



# Pegasus Investment Fund ANNUAL REPORT

30 April 2008



Perpetual Trust

If you would like to know more about Perpetual Trust's products and services please contact us:

 0800 737 738

 email@perpetual.co.nz

 www.perpetual.co.nz

## Branch Offices

### AUCKLAND

Level 12, AMP Centre  
29 Customs Street West  
PO Box 3376  
Shortland Street  
Auckland 1140  
Tel (09) 366 3290 Fax: (09) 366 3299

### WELLINGTON

Level 6, AMP Chambers  
187 Featherston Street  
PO Box 3845  
Wellington 6140  
Tel: (04) 470 9600 Fax: (04) 472 3190

### NELSON

56A Buxton Square  
PO Box 642  
Nelson 7010  
Tel: (03) 548 4578 Fax: (03) 546 8157

### CHRISTCHURCH

Level 1, Pyne Gould Corporation Building  
233 Cambridge Terrace  
PO Box 112  
Christchurch Mail Centre  
Christchurch 8140  
Tel: (03) 379 8611 Fax: (03) 379 8608

### ASHBURTON

194 Burnett Street  
PO Box 194  
Ashburton 7740  
Tel: (03) 307 8750 Fax: (03) 307 8751

### TIMARU

30 Canon Street  
PO Box 291  
Timaru 7940  
Tel: (03) 684 2430 Fax: (03) 684 2431

### DUNEDIN

Otago House  
83A Princes Street  
Private Bag 1965  
Dunedin 9054  
Tel: (03) 477 6960 Fax: (03) 477 9755

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## Directory

### MANAGER

Pegasus Fund Managers Limited  
PO Box 112  
Christchurch Mail Centre  
Christchurch 8140  
Ph: (03) 377 038 Fax: (03) 374 9237

### TRUSTEE

Perpetual Trust Limited, Christchurch

### SOLICITORS

Kensington Swan, Wellington

### AUDITORS

PricewaterhouseCoopers, Christchurch

### BANKERS

Bank of New Zealand, Christchurch

### DIRECTORS

Mr B J Jolliffe (Chairman)  
Mr R F Elworthy, B.Com.  
Mr B R Irvine, B.Com., LLB., C.A.  
Mr G C D Kerr, B.Com. (Appointed August 2008)  
Mr S R Maling, LLB.  
Mr B W Mogridge, B. Sc.  
Mr S C Montgomery, B.A.  
Mr W J Steel, B. Ag. Sc., M. Sc.

Perpetual Trust is delegated the administrative and investment responsibilities for the Pegasus Investment Fund. Perpetual Trust is a subsidiary of Pyne Gould Corporation.



## Manager's Report

We present the Annual Report of the Pegasus Investment Fund for the year ended 30 April 2008.

The financial statements report the annual details of the unitised Pegasus Income and Growth Funds. The Pegasus Personal Plan financial statements are the consolidated financial statements of all members who hold individual investment portfolios.

We have, again, adopted the policy of previous years of presenting the financial statements in an abbreviated format in an effort to make them easier to follow.

During the financial year, the Fund increased in value from \$56.3 million to \$61.8 million.

The numerical change in membership of the Pegasus Investment Fund during the year was as follows:

At last balance date	114
New Members	48
Withdrawals/Deaths	(20)
At this balance date	142

The Income Fund provided a total return of 1.64% for the year after fees and tax and the Growth Fund provided a total return of -0.87% after fees and tax. The average return for the past two years in respect to each fund has been 3.88%pa (Income Fund) and 0.70%pa (Growth Fund).

The markets produced a year of two clear halves. The first six months to 31 October produced respectable returns despite the New Zealand sharemarket having mixed results with exporters continuing to struggle whilst commodity prices soared as global demand pushed prices to an all time high. Although economic growth slowed in Australia, mainly from the effects of the worst drought in a century, the sharemarket continued its upward trend rising by 12.1% over the period to the end of October. International stocks held were showing signs of slow growth however due to the continued strength of the New Zealand dollar.

In the second six months the New Zealand sharemarket suffered with the NZX 50 Gross Index falling 13.8%. Exporters struggled with the high New Zealand dollar and global markets suffered a similar fate with the Australian S&P ASX 200 Index falling 15.0% and the MSCI World Gross Index falling 10.9%.

