

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

Financial Statements

For the Year Ended 30 June 2011

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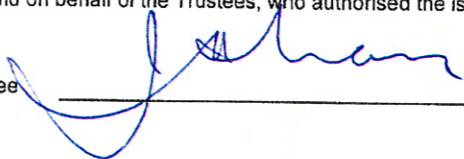
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**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND
BENEFICIARY FUND**

**Statement of Net Assets
As at 30 June 2011**

	Note	2011 NZ\$	2010 NZ\$
Investments			
ANZ Term Deposits	10,11	3,000,000	5,000,000
Brook Asset Management		3,695,100	3,471,752
OnePath (NZ)		16,877,062	14,449,168
Russell Investments		25,853,851	23,709,186
Trust Investments Management		6,543,459	7,232,196
Tyndall Investment Management NZ		19,169,641	18,286,255
Total Financial Assets		<u>75,139,113</u>	<u>72,148,557</u>
Trustees			
Mortgages on Properties		153,374	151,376
Total Investments		<u>75,292,487</u>	<u>72,299,933</u>
CURRENT ASSETS			
Cash at Bank		95,602	221,285
Contributions Receivable - Parishes	6	74,472	1,254
Investment Income Receivable		193,978	249,088
Total Current Assets		<u>364,052</u>	<u>471,627</u>
Total Assets		<u>75,656,539</u>	<u>72,771,560</u>
Less CURRENT LIABILITIES			
Sundry Creditors		86,180	71,601
Total Liabilities		<u>86,180</u>	<u>71,601</u>
Term Liabilities			
Supplementary Benefit Scheme		849,496	834,150
Total Liabilities		<u>935,676</u>	<u>905,751</u>
NET ASSETS AVAILABLE FOR BENEFITS	3	<u>74,720,863</u>	<u>71,865,809</u>

For and on behalf of the Trustees, who authorised the issue of these financial statements on:

Trustee  Date 29/09/11

Trustee  Date 29/09/11

This statement is to be read in conjunction with the notes on pages 6 to 17.



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

**Statement of Changes in Net Assets
For the Year Ended 30 June 2011**

	Note	2011 NZ\$	2010 NZ\$
INVESTMENT ACTIVITIES			
Investment Revenue			
Gains on disposal of and changes in value of investments		3,869,558	5,331,015
Distributions		1,686,156	1,337,254
Interest		773,238	882,432
		<u>6,328,952</u>	<u>7,550,701</u>
Investment Expenses			
Investment Management Fees		(156,547)	(199,762)
Net Investment Revenue		<u>6,172,405</u>	<u>7,350,939</u>
OTHER EXPENSES			
Actuarial Fees	3	9,707	39,029
Administration and management charges		75,887	92,409
Auditors' Remuneration		19,715	18,056
Investment Consulting		129,120	105,062
Legal expenses		1,556	28,865
Secretarial costs		11,073	17,686
Trustee expenses	7	27,000	32,667
Sundry expenses		11,964	6,856
Total Other Expenses		<u>286,022</u>	<u>340,630</u>
Profit/(Loss) before Taxation and Membership Activities		<u>5,886,383</u>	<u>7,010,309</u>
Income Tax (Expense)/Credit		-	-
Profit/(Loss) after Taxation and before Membership Activities		<u>5,886,383</u>	<u>7,010,309</u>
MEMBERSHIP ACTIVITIES			
Contributions			
Member Contributions	5	530,142	547,716
Employer Contributions		169,124	157,934
Parish assessments		865,324	809,712
Legacies and Gifts		768	-
Total Contributions		<u>1,565,358</u>	<u>1,515,362</u>
Benefits Paid			
Annuities paid		2,260,049	2,232,520
Resignation		166,976	103,205
Cash payments on retirement		769,139	1,017,738
Commutation payments on retirement		439,502	692,034
Surviving spouse annuities		712,028	737,113
Disablement allowances		127,500	145,534
Funeral grants		34,026	36,768
Special grants		39,262	52,582
Matrimonial payments		-	15,274
		<u>4,548,482</u>	<u>5,032,768</u>
Net Benefits Paid		<u>(2,983,124)</u>	<u>(3,517,406)</u>
Net Increase in Net Assets During Year	8	<u>2,903,259</u>	<u>3,492,903</u>
Interest Credited to Supplementary members and CSF members		(48,627)	(56,962)
Deductions added to CSF members		422	145
Net Assets Available for Benefits at Beginning of Year		<u>71,865,809</u>	<u>68,429,723</u>
Net Assets Available for Benefits at End of Year		<u>74,720,863</u>	<u>71,865,809</u>

This statement is to be read in conjunction with the notes on pages 6 to 17.



PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND

Statement of Cash Flows
For the Year Ended 30 June 2011

	Note	2011 NZ\$	2010 NZ\$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash provided from :</i>			
Member Contributions		524,053	519,243
Employer Contributions		164,455	223,601
Parish Assessments		797,357	741,728
Legacies and Gifts		768	-
Distributions		452,044	463,234
Contributions to Supplementary Benefit Scheme		2,100	2,100
Interest		375,134	408,970
		2,315,911	2,358,876
<i>Cash applied to:</i>			
Benefits Paid		4,550,935	5,004,524
Fund Operating Costs		280,221	328,041
Fund and Investment Manager Fees		150,278	162,218
Withdrawals from Supplementary Benefit Scheme		27,000	130,449
		5,008,434	5,625,232
Net Cash Flows from Operating Activities	8	(2,692,523)	(3,266,356)
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash provided from :</i>			
Proceeds from Sale of Investment Assets		7,960,000	5,559,975
Mortgages Repaid		6,840	99,540
<i>Cash applied to :</i>			
Purchase of Investments		5,400,000	2,300,885
Net Cash Flows from Investing Activities		2,566,840	3,358,630
Net Increase/(Decrease) in Cash Held		(125,683)	92,274
Cash at Beginning of Year		221,285	129,011
Cash at End of Year		95,602	221,285

This statement is to be read in conjunction with the notes on pages 6 to 17.



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

**Notes to the Financial Statements
For the Year Ended 30 June 2011**

1. Fund Description

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 available at: www.presbyterian.org.nz.

The Presbyterian Church Property Trustees are the Fund's Trustees, and Aon Hewitt (the "Manager") administers the Fund. The financial statements have been prepared in accordance with the provisions of the Trust Deed and generally accepted accounting practice in New Zealand.

The Fund is primarily a contributory defined benefit superannuation fund covering ordained ministers of the Presbyterian Church of Aotearoa New Zealand ("the Church"). The Fund was closed to new members joining after 1 January 2009. Since 1 Jan 2009, a defined contribution and a complying fund section have been created. Under the Trust Deed the members and the Church make contributions. The Fund is registered under the Superannuation Schemes Act 1989.

Prior to 1 January 2009, members have been 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 Trustees.

As noted, the amendment to the Trust Deed effective 1 January 2009 introduced an additional section of the Fund which is a complying fund as defined under section RD66 of the Income Tax Act 2007, known as the Complying Section of the Beneficiary Fund.

Existing members can remain as members in the Defined Benefit Scheme, but may elect into the Complying Section. New members must join both funds.

Personal contributions were made to the Fund at the prescribed rate of 1/12 of 5% of Basic Stipend monthly, except in the case of ministers who had elected to join the Complying Section. The personal contributions of members of the Complying Section were paid on the basis of 1/12 of 1% of Basic Stipend being allocated to the primary fund, with the remainder of 1/12 of 4% of Basic Stipend being allocated to the Complying Section.

Both employer and member contributions to the Complying Section were at a rate of 1/12 of 4% of Basic Stipend monthly.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of the Fund have been prepared by the Manager in accordance with the Trust Deed governing the Fund, the Superannuation Schemes Act 1989, the Financial Reporting Act 1993, and New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Statement of Compliance

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement Base

The measurement base adopted is that of historical cost modified by the revaluation of investment assets which are measured at fair value at each reporting date.

Functional & Presentation Currency

The financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Fund operates. All values are rounded to the nearest dollar (\$).

Classification of Assets and Liabilities

The Fund operates as a superannuation fund. As such, the assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.



PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND
BENEFICIARY FUND

Notes to the Financial Statements
For the Year Ended 30 June 2011

2. Summary of Significant Accounting Policies (continued)

Accounting standards, amendments and interpretations issued that are not yet effective and have not been adopted by the Fund

The following standards, amendments and interpretations to existing standards have been issued but are not yet effective for the Fund:

	Application date of Standard	Application date for the Fund
• NZ IAS 1 Presentation of Financial Statements	1 January 2011	1 July 2011
• NZ IAS 7 Statement of Cash Flows	1 July 2011	1 July 2011
• NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 July 2011	1 July 2011
• NZ IFRS 1 First Time Adoption of New Zealand Equivalents to International Financial Reporting Standards	1 January 2011	1 July 2011
• NZ IFRS 7 Financial Instruments: Disclosures	1 January 2011	1 July 2011
• NZ IFRS 9 Financial Instruments (2010)	1 January 2013	1 July 2013
• NZ IFRS 13 Fair Value Measurement	1 January 2013	1 July 2013
• FRS 44 NZ Additional Disclosures	1 July 2011	1 July 2011

The Fund has chosen not to apply the changes in the above standards prior to their effective date. While these standards are applicable to the Fund, they are not expected to have a material impact on the financial statements. These standards will have primarily a presentation and disclosure impact only.

Changes in Accounting Policy

The Fund has adopted the following new and amended New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and interpretations as of 1 July 2010.

- NZ IFRS 1 Amendments to NZ IFRS 1 First time adoption of New Zealand equivalents to International Financial Reporting Standards.
- Improvements to NZ IFRS arising from the Annual Improvements Project (2009)
- Improvements to NZ IFRS arising from the Annual Improvements Project (2010)

The adoption of the above amendments resulted in changes to accounting policies but had no impact on the financial position or performance of the Fund.

This is the first set of financial statements prepared based on NZ IFRS. There have been no recognition and measurement changes applicable to the Fund as at 30 June 2011, 2010 or 2009 as a result of the transition to NZ IFRS. A third balance sheet as at 30 June 2009 has therefore not been presented.

Interest Income

Interest income is recognised in the Statement of Changes in Net Assets using the effective interest method.

Expenses

All expenses are accounted for on an accrual basis.

Financial instruments

(i) Classification

The Fund's investments are categorised as at fair value through profit or loss. They comprise:

Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold. These are investments in unitised trusts. Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date. Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. All gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised in the Statement of Changes in Net Assets.



2. Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

(iii) Measurement

(1) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Changes in Net Assets.

(2) Loans and receivables

Loans and receivables, including mortgages on properties, are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each reporting date to determine whether there is objective evidence of impairment, for example, when there has been a significant or prolonged decline in the fair value below cost.

If any such indication of impairment exists, an impairment loss is recognised in the Statement of Changes in Net Assets as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write down, the write down is reversed through the Statement of Changes in Net Assets.

Other receivables

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by an impairment allowance, if any.

Other payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at reporting date. These amounts are unsecured and are usually paid within 30 days at recognition. These financial liabilities are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Goods and Services Tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Income Tax

The Fund is charitable and is exempt from income tax.

Statement of Cash Flows

The cash flows of the Fund do not include those of the investment managers. The following are definitions of the terms used in the Statement of Cash Flows:

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original 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.

Operating activities include all transactions and other events that are not investing activities.

Investing activities comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.



PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND
BENEFICIARY FUND

Notes to the Financial Statements
For the Year Ended 30 June 2011

2. Summary of Significant Accounting Policies (continued)

Contributions and Benefits

Contributions and benefits are accounted for on an accrual basis. Contributions are recognised in the Statement of Changes in Net Assets when they become receivable, resulting in a financial asset to amounts owing. Contributions are recognised at fair value less any allowance for impairment.

Benefits are recognised in the Statement of Changes in Net Assets when they become payable resulting in a financial liability.

Capital Risk Management

The Fund's primary purpose is to ensure that its net assets are sufficient to meet all present and future obligations of the Fund.

The Fund achieves this through obtaining contributions from members and employers and investing these into financial assets.

Critical Judgement and Accounting Estimates

The Trustees have applied their judgement in selecting the accounting policy to designate financial assets and financial liabilities through profit or loss at inception. This policy has a significant impact on the amounts disclosed in the financial statements. It is possible to determine the fair values of all financial assets through inputs other than quoted prices that are observable, either directly (that is, as prices) or indirectly (that is, derived from prices). Therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of making material adjustments to the carrying amounts of assets and liabilities at year end. However as with all investments their value is subject to variation due to market fluctuations. For the purposes of the fair value hierarchy of financial assets at fair value through profit or loss, the Trustees have to apply their judgement as to what constitutes "observable". For further details please refer to note 11 (Fair Value).

