

CATHOLIC DIOCESE OF CHRISTCHURCH

CATHOLIC DEVELOPMENT FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2010

CATHOLIC DEVELOPMENT FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

INDEX

	<u>Page</u>
Directory	2
Statement of Financial Position	3
Statement of Comprehensive Income	4
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 – 24
Auditor's Report	25

Directory

Trustees

Desmond Boyle (Chairman)
Derek Craze
George Macfarlane
Simon Roughan
Philip Baird
Jack O'Donnell

Registered Office

Cathedral House
122 Barbadoes Street
Christchurch
New Zealand

Solicitors

Cavell Leitch Law
Level 15
Clarendon Towers
Cnr Oxford Terrace & Worcester Street
Christchurch

Investment Advisors

JB Were
Level 6
HSBC Tower
62 Worcester Boulevard
Christchurch

Bankers

Westpac
Level 4
Canterbury Centre
166 Cashel Street
Christchurch

Auditors

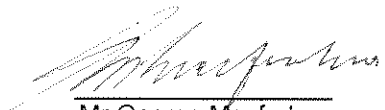
Ernst & Young
34-36 Cranmer Square
Christchurch

**Catholic Development Fund
Statement of Financial Position
As At 31 March 2010**

		Note	
2009 '000			2010 '000
	Current Assets		
2,053	Cash at Bank and in hand	8	4,008
491	Loans and Receivables	9	699
2,527	Current Portion Available for Sale Financial Assets	10	2,226
<u>5,071</u>	Total Current Assets		<u>6,933</u>
	Non Current Assets		
23,078	Available for Sale Financial Assets	10	25,237
3,249	Loans and Receivables	9	3,654
0	Plant & Equipment	11	0
0	Intangible Assets	12	0
<u>26,327</u>	Total Non Current Assets		<u>28,891</u>
	Current Liabilities		
72	Trade and Other Payables	13	54
1,854	Public Call Account Deposits	14	2,058
9,875	Current Portion - Public Term Deposits	14	9,714
<u>11,801</u>	Total Current Liabilities		<u>11,826</u>
	Non Current Liabilities		
16,194	Parish & Diocesan Deposits	14	18,645
<u>16,194</u>	Total Non Current Liabilities		<u>18,645</u>
<u>3,403</u>	Net Assets		<u>5,353</u>
	Equity		
3,403	Accumulated Funds	15	5,353
<u>3,403</u>	Total Equity		<u>5,353</u>

For and on behalf of the Board of Trustees which authorised the issue of the financial report on 29 June 2010.


Mr Desmond Boyle
Chairman


Mr George Macfarlane
Trustee

**Catholic Development Fund
Statement of Comprehensive Income
For the Year Ending 31 March 2010**

Actual		Note	Actual	Budget
2009			2010	(Unaudited)
'000			'000	2010
	Operating Revenue			
2,351	Investment Income	6	2,348	2,319
<u>2,351</u>	Total Operating Revenue		<u>2,348</u>	<u>2,319</u>
	Less Operating Expenses			
1,876	Interest and Commissions	7	1,085	1,510
<u>475</u>	Operating Surplus		<u>1,263</u>	<u>809</u>
408	Other Expenses	7	443	148
<u>67</u>	Net Surplus		<u>820</u>	<u>661</u>
	Other Comprehensive Income			
832	Net fair value unrealised gains/(losses) on available for sale financial assets		1,530	0
<u>899</u>	Total Comprehensive Income		<u>2,350</u>	<u>661</u>

**Catholic Development Fund
Statement of Changes in Equity
For the Year Ending 31 March 2010**

Actual		Note	Actual	Budget
2009			2010	(Unaudited)
'000			'000	2010
(124)	Balance at 1 April as previously reported		<u>3,403</u>	<u>3,403</u>
832	Other Comprehensive Income		1,530	0
<u>67</u>	Net Surplus for the Year		<u>820</u>	<u>661</u>
899	Total Comprehensive Income for the Year		2,350	661
899	Attributable to:			
	Catholic Diocese of Christchurch		<u>2,350</u>	<u>661</u>
2,800	Capital Injection from Catholic Diocese of Christchurch	16	0	0
(172)	Distribution to Catholic Diocese of Christchurch	18	(400)	(500)
<u>3,403</u>	Balance at 31 March	15	<u>5,353</u>	<u>3,564</u>

The attached notes form part of, and should be read in conjunction with these financial statements.

