

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Presbyterian Church of Aotearoa New Zealand
Presbyterian Investment Fund

**Statement of Comprehensive Income
For the Year Ended 30 June 2012**

	Note	30-Jun-12 NZ \$	30-Jun-11 NZ \$
Gross Investment Income			
Interest Income		6,990,487	7,393,012
Other Income		106,991	-
Total Operating Revenue		<u>7,097,478</u>	<u>7,393,012</u>
TOTAL INCOME		7,097,478	7,393,012
Operating Expenses			
Administration Expenses		(429,692)	(282,079)
Interest Expense	6	<u>(5,935,104)</u>	<u>(5,577,839)</u>
Total Operating Expenses		(6,364,796)	(5,859,918)
NET SURPLUS		732,682	1,533,094

**Statement of Movements in Equity
For the Year Ended 30 June 2012**

	30-Jun-12 NZ \$	30-Jun-11 NZ \$
Opening Equity at 1 July	8,964,991	7,431,897
Net Surplus for the year	<u>732,682</u>	<u>1,533,094</u>
Closing Equity at 30 June	<u><u>9,697,673</u></u>	<u><u>8,964,991</u></u>

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 2012

	Note	30-Jun-12 NZ \$	30-Jun-11 NZ \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash provided from</i>			
Interest Received		6,474,823	7,176,978
Other Income		106,991	-
		<u>6,581,814</u>	<u>7,176,978</u>
<i>Cash applied to</i>			
Interest Paid on Deposits		(5,935,104)	(5,577,839)
Management Costs		(435,765)	(270,230)
		<u>(6,370,869)</u>	<u>(5,848,069)</u>
Net Cash Flows from Operating Activities	5	<u>210,945</u>	<u>1,328,909</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Received from Investment Sales		64,344,749	60,091,710
Cash Applied to Investment Purchases		(72,365,428)	(67,626,551)
Net Cash Flows from Investing Activities		<u>(8,020,679)</u>	<u>(7,534,841)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Received Trust Account Deposits		30,362,930	23,771,106
Cash Applied to Trust Account Deposits Repaid		(20,793,699)	(18,139,023)
Net Cash Flows from Investing Activities		<u>9,569,231</u>	<u>5,632,083</u>
Net Increase in Cash Held		1,759,497	(573,849)
Cash at Beginning of Year		2,162,785	2,736,634
Cash at End of Year		<u>3,922,282</u>	<u>2,162,785</u>

The accompanying notes form part of these financial statements



**PRESBYTERIAN INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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 of the Fund is the historical cost basis.

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.



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 2012 the total book value of Investment Assets including accrued interest was \$1,939,329 more than cost (2011: - 996,200 more than cost):

Description	30 June 2012			30 June 2011		
	Cost	Book Value	Unrealised Gain/(Loss)	Cost	Book Value	Unrealised Gain/(Loss)
	\$	\$	\$	\$	\$	\$
Bank Deposits Call	3,922,282	3,922,282	-	2,162,785	2,162,785	-
Bank Bonds Fixed	29,672,794	29,711,289	38,495	33,259,515	33,257,404	(2,111)
Bank Deposits Term	67,500,000	68,885,812	1,385,812	49,000,000	49,747,188	747,188
Local Authority Stock	9,134,376	9,220,270	85,894	12,707,512	12,635,525	(71,987)
Private Sector Bonds	19,099,812	19,528,940	429,128	22,846,743	23,169,853	323,110
	129,329,264	131,268,593	1,939,329	119,976,555	120,972,754	996,200

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

A net surplus for the year of \$732,682 (2011 - \$1,533,094) is reported in the Statement of Financial Performance before transfers, and the reconciliation between this and the net operating cash inflow of \$210,944 (2011 - \$1,328,909) in the Statement of Cash Flows is:

	30 June 2012	30 June 2011
	\$	\$
Reported Net (Deficit)/Surplus for Year	732,682	1,533,094
(Increase) in Accrued Interest Receivable	(515,663)	(216,033)
(Decrease)/Increase in Sundry Creditors	(6,074)	11,848
Net Cash Flow from Operating Activities	210,945	1,328,909

6 Interest Paid on Deposits

Interest expense totalling \$5,935,104 was credited to trust funds (2011 - \$5,577,839).



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.

The only exception to this is the holding of a North Shore City Council bond which is currently unrated.

Maximum exposures to credit risk at balance date are:

	30 June 2012	30 June 2011
	\$	\$
Accrued Interest Receivable	2,189,343	1,673,679
Local Authority Stock	9,090,360	12,426,378
Private Sector Bonds	19,244,149	22,815,996
Bank Bonds - Fixed	29,322,459	32,893,916
Bank Deposits - Fixed	67,500,000	49,000,000
Bank Deposits - Call	3,922,282	2,162,785
	<u>131,268,593</u>	<u>120,972,754</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 2012		30 June 2011	
	Carrying	Fair Value	Carrying	Fair Value
	\$	\$	\$	\$
Accrued Interest Receivable	2,189,343	2,189,343	1,673,679	1,673,679
Local Authority Stock	9,090,360	9,449,643	12,426,378	12,958,503
Private Sector Bonds	19,244,149	20,293,724	22,815,996	24,101,634
Bank Bonds - Fixed	29,322,459	30,691,430	32,893,916	34,683,191
Bank Deposits - Fixed	67,500,000	67,500,000	49,000,000	49,000,000
Bank Deposits - Call	3,922,282	3,922,282	2,162,785	2,162,785
Sundry Creditors	(31,717)	(31,717)	(37,791)	(37,791)
	<u>131,236,876</u>	<u>134,014,705</u>	<u>120,934,963</u>	<u>124,542,002</u>

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



7 Financial Instruments (continued)

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.