3. Actuarial Information

a) Triennial Actuarial Review

The valuation of the Fund was undertaken as at 30 June 2009. The Fund was previously valued as at 30 June 2006.

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 promised retirement benefits pending actuarial valuation report were:

	2009	2006
Investment return	6.75%	6.25%
Stipend escalation rate	3.25%	3.25%
Pension increase rate	1.625%	1.625%
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.

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.

	2009	2006
	\$,000	\$,000
Accrued benefits at 30 June	<u>60,738</u>	<u>61,491</u>

The report states that the net assets held were 113% of the value of the benefits at 30 June 2009, a decrease from the 2006 level of 121%.



PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND
BENEFICIARY FUND

Notes to the Financial Statements
For the Year Ended 30 June 2011

3. Actuarial Information (continued)

e) Financial Condition of the Fund

The actuary has advised that the results of the 2009 review show that the Fund's financial position has deteriorated since the last valuation, largely as a result of poor investment returns over 2008 & 2009.

The Fund's actuary has concluded that given the recent economic events and the effect they have had on the Fund's investment returns in particular, it may not be appropriate to maintain margins in the assumptions at this valuation to the same extent as in the past. The Fund's actuary has recommended that although there is no longer any margin in the discount rate assumption, the liabilities do include some \$2m as an allowance for future increases in life expectancy.

f) Contribution levels

The Fund's actuary has concluded that at 30 June 2009, there was a shortfall of \$2.1m if the current parish contribution rate continues, which is broadly equivalent to an additional contribution of 2.6% of Basic Stipend per parish. Accordingly, based on the financial position as at 30 June 2009, future contributions of 12.3% of Basic Stipend per parish are required to fully fund the liabilities. However, the extent to which investment returns since 30 June 2009 have differed from the assumed 6.75% p.a. can be taken into account in considering what changes if any are to be made to contribution rates. The Fund's actuary has recommended that the contributions remain at 9.7% of Basic Stipend for the three years ending 30 June 2012.

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 Fund at balance date.

2011	2009	2006
\$,000	\$,000	\$,000
61,084	61,473	65,138

The report states that the net assets held were 111% of the value of the benefits at 30 June 2009, a decrease from the 2006 level of 114%. As a result of a desktop valuation performed by the Actuary, the net assets held were 122% of the value of benefits at 30 June 2011.

4. Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits (2010: Nil).

5. Supplementary Benefit Scheme

From 1 January 2009, contributions were no longer accepted into the Supplementary Benefit Scheme. The interest rate applicable to this scheme for the year to 30 June 2011 was 5% (2010: 7%). Members are being encouraged to withdraw their funds from this scheme once eligible (aged 55 years or older).

6. Contributions Receivable

2011	2010
\$,000	\$,000

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

Parishes and Members	74	1
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7. Related Party Transactions

The Fund paid \$17,156 to the General Assembly for the management services provided by the General Assembly (2010: \$34,739).

The Fund paid \$27,000 to the Church Property Trustees for trustee services provided (2010: \$32,667).

No debts were forgiven during the year (2010: Nil). At balance date there were no amounts owing from the Fund to the General Assembly (2010: Nil).



PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND
BENEFICIARY FUND

Notes to the Financial Statements
For the Year Ended 30 June 2011

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

	2011 \$,000	2010 \$,000
Increase in Net Assets	2,903	3,492
Non-cash Items		
Changes in net market values	(3,870)	(5,331)
Dividends and interest receivable	(1,681)	(1,301)
	<u>(2,648)</u>	<u>(3,140)</u>
Movements in Other Working Capital Items		
Decrease in Sundry Receivables	55	6
(Increase)/Decrease in Contributions Receivable	(73)	-
Increase in Sundry Creditors	15	1
(Decrease)/Increase in Supplementary Benefit Scheme	(25)	(121)
	<u>(28)</u>	<u>(114)</u>
Items Classified as Investing Activities		
Interest on mortgages classified as investing activities	(8)	(12)
	<u>(8)</u>	<u>(12)</u>
Net Cash Outflows from Operating Activities	<u>(2,684)</u>	<u>(3,266)</u>

9. Fund Balance

	2011 \$,000	2010 \$,000
The movements in the Fund's balance are summarised below:		
Opening balance 1 July 2010	71,866	68,431
Investment income	6,172	7,351
Contributions & other receipts	1,565	1,515
Less Benefits paid	(4,548)	(5,033)
Less Other expenditure	(286)	(341)
Less interest credited to members	(49)	(57)
Closing balance 30 June 2011	<u>74,720</u>	<u>71,866</u>

10. Financial Risk Management

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

The Trustees have approved a Statement of Investment Policies and Objectives which establishes investment portfolio objectives and target asset allocations. Performance against these targets is reviewed by the Trustees and asset reallocations undertaken as required.