Against this backdrop the return from the Growth Fund has been creditable and illustrates the benefits of a well diversified portfolio.

The Income Fund return was impacted by the Reserve Bank of New Zealand raising the Official Cash Rate with an increase to 8.25% in July 2007 where it remained at the end of April. Yields on corporate debt, bonds and debentures continued to climb and investment grade fixed interest investments continued to be in high demand. These rising interest rates negatively impacted on existing bonds in portfolios as bonds traded at discounts to their issue price therefore reducing the capital value of the investments. Globally, the US Federal Reserve Bank lowered its benchmark interest rate in an initial attempt to protect the US economy from falling into recession due to the fall out in the housing market and on-going sub prime mortgage problems. These issues further developed in the first quarter of 2008 with the credit crunch having world wide implications as the availability of credit tightened and financial institutions made increasing provisions for bad debts.

The Income fund is likely to see a pick up in valuations as the Official Cash Rate is eased and the existing discounts narrow.

Members who hold personal plans will have earlier received details of their portfolio returns which will reflect the individual asset allocations set for each portfolio.

Members can obtain a full copy of the annual accounts at no charge by contacting the Manager at the address listed in the Directory of this report.

**Pegasus Fund Managers Ltd**  
22 September 2008



## Statement of Financial Performance

For the year ended 30 April 2008

	Growth Fund		Income Fund		Personal Plans		Total Per Financial Statements (NZ IFRS)	
	Year Ended 30 April 2008	Year ended 30 April 2007	Year Ended 30 April 2008	Year ended 30 April 2007	Year Ended 30 April 2008	Year ended 30 April 2007	Year Ended 30 April 2008	Year ended 30 April 2007
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Investment revenues	25	21	45	59	3,480	2,823	3,550	2,903
Changes in net current value	(9)	(4)	(6)	10	(3,518)	659	(3,533)	665
	16	17	39	69	(38)	3,482	17	3,568
Management and trustee expenses	8	9	10	11	502	360	520	380
Net surplus before tax	8	8	29	58	(540)	3,122	(503)	3,188
Taxation	(1)	5	(10)	17	362	1,038	351	1,060
Net surplus after tax	7	3	19	41	(178)	2,084	(152)	2,128
Members contributions	-	92	-	-	13,675	9,535	13,675	9,627
Benefits Paid	(170)	(159)	(202)	(95)	(7,726)	(2,708)	(8,098)	(2,962)
Allocated to members' accounts	(163)	(64)	(183)	(54)	5,771	8,911	5,425	8,793

## Statement of Financial Position

As at 30 April 2008

	Growth Fund		Income Fund		Personal Plans		Total Per Financial Statements (NZ IFRS)	
	As at 30 April 2008	As at 30 April 2007	As at 30 April 2008	As at 30 April 2007	As at 30 April 2008	As at 30 April 2007	As at 30 April 2008	As at 30 April 2007
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Cash and cash equivalents	32	21	13	14	12,562	7,048	12,607	7,083
Interest and dividend receivable	-	-	-	-	239	219	239	219
Taxation refund due	-	-	-	-	52	47	52	47
Financial assets at fair value through profit or loss	435	616	592	778	49,284	50,340	50,311	51,734
Total assets	467	637	605	792	62,137	57,654	63,209	59,083
Accrued expenses	-	1	-	2	42	34	42	37
Deferred taxation	(3)	(1)	(2)	3	1,404	2,703	1,399	2,705
Funds attributable to members of the Fund	470	637	607	787	60,691	54,917	61,768	56,341
Total Liabilities	467	637	605	792	62,137	57,654	63,209	59,083

These Abbreviated Financial Statements have been extracted from Pegasus Investment Fund's general purpose financial statements for the year ended 30 April 2008.

## Auditors' Report

To the members of Pegasus Investment Fund

We have examined the summary financial statements on page 3. The summary financial statements have been extracted from the Pegasus Investment Fund's annual financial statements for the year ended 30 April 2008 and its financial position as at that date. We have audited the annual financial statements for the year ended 30 April 2008, on which we expressed an unqualified audit opinion dated 17 September 2008.

