



## *Catholic Development Fund*

### **FINANCIAL STATEMENTS**

***For the Year Ended 31 March 2011***

## Directory

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### **Trustees**

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

### **Registered Office**

***Cathedral House on Washington***  
2/9 Washington Way  
Christchurch  
New Zealand

### **Solicitors**

***Cavell Leitch Law***  
Ground Floor  
6 Hazeldine Rd  
Addington  
Christchurch

### **Investment Advisors**

***JB Were***  
Level 6  
HSBC Tower  
62 Worcester Boulevard  
Christchurch

### **Bankers**

***Westpac***  
Level 2  
2 Show Place  
Addington  
Christchurch

### **Auditors**

***Ernst & Young***  
P O Box 2091  
Christchurch 8104



## *Catholic Development Fund*

### **FINANCIAL STATEMENTS**


***For the Year Ended 31 March 2011***

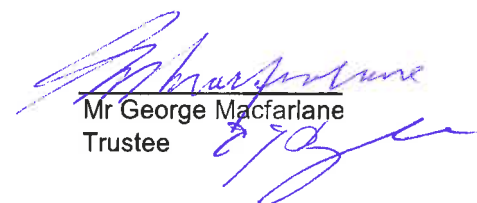
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**Catholic Development Fund  
Statement of Financial Position  
As At 31 March 2011**

		Note	
2010 '000			2011 '000
	<b>Current Assets</b>		
4,008	Cash at Bank and in hand	8	2,208
699	Loans and Receivables	9	486
2,226	Current Portion Available for Sale Financial Assets	10	7,303
<u>6,933</u>	<b>Total Current Assets</b>		<u>9,997</u>
	<b>Non Current Assets</b>		
25,237	Available for Sale Financial Assets	10	23,350
3,654	Loans and Receivables	9	4,081
0	Plant & Equipment	11	0
0	Intangible Assets	12	11
<u>28,891</u>	<b>Total Non Current Assets</b>		<u>27,442</u>
	<b>Current Liabilities</b>		
54	Trade and Other Payables	13	50
2,058	Public Call Account Deposits	14	2,120
9,714	Current Portion - Public Term Deposits	14	8,607
<u>11,826</u>	<b>Total Current Liabilities</b>		<u>10,777</u>
	<b>Non Current Liabilities</b>		
18,645	Parish & Diocesan Deposits	14	20,984
<u>18,645</u>	<b>Total Non Current Liabilities</b>		<u>20,984</u>
<u>5,353</u>	<b>Net Assets</b>		<u>5,678</u>
	<b>Equity</b>		
5,353	Accumulated Funds	15	5,678
<u>5,353</u>	<b>Total Equity</b>		<u>5,678</u>

For and on behalf of the Board of Trustees which authorised the issue of the financial report on 30 August 2011.

  
Mr Desmond Boyle  
Chairman

  
Mr George Macfarlane  
Trustee



**Catholic Development Fund  
Statement of Comprehensive Income  
For the Year Ending 31 March 2011**

Actual		Note	Actual	Budget
2010			2011	(Unaudited)
'000			'000	2011
				'000
	<b>Operating Revenue</b>			
2,348	Investment Income	6	2,606	2,387
<u>2,348</u>	<b>Total Operating Revenue</b>		<u>2,606</u>	<u>2,387</u>
	<b>Less Operating Expenses</b>			
1,085	Interest and Commissions	7	1,155	1,196
<u>1,263</u>	<b>Operating Surplus</b>		<u>1,451</u>	<u>1,191</u>
443	Other Expenses	7	181	156
<u>820</u>	<b>Net Surplus</b>		<u>1,270</u>	<u>1,035</u>
820	Attributable to Catholic Diocese of Christchurch		1,270	1,035
	<b>Other Comprehensive Income</b>			
1,530	Net fair value unrealised gains/(losses) on available for sale financial assets		255	0
<u>2,350</u>	<b>Total Comprehensive Income</b>		<u>1,525</u>	<u>1,035</u>
<u>2,350</u>	Attributable to Catholic Diocese of Christchurch		<u>1,525</u>	<u>1,035</u>