**Catholic Development Fund
Statement of Cash Flows
For the Year Ending 31 March 2010**

2009 '000		2010 '000
	Note	
	Cash Flows from Operating Activities	
	<i>Cash was provided from:</i>	
338	Interest Received - Loans	261
2,011	Interest Received - Investments	1,914
<u>2,349</u>		<u>2,175</u>
	<i>Cash was applied to:</i>	
1,974	Interest Paid	1,203
205	Payments to Suppliers and Employees	151
<u>2,179</u>		<u>1,354</u>
<u>170</u>	NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>821</u>
	Cash Flows from Investing Activities	
	<i>Cash was provided from:</i>	
0	Net Realisation of Investments	0
<u>0</u>		<u>0</u>
	<i>Cash was applied to:</i>	
17	Net Purchase of Investments	1,054
<u>17</u>		<u>1,054</u>
<u>(17)</u>	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	<u>(1,054)</u>
	Cash Flows from Financing Activities	
	<i>Cash was provided from:</i>	
0	Net Increase in Deposits Received	2,589
2,800	Capital Injection from Catholic Diocese of Christchurch	0
<u>2,800</u>		<u>2,589</u>
	<i>Cash was applied to:</i>	
1,261	Net Decrease in Deposits Received	0
507	Distribution to Catholic Diocese of Christchurch	400
<u>1,768</u>		<u>400</u>
<u>1,032</u>	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<u>2,189</u>
1,185	NET INCREASE / (DECREASE) IN CASH HELD	1,956
867	Plus Opening Cash brought forward	2,052
<u>2,052</u>	CASH HELD AT YEAR END	<u>4,008</u>
8	Cash and Bank Current	10
2,044	Call Accounts	3,998
<u>2,052</u>	ENDING CASH CARRIED FORWARD	<u>4,008</u>

The attached notes form part of, and should be read in conjunction with these financial statements.

CATHOLIC DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010

1. Corporate Information

The financial statements of the Christchurch Catholic Diocesan Development Fund (the Fund) for the year ended 31 March 2010 were authorised for issue in accordance with a resolution of the trustees on 29 June 2010.

The Fund is a Trust established by the Roman Catholic Bishop of the Diocese of Christchurch by Deed of Trust dated 21 December 1967 and is domiciled in New Zealand. The trustees are appointed by the Roman Catholic Bishop of the Diocese of Christchurch.

The nature of the operations and principal activities of the Fund are to generate funds to assist the Roman Catholic Bishop of the Diocese of Christchurch to undertake his pastoral activities and to support the development of resources within the Catholic community. This is achieved by offering call and term deposit facilities and using the funds raised to invest in loans to the Catholic community for development or to externally invest to generate income.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, the requirements of the Financial Reporting Act 1993 and in accordance with the Trust Deed. The financial statements have also been prepared on a historical cost basis, except for investments, which have been measured at fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000).

(b) Statement of Compliance

The financial statements have been prepared in accordance with NZ GAAP, the Fund is designated as a public benefit entity. They comply with New Zealand equivalents to International Financial Reporting Standards, and other applicable Financial Reporting Standards, as appropriate for Financial Institutions. Compliance with NZ IFRS ensures compliance with International Financial Reporting Standards ('IFRS'). The Public Benefit Entities exemptions have not been applied.

Other Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Fund for the annual reporting period ending 31 March 2010. These are outlined below:

Reference	Title	Summary	Application date of standard	Impact on Fund's Financial Statements	Application date for Fund
NZ IAS 39 (Amendments)	Financial Instruments: Recognition and Measurement Standards – eligible Hedged Items	The amendment to NZ IAS 39 clarifies how the principles underlying hedge account should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	NZ IAS 39 amendments will have no direct impact on the amounts included in the Fund's financial statements as the Fund does not enter into hedged transactions.	1 April 2010
NZ IFRS 9	Financial Instruments	This standard is part of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . The standard applies to financial assets, their classification and measurement. All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value.	1 January 2013	The Funds financial assets are currently measured at fair value, the impact on the Fund's financial statements is expected to be minimal.	1 April 2013
NZ IAS 24	Related party Disclosures (Revised 2009)	This Standard makes amendments to New Zealand Accounting Standard NZ IAS 24 <i>Related Party Disclosures</i> . The amendments simplify the definition of a related party and proved a partial exemption from the disclosure requirements for government-related entities.	1 January 2011	The impact of this standard on the Fund's financial statements is expected to be minimal.	1 April 2011

There have been no changes in accounting policies during the period. All policies have been applied on bases consistent with those used in the previous year.