### Trustees' responsibilities

The Trustees are responsible for the preparation and presentation of the summary financial statements which fairly summarises the financial position of the Pegasus Investment Fund as at 30 April 2008 and its financial performance for the year ended on that date.

### Auditors' responsibilities

We are responsible for expressing an independent opinion as to whether the amounts included in the summary financial statements, which have been prepared and presented by the Trustees, have been correctly taken from and are consistent in all material respects with the annual financial statements from which they were extracted and reporting our opinion to you.

### Basis of opinion

We have examined the summary financial statements to provide reasonable assurance that the amounts set out in the summary financial statements have been correctly taken from and are consistent in all material respects with the annual financial statements of the Pegasus Investment Fund for the year ended 30 April 2008 from which they were extracted.

We have no relationship with or interests in the Pegasus Investment Fund other than in our capacity as auditors.

### Unqualified opinion

In our opinion, the amounts set out in the summary financial statements have been correctly taken from and are consistent in all material respects with the annual financial statements of the Pegasus Investment Fund from which they were extracted.

For a better understanding of the Pegasus Investment Fund's financial position and the results of its operations for the year, the summary financial statements should be read in conjunction with the annual financial statements.

We completed our work for the purposes of this report on 17 September 2008 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Christchurch

19 September 2008

The Members  
Pegasus Investment Fund  
P O Box 112  
CHRISTCHURCH

Dear Members

### **REPORT FOR THE YEAR ENDED 30 APRIL 2008**

As Trustee for the Pegasus Investment Fund ("the Fund") we give this report for the financial year ended 30 April 2008 pursuant to section 14 of the Superannuation Schemes Act 1989.

**Contributions:** The Fund does not require specific contributions.

**Certificate regarding benefits:** We certify that all benefits required to be paid from the Fund in accordance with the terms of the Trust Deed have been paid.

**Certificate regarding asset value:** We certify that the market value of the assets of the Fund at the close of the year, as calculated according to the accounting policies described in the financial statements, is equal to the total value that would have been payable to members had all of them ceased to be members at that date. In that event the Trust Deed does not provide for the continued payment of benefits.

**Actuarial information:** The Fund does not require actuarial examination as it does not:

- Operate on the principle of unallocated funding, or
- Provide benefits that are dependent upon the contingencies of human life.

**Trust Deed amendments:** The Trust Deed has been amended since the date of the last annual report of the Trustee. A review of the 1995 Trust Deed identified a number of areas where the Trust Deed was out of date because of subsequent legislative changes, and it was decided that the entire Trust Deed would be replaced so as to ensure that it was consistent with the Superannuation Schemes Act 1989 ("the Act").

New provisions in the 2007 Trust Deed to ensure consistency with the Act include updating provisions relating to access to information, the time by which the annual report must be prepared by, the transfer of members to another scheme and the winding up of the scheme.

There were also some other changes, including:

- A new provision giving the Trustee discretion to accept any request by a member or potential member to pay a contribution or benefit in a currency other than New Zealand dollars. This will only apply to British pounds, Australian dollars, US dollars and Euros;
- Additional wording allowing for deductions for currency conversion costs from contributions. The costs will be borne entirely by the member concerned;
- An expanded definition of "contribution" to create flexibility so as to allow for tax credits or other refunds or rebates to be received as contributions;



- A new provision giving a flexible, optional ability for members to lock in their benefits until a specified age or event.

We have received legal advice that the 2007 Trust Deed complies with the requirements in the Act.

**Person for correspondence:** The name and address of the person to whom members' correspondence to the Trustee should be sent is: Michael Styant, Regional Manager – Corporate Trust, Perpetual Trust Limited, level 1, 233 Cambridge Terrace, Christchurch 8140.

**Prospectus:** The registration date of the most recent registered prospectus was 1 October 2007.

**Change of director:** Perpetual Trust Ltd appointed George Charles Desmond Kerr as a director on 26 August 2008. All people listed as directors in last year's annual report continue to be directors.

Yours faithfully

Michael Styant

REGIONAL MANAGER – CORPORATE TRUST