**Catholic Development Fund  
Statement of Changes in Equity  
For the Year Ending 31 March 2011**

Actual		Note	Actual	Budget
2010			2011	(Unaudited)
'000			'000	2010
				'000
3,403	<b>Balance at 1 April as previously reported</b>		<u>5,353</u>	<u>5,353</u>
1,530	<b>Other Comprehensive Income</b>		255	0
<u>820</u>	<b>Net Surplus for the Year</b>		<u>1,270</u>	<u>1,035</u>
2,350	<b>Total Comprehensive Income for the Year</b>		1,525	1,035
<u>2,350</u>	Total Attributable to Catholic Diocese of Christchurch		<u>1,525</u>	<u>1,035</u>
0	Capital Injection from Catholic Diocese of Christchurch	16	0	0
(400)	Distribution to Catholic Diocese of Christchurch	18	(1,200)	(1,000)
<u>5,353</u>	<b>Balance at 31 March</b>	15	<u>5,678</u>	<u>5,388</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 2011**

2010 '000		Note	2011 '000
	<b>Cash Flows from Operating Activities</b>		
	<i>Cash was provided from:</i>		
261	Interest Received - Loans		265
1,914	Interest Received - Investments		2,341
0	Donations Received		2
<u>2,175</u>			<u>2,608</u>
	<i>Cash was applied to:</i>		
1,203	Interest Paid		1,120
151	Payments to Suppliers and Employees		153
<u>1,354</u>			<u>1,273</u>
<u>821</u>	<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	17	<u>1,335</u>
	<b>Cash Flows from Investing Activities</b>		
	<i>Cash was provided from:</i>		
0	Net Realisation of Investments		0
<u>0</u>			<u>0</u>
	<i>Cash was applied to:</i>		
0	Purchase of Intangible Assets		12
1,054	Net Purchase of Investments		3,178
<u>1,054</u>			<u>3,190</u>
<u>(1,054)</u>	<b>NET CASH INFLOW/( OUTFLOW) FROM INVESTING ACTIVITIES</b>		<u>(3,190)</u>
	<b>Cash Flows from Financing Activities</b>		
	<i>Cash was provided from:</i>		
2,589	Net Increase in Deposits Received		1,255
<u>2,589</u>			<u>1,255</u>
	<i>Cash was applied to:</i>		
400	Distribution to Catholic Diocese of Christchurch		1,200
<u>400</u>			<u>1,200</u>
<u>2,189</u>	<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>		<u>55</u>
1,956	<b>NET INCREASE / (DECREASE) IN CASH HELD</b>		(1,800)
2,052	Plus Opening Cash brought forward		4,008
<u>4,008</u>	<b>CASH HELD AT YEAR END</b>		<u>2,208</u>
	Cash and Bank Current		11
3,998	Call Accounts		2,197
<u>4,008</u>	<b>ENDING CASH CARRIED FORWARD</b>	8	<u>2,208</u>





# *Catholic Development Fund*

## **NOTES TO THE FINANCIAL STATEMENTS**

***For the Year Ended 31 March 2011***

### **1. Corporate Information**

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The financial statements of the Christchurch Catholic Diocesan Development Fund (the Fund) for the year ended 31 March 2011 were authorised for issue in accordance with a resolution of the trustees on 30 August 2011.

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**

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#### **(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 generally accepted accounting practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS). The Fund is designated as a Public Benefit Entity, but has elected not to apply any exemptions available to Public Benefit Entities under IFRS. The financial statements comply with International Financial Reporting Standards.



### (c) New Accounting Standards and Interpretations

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 2011. 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 2010	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 2011
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> . These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of NZ IAS 39. The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which included: <ul style="list-style-type: none"> <li>Two categories for financial assets are being amortised cost or fair value</li> <li>Removal of the requirement to separate embedded derivatives in financial assets</li> <li>Strict requirements to determine which financial assets can be classified as amortised cost or fair value.</li> </ul> Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows	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