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Bank Deposits have maturity dates from 03/07/12 to 13/06/14 with an interest rate range of 4.10% p.a. to 5.40% p.a. (2011 maturity dates were from 29/07/11 to 1/09/12 with an interest rate range of 3.70% p.a. to 5.60% p.a.).

Bank Bonds have maturity dates from 22/08/12 to 18/04/18 with a coupon rate range of 3.65% p.a. to 9.66% p.a. (2011 maturity dates were from 25/07/11 to 18/04/18 with a coupon rate range of 3.49% p.a. to 9.66% p.a.).

Local Authority Stock maturity dates are from 15/08/12 to 16/05/16 with a coupon range of 3.44% p.a. to 7.13% p.a. (2011 maturity dates were from 23/08/11 to 16/05/16 with a coupon range of 3.87% p.a. to 8.50% p.a.).

Private Sector Bond maturity dates are from 06/09/12 to 17/10/17 with a coupon range of 5.47% p.a. to 9.11% p.a. (2011 maturity dates were from 29/07/11 to 15/11/16 with a coupon range of 5.74% 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 rate has not changed (2011 they were at call with an interest rate range 2.75% p.a. to 2.50% p.a.).

The following table summarises the range of maturity dates:

2012					
Investment	0-6 Months	6-12 Months	1-2 Years	2-8 Years	Total
	\$	\$	\$	\$	\$
Bank Bonds	4,084,929	5,600,963	5,268,008	14,757,389	29,711,288
Bank Deposits	36,344,933	27,430,434	9,032,727	-	72,808,094
Private Sector Bonds	4,567,451	2,521,491	6,390,409	6,049,589	19,528,940
Local Authority Stock	768,289	-	5,435,505	3,016,476	9,220,270
	45,765,602	35,552,888	26,126,649	23,823,454	131,268,593

2011					
Investment	0-6 Months	6-12 Months	1-2 Years	2-8 Years	Total
	\$	\$	\$	\$	\$
Bank Bonds	7,042,053	514,177	9,744,212	15,956,961	33,257,403
Bank Deposits	16,054,962	31,779,855	4,075,156	-	51,909,973
Private Sector Bonds	4,602,653	-	6,998,885	11,568,315	23,169,853
Local Authority Stock	3,882,292	1,030,557	767,396	6,955,280	12,635,525
	31,581,959	33,324,589	21,585,650	34,480,556	120,972,754



7 Financial Instruments (continued)

c) Management of Liquidity (continued)

Whilst the depositors' funds are available at call, \$43,585,886 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 the financial instruments may fluctuate due to changes in market interest rates, this risk is reduced by the Fund's policy of spreading the maturity terms of its investments. Nearly 93 % of the Fund's assets are invested for terms under three years. This strategy constrains the Fund's average term to maturity 14.7 months (at 30/06/11 the average was 18.7 months), thereby reducing the impact of rate changes on security values. Investments are invariably held until maturity.

Deposits with the Fund are held at call so the interest rate paid on deposits is able to be adjusted 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 2012	30 June 2011
	\$	\$
Presbyterian Parishes - General	13,956,994	12,794,207
Presbyterian Parishes - Property	47,010,812	46,067,872
Presbyterian Parishes - Trust	9,643,030	8,594,466
Presbyteries/UDC's	9,043,492	6,519,876
Presbyterian CPT	18,323,574	14,742,602
Presbyterian General Assembly	23,211,212	22,837,026
Presbyterian Schools	265,609	253,898
Presbyterian Support	84,479	160,025
	<u>121,539,202</u>	<u>111,969,972</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. In 2012, the Presbyterian Investment Fund did not directly pay General Assembly for administration and management services provided (2011 - nil). \$190,000 was paid to the Church Property Trustees for administration services (2011 - \$62,025).

No debts were forgiven during the year. (2011 - nil). No amounts were outstanding between the Presbyterian Investment Fund and the General Assembly at balance date. (2011 - nil).



10 Audit Fees

Audit fees of \$18,113 were expensed for the financial year (2011 - \$17,831).

11 Commitments

The Fund had no material capital commitments as at 30 June 2012 (2011 - 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. (2011 - no subsequent events).

13 Contingent Assets or Liabilities

There were no contingent assets or liabilities in existence at balance date. (2011 - 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.



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the financial statements of the Fund on pages 2 to 10, which comprise the statement of financial position of the Fund as at 30 June 2012, and the statement of comprehensive income, statement of movements in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Members as a body, in accordance with our engagement agreement. 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.

The Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements, in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Trustees 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 the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant 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 our 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, we have considered the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

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

Partners and employees of our firm may deal with the Fund on normal terms within the ordinary course of trading activities of the business of the Fund.

Opinion

In our opinion, the financial statements on pages 2 to 10:

- ▶ comply with generally accepted accounting practice in New Zealand; and
- ▶ present fairly, in all material respects, the financial position of the Fund as at 30 June 2012 and its financial performance and cash flows for the year then ended.



27 September 2012
Wellington