(c) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity 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.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(d) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value, less an allowance for any impairment. Due to their short term nature they are not amortised.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Fund will not be able to collect the debt. Financial difficulties of the debtor or default payments are considered objective evidence of impairment.

(e) Investments and Other Financial Assets

Financial assets in the scope of NZ IAS 39 *Financial Instruments: Recognition and Measurement* are classified as either available for sale, or as loans and receivables. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs. The Fund determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Recognition and Derecognition

All purchases and sales of financial assets are recognised on the trade date, ie the date that the Fund commits to purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

(i) Available for Sale Financial Assets

These are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables. After initial recognition available for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the statement of financial performance. Available for sale financial assets are included in non-current assets except for maturities less than 12 months after balance date, which are included in current assets.

The fund includes in this category investments that it intends to hold long-term, but which may be realised before maturity.

The fair value of available for sale financial assets has been determined by Goldman Sachs JB Were (NZ) Ltd.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and

losses are recognised in the statement of financial performance when the loans and receivables are derecognised or impaired.

The carrying value of loans approximates its fair value.

These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Loans and Receivables comprise debtors and other receivables and client loans.

f) Impairment of Financial Assets

At each balance date the Fund assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of financial performance.

(i) Available for Sale Financial Assets

For available for sale financial assets, classed as fair value through equity, a significant or prolonged decline in the fair value of the investment below its cost is considered an indicator of impairment. If such evidence exists the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of financial performance) is removed from equity and recognised in the statement of financial performance.

(ii) Loans and receivables

Impairment of a loan or a receivable is established when there is objective evidence that the Fund will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/client, probability that the debtor/client will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. Impairment losses are recognised directly against the instruments carrying amount.

(g) Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – 4 years (ie at 25%)

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(h) Intangibles

Intangible assets are initially measured at cost. The cost of an intangible asset is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed at 4 years. The cost of intangible assets is amortised over the useful life. The amortisation expense is recognised as an expense in the Statement of Financial Performance.

(i) Trade and Other Payables

Trade and other payables are carried at amortised cost, due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid and arise when the Fund becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 60 days of recognition.

(j) Interest-bearing Loans and Borrowings (Depositors Funds)

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs and subsequently measured at amortised cost.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(k) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and

allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(l) Income Tax

The Fund is exempt from Income Tax due to its charitable status.

(m) Other Taxes

Revenues, expenses and assets are recognised inclusive of the amount of GST as the Fund is a provider of financial services.

3. Financial Risk Management Objectives and Policies

The Fund's principal financial instruments comprise payables, depositors funds, loans, bonds, convertible notes and local body stocks. The Fund also has bank accounts, call accounts and term deposits.

The main risks arising from the Fund's financial instruments are interest rate risk, liquidity risk and credit risk. The Fund reviews and agrees policies for managing each of these risks as summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in notes 2, 4 and 5 to the financial statements.

Interest rate risk

Interest rate risk is the risk of loss to the Fund arising from adverse fluctuations in interest rates.

The Fund is exposed to interest rate risk to the extent that it borrows or invests for a fixed term at fixed rates. Exposure to interest rate risk is managed through analysis of financial assets and liability profiles. The Fund managers actively manage the investment portfolios and may take positions, which anticipate rate movements in order to maximise returns from market opportunities. All funding activities are operated with reference to a treasury policy and frequent reporting of the Fund occurs. Expert advice is sought from independent analysts to support funding decisions. The Fund is not subject to contractual re-pricing on interest rates, with rates being unchanged up to maturity.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. The sensitivity analysis to net profit and equity has been determined based on the exposure to interest rates at reporting.

A sensitivity of 100 basis points has been selected as this is considered reasonable given the current level of short term and long term interest rates.