Investments as at 30 June consist of the following underlying securities:

<u>Investments</u>	2011 \$'000	2010 \$'000
Australian Shares	6,888	7,114
Call Money Market	5,187	1,090
Commercial Property	6,543	7,232
Fixed Interest - New Zealand	16,417	20,857
Fixed Interest - Overseas	22,988	28,978
Overseas Shares	17,116	6,878
	<u>75,139</u>	<u>72,149</u>



PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND
BENEFICIARY FUND

Notes to the Financial Statements
For the Year Ended 30 June 2011

10. Financial Risk Management (cont'd)

Financial Instruments by Category
As at 30 June 2011

	Loans and Receivables NZ\$	Assets at fair value NZ\$
Assets as per the Statement of Net Assets		
Investments excluding term deposits	-	72,139,113
Term deposits	3,000,000	-
Trade and other receivables	74,472	-
Mortgages on Properties	153,374	-
Investment Income receivable	193,978	-
Cash and cash equivalents	95,602	-
Total	<u>3,517,426</u>	<u>72,139,113</u>

As at 30 June 2011

	Other financial liabilities NZ\$	Liabilities at fair value NZ\$
Liabilities as per the Statement of Net Assets		
Other payables	86,180	-
Supplementary benefit scheme	849,496	-
Total	<u>935,676</u>	<u>-</u>

As at 30 June 2010

	Loans and Receivables NZ\$	Assets at fair value NZ\$
Assets as per the Statement of Net Assets		
Investments excluding term deposits	-	67,148,557
Term deposits	5,000,000	-
Trade and other receivables	1,254	-
Mortgages on Properties	151,376	-
Investment Income receivable	249,088	-
Cash and cash equivalents	221,285	-
Total	<u>5,623,003</u>	<u>67,148,557</u>

As at 30 June 2010

	Other financial liabilities NZ\$	Liabilities at fair value NZ\$
Liabilities as per the Statement of Net Assets		
Other payables	71,601	-
Supplementary benefit scheme	834,150	-
Total	<u>905,751</u>	<u>-</u>

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.



PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND
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Notes to the Financial Statements
For the Year Ended 30 June 2011

10. Financial Risk Management (cont'd)

Credit Risk

Financial instruments which potentially subject the Fund to credit risk principally consist of cash at bank, parishes contributions receivable, investment income receivable and mortgages on properties. Maximum exposures to credit risk at balance date are:

	2011	2010
	\$,000	\$,000
Cash at bank	96	221
Contributions Receivable - Parishes	74	1
Investment income receivable	194	249
Mortgages on properties	153	151
	<u>517</u>	<u>622</u>

Market Risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. This risk is managed by ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies. The Fund uses a number of investment managers for investment assets. Within the underlying investment portfolios the investment managers invest in a variety of securities.

(i) Price Risk

Price risk is the risk that the fair value of the Fund's investments will fluctuate as a result of changes in the price of the Fund's investments. Price risk exposure arises from the Fund's investment portfolios.

The table below shows the impact on the statement of changes in net assets available for benefits and the statement of net assets due to a reasonably possible change in the price of the Fund's investments with all other variables held constant:

	30 June 2011		30 June 2010	
	increase/ (decrease) in profit before tax	increase/ (decrease) in amounts available for benefits	increase/ (decrease) in profit before tax	increase/ (decrease) in amounts available for benefits
Change in the price of the Fund's investments				
+10%	7,213,911	7,213,911	6,714,856	6,714,856
-10%	(7,213,911)	(7,213,911)	(6,714,856)	(6,714,856)

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund is exposed to foreign exchange risk due to its investments denominated in Australian dollars. The exchange rate used to translate the investments as at 30 June 2011 was the prevailing exchange rate at the close of business on that day.

The Fund's exposure to foreign exchange risk is detailed as follows:

	2011	2010
	AUD	AUD
Russell Global Opportunities Fund - Class A	3,083,587	2,994,555
Russell Global Opportunities Fund NZ Hedged - Class A	3,411,862	2,917,900

Other investments may have some exposure to foreign exchange risk as a result of their underlying investments.



