up to three years, so as to achieve an average term of 1.5 years. This intention constrains the Fund's average term to maturity, thereby reducing the impact of rate changes on security values.

Deposits with the Fund are held at call so it is able to adjust the interest rate paid on deposits so as to compensate for changes in market interest rates.

8 Trust Account Deposits

The following Trust Account Deposits are held and all are repayable on demand, subject to the depositor complying with regulations of the Presbyterian Church of Aotearoa New Zealand and the Act concerning the use of funds.

	30 June 2009	30 June 2008
	\$	\$
Presbyterian Parishes - General	11,896,412	11,438,934
Presbyterian Parishes - Property	43,994,570	37,945,317
Presbyterian Parishes - Trust	10,386,490	9,790,604
Presbyteries/UDC's	6,134,752	6,730,105
Presbyterian CPT	15,184,660	11,845,400
Presbyterian General Assembly	21,888,061	20,574,358
Presbyterian Schools	299,701	367,296
Presbyterian Support	328,718	2,542,658
	<u>110,113,364</u>	<u>101,234,672</u>

9 Related Parties

The Presbyterian Investment Fund provides 'on demand' deposit facilities for the General Assembly, Parishes and Church trusts. The deposit facilities were provided under the same terms last year. The Presbyterian Investment Fund paid a total of \$49,771 to the General Assembly for the administration and management services provided by the General Assembly (2008 - \$44,146) and \$84,500 to Church Property Trustees (2008 - \$81,250).

No debts were forgiven during the year. (2008 - nil). No amounts were outstanding between the Presbyterian Investment Fund and the General Assembly at balance date. (2008 - nil).



**Presbyterian Church of Aotearoa New Zealand
Presbyterian Investment Fund**

10 Audit Fees

Audit fees of \$20,431 (2008 – \$28,531) were expensed for the financial year.

11 Commitments

The Fund had no material capital commitments as at 30 June 2009 (2008 – no material capital commitments).

12 Subsequent Events

There were no material events subsequent to balance date that would affect the interpretation of the Financial Statements or the performance of the fund. (2008 – no subsequent events).

13 Contingent Assets or Liabilities

There were no contingent assets or liabilities in existence at balance date. (2008 – no contingent assets or liabilities).

14 Segmental Information

The Presbyterian Investment Fund operates in one industry segment receiving and holding deposits from Parishes and Committees based in one geographical segment, which is New Zealand.

Auditor's Report

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

We have audited the financial statements on pages 1 to 9. The financial statements provide information about the past financial performance of the Fund and its financial position as at 30 June 2009. This information is stated in accordance with the accounting policies set out on page 4.

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 2009 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.

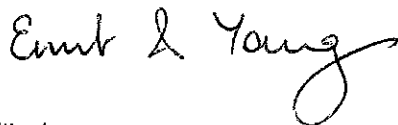
Unqualified Opinion

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

In our opinion the financial statements on pages 1 to 9:

- ▶ comply with generally accepted accounting practice in New Zealand; and
- ▶ fairly present the financial position of the Fund as at 30 June 2009 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 22 October 2009 and our unqualified opinion is expressed as at that date.



Wellington