At reporting date, if interest rates had been 100 basis points higher or lower with all other variables held constant, net surplus and equity would have been affected as follows:

	Net Surplus - Increase/(Decrease)				Equity - Increase/(Decrease)			
	2010		2009		2010		2009	
	1% '000	-1% '000	1% '000	-1% '000	1% '000	-1% '000	1% '000	-1% '000
Investment Income - Loan Interest	47	-47	38	-38	47	-47	38	-38
Investment Income - Other Interest	297	-297	257	-257	297	-297	257	-257
Interest Expense	-315	315	-386	386	-315	315	-386	386
Available for Sale Financial Assets					-693	693	-780	780
	29	-29	91	-91	-664	664	-871	871

The impact on net surplus and equity is largely due to higher/lower interest costs from variable rate borrowings and cash balances.

Credit risk

The Fund's assets that are subject to credit risk are bank deposits, accounts receivable, loans, mortgages and investments. No financial assets are past due and no financial assets have been renegotiated to avoid being past due. No financial assets have been pledged as collateral.

Other than the impairment loss on Available for Sale Financial Assets disclosed in Note 10, no other financial assets are considered impaired and no provision is considered necessary.

The Fund manages the risk by:

- Holding bank deposits with reputable financial institutions.
- Monitoring loans made to parishes, Catholic schools and other organisations on a regular basis for debt recoverability.
- Seeking collateral or security over its financial instruments. This is required for all loans and mortgages to entities that are not owned by the Roman Catholic Bishop of the Diocese of Christchurch as Corporation Sole. Security is by way of mortgage over property owned by the entity concerned.
- All investments comply with the Fund's Treasury Policy adopted by the Trustees.

The exposure to credit risk is minimised by the above.

Security Held Over Loans

	2010	2009	
	Total Loans	Total Loans	Total value of Security Held
Loans to Organisations owned by the Roman Catholic Bishop of the Diocese of Christchurch	2,693	2,027	
Loans to Other Organisations	1,653	1,713	9,050
Total Loans	<u>4,346</u>	<u>3,740</u>	

The terms and conditions for loans are:

- Loans are provided for terms ranging from 1 to 15 years.
- Interest rates currently range from 5.14% - 8.5% (2009 – 8.5%-9.4%) and are subject to review by the fund.
- Interest and principal repayments are made by way of monthly instalments.
- Penalty interest of an additional 2% is charged for late or non payment of instalments due.
- Additional principal repayments may be made without penalty.

The terms and conditions for available for sale financial assets are:

- Investments are made for terms ranging from one month to 10 years.
- Interest rates range from 4.40% to 9.66% (2009 – 6.22% to 9.48%).
- Interest is paid at either quarterly or six-monthly intervals.
- Principal is repaid at maturity.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments.

The Fund manages liquidity risk by:

- Careful monitoring of its investment base with a mix of terms and liquidity, while maximising returns for depositors.
- Forward planning repayment of deposits, utilising working capital and banking facilities.
- Underwriting of all debts by the Roman Catholic Bishop of Christchurch.

The following table details the Fund's cash flows by contractual maturity for its financial assets and liabilities at balance date on an undiscounted basis. Actual maturities are expected to be the same as contractual maturities. The cashflows include both principal and interest payments/receipts.

2010	On Demand	0-6 Mths	6-12 Mths	12-18 Mths	18-24 Mths	+24 Mths	Total
ASSETS							
Investments		2,187	1,968	2,166	5,170	21,642	33,133
Cash	4,008						4,008
Receivables	7						7
Loans		351	341	275	281	3,098	4,346
Total Assets	4,015	2,538	2,309	2,441	5,451	24,740	41,494
LIABILITIES							
Accounts Payable	54						54
Public Call Account Deposits	2,058						2,058
Current Portion Public Term Deposits		5,112	4,603				9,715
Parish and Diocesan Deposits						16,158	16,158
Interest on Depositors Funds		172	275				447
Total Liabilities	2,112	5,284	4,878	0	0	16,158	28,432

2009	On Demand	0-6 Mths	6-12 Mths	12-18 Mths	18-24 mths	+24 Mths	Total
ASSETS							
Investments		1,731	2,656	1,091	1,887	22,690	30,055
Cash	2,053						2,053
Receivables							0
Loans		245	246	245	251	2,753	3,740
Total Assets	2,053	1,976	2,902	1,336	2,138	25,443	35,848
LIABILITIES							
Accounts Payable	72						72
Public Call Account Deposits	1,854						1,854
Current Portion Public Term Deposits		4,511	5,364				9,875
Parish and Diocesan Deposits						16,194	16,194
Interest on Depositors Funds		270	256				526
Total Liabilities	1,926	4,781	5,620	0	0	16,194	28,521