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Notes to the Financial Statements
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10. Financial Risk Management (cont'd)

Market Risk (cont'd)

(ii) Foreign exchange risk (cont'd)

The table below shows the impact on the statement of changes in net assets available for benefits and statement of net assets due to a reasonably possible change in foreign exchange rates, with all other variables held constant.

	30 June 2011		30 June 2010	
	increase/ (decrease) in profit before tax	increase/ (decrease) in amounts available for benefits	increase/ (decrease) in profit before tax	increase/ (decrease) in amounts available for benefits
Change in the foreign exchange rates				
+10%	841,988	841,988	723,934	723,934
-10%	(841,988)	(841,988)	(723,934)	(723,934)

(iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Fund's exposure to interest rate risk primarily arises from changes in variable interest rates applicable to the balances held at bank. The Fund's exposure to interest rate risk is not considered to be significant to the Fund. Other investments have some exposure to interest rate risk as a result of their underlying investments.

Liquidity risk

Liquidity risk is the risk the Fund will encounter difficulty in raising funds to meet its obligation to pay members. Due to the nature of the Fund, it is unlikely that a significant number of members would exit at the same time. However to control liquidity risk, the Fund invests in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund invests within established limits to ensure no concentration of credit risk. Sundry creditors are typically settled within 30 days. The supplementary benefit scheme payable is an on demand liability with no contractual maturity.

11. Fair Value

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 approximates 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% (2010: call to 12 years with an interest range of 9% to 10.30%).

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective fair values, determined in accordance with the Fund's accounting policies.

The Fund adopted the amendment to "NZ IFRS 7 : Financial Instruments : Disclosures", effective 1 July 2009. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels :

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).



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11. Fair Value (cont'd)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value:

30 June 2011

Assets	Level 1	Level 2	Level 3	Total Balance
Financial assets designated at fair value through profit or loss:	-	72,139,113	-	72,139,113
Total Assets	-	72,139,113	-	72,139,113

30 June 2010

Assets	Level 1	Level 2	Level 3	Total Balance
Financial assets designated at fair value through profit or loss:	-	67,148,557	-	67,148,557
Total Assets	-	67,148,557	-	67,148,557

The financial assets designated at fair value through profit or loss, being the Fund's Pool Investment Funds held with OnePath (NZ), Tyndall Investment Management NZ, Brook Asset Management, Trust Investments Management and Russell Investments are not traded in an active market. The financial assets designated at fair value through profit or loss in Level 2 were fair valued using the net asset value of the Pool Investment Fund, as reported by the respective Pool Investment Fund's managers. For this Pool Investment Fund, the Trustees believe the Fund could have redeemed its investment at the net asset value per unit at the year end date of the statement of net assets.

12. Commitments and Contingent Liabilities

There were no material commitments or contingent liabilities as at 30 June 2011 (2010: Nil).

13. Events After Balance Date

There were no events after balance date to disclose at the date of signing the financial statements (2010: Nil).





Independent Auditor's Report

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

Report on the Financial Statements

We have audited the financial statements of the Fund on pages 3 to 15, which comprise the statement of net assets of the Fund as at 30 June 2011, and the statement of changes in net assets 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 Fund's members, as a body, in accordance with the Financial Reporting Act 1993, the Superannuation Schemes Act 1989 and the Trust Deed governing the Fund. Our audit has been undertaken so that we might state to the Fund's 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 Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation of the financial statements, in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, 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 of the financial statements that give a true and fair view of the matters to which they relate 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

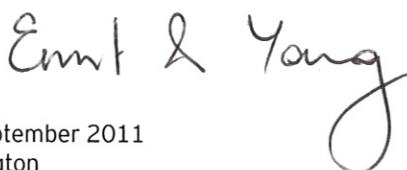
In our opinion, the financial statements on pages 3 to 15:

- ▶ comply with generally accepted accounting practice in New Zealand;
- ▶ comply with International Financial Reporting Standards; and
- ▶ give a true and fair view of the financial position of the Fund as at 30 June 2011 and its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

- ▶ We have obtained all the information and explanations that we have required.
- ▶ In our opinion proper accounting records have been kept by the Fund as far as appears from our examination of those records.



29 September 2011
Wellington