4. Fair Value Hierarchy

The Fund uses various methods in estimating the fair value of an financial instrument. The methods comprise:

Level 1: the fair value is calculated using quoted prices in active markets

Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Quoted Market Price Level 1	Valuation technique - market observable inputs Level 2	Valuation technique - non market observable inputs Level 3	Total
2010				
Financial Assets at fair value through equity	('000's)	('000's)	('000's)	('000's)
Financial assets held for trading				
<i>(i) Interest bearing securities</i>				
Listed debt securities	8,410	0	0	8,410
Capital notes	2,099	0	0	2,099
Non-listed corporate bonds	0	15,953	0	15,953
	10,509	15,953	0	26,462

	Quoted Market Price Level 1	Valuation technique - market observable inputs Level 2	Valuation technique - non market observable inputs Level 3	Total
2009				
Financial Assets at fair value through equity	('000's)	('000's)	('000's)	('000's)
Financial assets held for trading				
<i>(i) Interest bearing securities</i>				
Listed debt securities	8,165	0	0	8,165
Capital notes	2,299	0	0	2,299
Non-listed corporate bonds	0	15,140	0	15,140
	10,464	15,140	0	25,604

5. Significant Accounting Judgements, Estimates and Assumptions

In applying the Fund's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Fund. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

Significant Accounting Judgements

Classification of and valuation of investments

The Fund has decided to classify investments as 'Available for Sale' investments or as Loans and Receivables. Movements in fair value of Available for Sale investments are recognised directly in equity. The fair values of investments have been determined by Goldman Sachs JBWere (NZ) Limited by either the NZX Debt market or the Trading Banks market spread for those securities that do not trade on the NZ Debt market platform.

Allowance for impairment loss on trade receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 7.

6. Investment Income

Investment Income includes:

	2010 ('000's)	2009 ('000's)
Interest from Loans	261	338
Interest from Other Investments	2,010	1,997

7. Expenses

	2010 ('000's)	2009 ('000's)
Interest and Commission expenses include:		
Interest Expense - Public	408	746
Interest Expense – Parish & Diocese	677	1,130
Other Expenses include:		
Auditor - Audit Fees	16	17
Depreciation	0	0
Amortisation Intangible Assets	0	2
Investment Advisors Fees	63	64
Impairment Loss (Refer to Note 10)	121	198

8. Current Assets – Cash and Cash Equivalents

	2010 ('000's)	2009 ('000's)
Cash at bank and in hand (Current)	10	9
Cash at bank (Call)	3,998	2,044
Total Cash at bank and in hand	4,008	2,053

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value. There are no restrictions on the cash and cash equivalents balances.

9. Loans and Receivables

	2010 ('000's)	2009 ('000's)
Total Loans	4,346	3,740
Other Receivables	7	0
Total Loans and Receivables	4,353	3,740
Less Current Portion	699	491
Non Current Portion	3,654	3,249

(Refer to Note 3 for terms and conditions of Loans)

10. Available-for-sale Financial Assets

	Fair Value 2010 (‘000’s)	Fair Value 2009 (‘000’s)
Bank deposits	1,000	0
Bonds	24,364	23,306
Capital Notes	2,099	2,299
	<hr/>	<hr/>
	27,463	25,605
Less Current Portion	2,226	2,527
	<hr/>	<hr/>
Non Current Portion	25,237	23,078
	<hr/>	<hr/>

(Refer to Note 3 for terms and conditions of Available for Sale Financial Assets)

Impairment Loss

Bluestar Group

On 15 September 2009 Bluestar group suspended the cash payment of interest on its capital bonds. From the date of this suspension interest has accrued at the step up rate of 13.1% per annum. Interest accrued at the step up rate is calculated on a compounding basis at quarterly intervals until the suspended interest has been paid.

The capital bonds traded at \$0.399 in the dollar at 31 March 2010 and are currently trading on the New Zealand debt market at \$0.2869 in the dollar.

In the interim report to 31 December 2009 it was noted that the trading performance of the Blue Star Group had stabilised, cost savings had been achieved and actions to address changes to the print market were being implemented, although margins continued to be under pressure. It was also noted that it is unlikely that there will be sufficient improvement in the performance of the businesses of the Blue Star Group to permit payments on the Capital Bonds in the 2010 calendar year.

The bonds are able to be liquidated at the market price stated above. The Fund holds a face value of \$200,000 of Bluestar securities; an Impairment Loss has been recognised in 2010 of \$121,360.

Babcock and Brown

The Babcock and Brown securities were subordinated debt securities that were issued by Babcock and Brown limited. On 7 January 2009 Babcock and Brown were placed into receivership and the subordinated notes were suspended from trading on the New Zealand and Australian debt markets. An administrator has been appointed and is currently reviewing the assets and liabilities of the company. Initial disclosures by the Babcock and Brown Board suggested that at the time of receivership there would be little or no value left for subordinated noteholders. Until the administrator has established a clearer picture of the

actual position of noteholders and the fact there is no ability to liquidate the position it is appropriate that the value of the holding be shown as \$0.01 in the dollar. The Fund holds a face value of \$200,000 of Babcock and Brown securities; an Impairment Loss has been recognised in 2009 of \$198,000.

Reconciliation	2010 (‘000’s)	2009 (‘000’s)
Opening Carrying Amount	25,605	24,824
Allowance for Impairment Loss	0	0
Changes in Allowance for Impairment Loss	0	0
Amounts Written Off (at cost)	(121)	(198)
Additions/Disposals (at cost)	449	147
Movement in Valuation	1,530	832
Closing Carrying Amount	27,463	25,605

11. Non-current Assets – Plant and Equipment

	Cost	Current Yr Depreciation	Accumulated Depreciation	Book Value
	(‘000’s)	(‘000’s)	(‘000’s)	(‘000’s)
Computer Hardware				
31 March 2010	2	0	2	0
31 March 2009	2	0	2	0

12. Intangibles – Computer Software

	Cost	Current Yr Amortisation	Accumulated Amortisation	Book Value
	(‘000’s)	(‘000’s)	(‘000’s)	(‘000’s)
Computer Software				
31 March 2010	25	0	25	0
31 March 2009	25	2	25	0

13. Current Liabilities – Trade and Other Payables

	2010 (‘000’s)	2009 (‘000’s)
Trade Creditors	54	72
Related Party Payables	0	0
	<u>54</u>	<u>72</u>

(a) Trade payables

Trade payables are non-interest bearing and are normally settled on 30-day terms.

(b) Related party payables

For terms and conditions relating to related party payables refer to note 18.

(c) Interest rate and liquidity risk

Information regarding interest rate and liquidity risk of current payables is set out in note 3.

14. Interest-bearing Depositors Funds

	2010 (‘000’s)	2009 (000’s)
Current		
Client Call Account Deposits	2,058	1,854
Client Term Deposits	9,714	9,875
Non-current		
Parish & Diocesan Deposits	18,645	16,194
	<u>30,417</u>	<u>27,923</u>

Fair Values

The carrying amount of the Fund’s current and non-current liabilities approximate their fair value.

Financial Liabilities 2010	Effective Interest Rate	Total (000’s)
Accounts Payable	N/A	54
Call Account Deposits	0-2.50%	2,058
Client Term Deposits	2.25%-4.10%	9,714
Parish & Diocesan Deposits	2.25%-4.10%	18,645
Total Financial Liabilities		<u>30,471</u>
Financial Liabilities 2009	Effective Interest Rate	Total (000’s)
Accounts Payable	N/A	72
Call Account Deposits	0-3.25%	1,854
Client Term Deposits	2.25%-7.90%	9,875
Parish & Diocesan Deposits	2.25%-7.90%	16,194
Total Financial Liabilities		<u>27,995</u>

All depositors funds have equal priority over the assets of the Fund, should the Fund liquidate or cease to operate. All depositors' funds are guaranteed by the Roman Catholic Bishop of the Diocese Christchurch.

15. Equity

	2010 ('000s)	2009 ('000s)
Retained Earnings		
Balance 1 April	3,874	1,179
Surplus/(Deficit) for the year	820	67
Capital Injection from Catholic Diocese of Christchurch	0	2,800
Distribution to Catholic Diocese of Christchurch	(400)	(172)
Balance at 31 March	<u>4,294</u>	<u>3,874</u>
Special Reserve		
Balance 1 April	295	295
Movements for the year	0	0
Balance at 31 March	<u>295</u>	<u>295</u>
Fair Value through Equity Reserve		
Balance 1 April	(766)	(1,598)
Unrealised Valuation Gains/(Losses) taken to Equity	1,530	832
Balance at 31 March	<u>764</u>	<u>(766)</u>
Total Equity 31 March	<u>5,353</u>	<u>3,403</u>

Nature and Purpose of Reserves:

Special Reserve:

The Special Reserve Fund is created at the Trustees discretion and is a liquidity buffer. The value of this reserve fund is reviewed by the Trustees in accord with the Trust Deed each year during the months of June and December.

Fair Value through Equity Reserve

This reserve records movements in the fair value of available for sale financial assets.

16. Capital Management

The Fund's capital is its equity, which comprise retained earnings and reserves. Equity is represented by net assets. When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to the Catholic Diocese of Christchurch. In August 2008 the Roman Catholic Bishop of the Diocese of Christchurch, through the diocese has resolved to maintain equity at an amount equivalent to 10% to total depositors funds or greater. This resulted in a capital injection to equity of \$2.8m in September 2008. Refer also to Note 3 - Financial Risk Management Objectives and Policies.

This level of equity is considered prudent and appropriate for the Fund.

17. Cash Flow Statement Reconciliation

(a) Reconciliation of Net Surplus to Net Operating Cash Flows

	2010 (‘000’s)	2009 (‘000’s)
Net Surplus for the Period	820	67
<i>Adjustments to reconcile the Net Surplus to the Net Cash Inflow from Operating Activities</i>		
<i>Add:</i>		
Investment Write down	121	198
Amortisation of Software	0	2
Decrease in Accounts Receivable	0	6
	<hr/> 121	<hr/> 273
<i>Deduct:</i>		
Decrease in Trade Creditors	113	103
Increase in Accounts Receivable	7	0
	<hr/> 120	<hr/> 103
Net Cash Inflow from Operating Activities	<hr/> 821	<hr/> 170

(b) Statement of Cash Flows

Cash inflows and outflows resulting from the sale and purchase of investments (including loans made) have been netted as have increases and decreases in deposits received. Disclosure of the gross receipts and payments is not essential to the understanding of these activities.

18. Related Party Disclosure

The Fund receives assistance from the Catholic Diocese of Christchurch in managing the day to day operations of the Fund. In October 2002 the Management and Finance Board of the Diocese resolved to stop charging the Fund for these services. The Trustees have not determined the final distribution to be made to the Diocese. The Distribution made to the Diocese during the year to 31 March 2010 amounted to \$400,000, (2009: \$172,000). No debts were forgiven or written off during the period.

Investments

The Catholic Diocese of Christchurch invests in the Fund on standard terms that are available to other investors. Total funds invested at balance date were \$7,092,452 (2009: \$4,828,808).

Loans

The Diocese has loans from the Fund on standard terms. The total owing at balance date was \$2,693,306 (2009: \$1,775,634). During the year loans of \$1,073,305 were made to the Diocese. Repayments totalling \$155,633 were made during the year resulting in the year end balance of \$2,693,306. Interest charged and paid was \$139,959 at the rate of between 5.64% and 8.5%.

The following table provides the total amount of transactions which have been entered into with the Catholic Diocese of Christchurch in the current financial year.

Related Party (\$'000)	Amount Loaned at balance Date	Interest Received from Loans to Related Party	Deposits Received at Balance Date	Interest Paid on Deposits from Related Party	Distribution Paid to Related Party
2010 Catholic Diocese of Christchurch	2,693	140	7,092	251	400
2009 Catholic Diocese of Christchurch	1,776	131	4,829	439	0

19. Significant Events After the Balance Date

There were no significant events after balance date affecting the financial statements.

Independent Auditor's Report**To the Trustees of Catholic Development Fund****Report on the Financial Statements**

We have audited the financial statements of Catholic Development Fund on pages 3 to 24, which comprise the statement of financial position of Catholic Development Fund as at 31 March 2010, and a statement of comprehensive income 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 trustees, as a body, in accordance with the Financial Reporting Act 1993. Our audit has been undertaken so that we might state to the trustees 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 trust and the trustees 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 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 Catholic Development Fund.

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

Opinion

In our opinion, the financial statements on pages 3 to 24:

- ▶ comply with generally accepted accounting practice in New Zealand;
- ▶ comply with International Financial Reporting Standards; and
- ▶ present fairly, in all material respects, the financial position of the trust as at 31 March 2010 and the financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

In our opinion proper accounting records have been kept by Catholic Development Fund as far as appears from our examination of those records.



29 June 2010
Christchurch