Reference	Title	Summary	Application date of standard	Impact on Fund's Financial Statements	Application date for Fund
NZ IFRS 9 (Continued)	Financial Instruments	<ul style="list-style-type: none"> <li>• An option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition</li> <li>• Reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for the asset changes</li> <li>• Changes to the accounting a additional disclosures for equity instruments classified as fair value through other comprehensive income</li> </ul>	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 IFRS 9 (2009)	Financial Instruments	<p>NZ IFRS 9 (2010) supersedes NZ IFRS9 (2009). The requirements for classifying and measuring financial liabilities were added to NZ IFRS 9 as issued in 2009. The existing NZ IAS 39 requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities, the change in fair value is accounted for as follow:</p> <ul style="list-style-type: none"> <li>• The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>• The remaining change is presented in profit or loss</li> </ul> <p>If his approach creates or enlarges an accounting mismatch in the profit or loss the effect of the changes in credit risk are also presented in profit or loss.</p>	1 January 2013	The impact of this standard on the Fund's financial statements is expected to be minimal.	1 April 2013

Reference	Title	Summary	Application date of standard	Impact on Fund's Financial Statements	Application date for Fund
NZ IAS 24	Related party Disclosures (Revised 2009)	<p>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, clarifying its intended meaning and eliminating inconsistencies from the definition, including</p> <ul style="list-style-type: none"> <li>• The definition now identifies a subsidiary and an associate with the same investor as related parties of each other</li> <li>• Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other</li> <li>• The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, there second and third entities are related to each other</li> </ul> <p>A partial exemption is also from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p> <p>A Partial exemption is also provide for public benefit entities in respect of certain transactions with Minister of the Crown.</p>	1 January 2011	The impact of this standard on the Fund's financial statements is expected to be minimal.	1 April 2011

Reference	Title	Summary	Application date of standard	Impact on Fund's Financial Statements	Application date for Fund
Improvements to NZ Equivalents to IFRS (2010)	Amendments to NZ Accounting Standards arising from the Annual Improvements Project (2010) (NZ IFRS 7, NZ IAS 1, 34,)	<p>The amendments to NZ IFRS 7 emphasise the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.</p> <p>The amendments to quantitative ad credit risk disclosures are as follows:</p> <ul style="list-style-type: none"> <li>• Clarify that only financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure on the amount that represents the maximum exposure to such risk.</li> <li>• Require, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk)</li> <li>• Remove the disclosure requirement of the collateral held as security, other credit</li> <li>• Enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.</li> <li>• Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired</li> <li>• Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date</li> </ul>	1 January 2011	The impact of this standard on the Fund's financial statements is expected to be minimal.	1 April 2011



Reference	Title	Summary	Application date of standard	Impact on Fund's Financial Statements	Application date for Fund
Improvements to NZ Equivalents to IFRS (2010) (Continued)		The amendments to NZ IAS 1 clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.	1 January 2011	The impact of this standard on the Fund's financial statements is expected to be minimal.	1 April 2011
		The amendments to NZ IAS 34 provides guidance to illustrate how to apply disclosure principles in NZ IAS 34 and add disclosure requirements around: <ul style="list-style-type: none"> <li>• The circumstances likely to affect fair values of financial instruments and their classification</li> <li>• Transfers of financial instruments between different levels of the fair value hierarchy</li> <li>• Changes in classification of financial assets</li> </ul> Changes in contingent liabilities and assets	1 January 2011	The impact of this standard on the Fund's financial statements is expected to be minimal.	1 April 2011
FRS 44	New Zealand Additional Disclosures	FRS 44 is a consequence of the joint Trans-Tasman Convergence project of the Australian Accounting Standards Board and the Financial Reporting Standards Board. This standard relocates New Zealand specific disclosures from other standard to one place and revises disclosures in various areas.	1 January 2013	The impact of this standard on the Fund's financial statements is expected to be minimal.	1 April 2013

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.

#### (d) 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.

## **(e) 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.

## **(f) 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.

### **(g) 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.

### **(h) 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.





### **(i) 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 using the straight line method over the useful life. The amortisation expense is recognised as an expense in the Statement of Financial Performance.

### **(j) 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.

### **(k) 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.

### **(l) 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.

### **(m) Income Tax**

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

### **(n) 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 maximize 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 surplus 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)			
	2011		2010		2011		2010	
	1%	-1%	1%	-1%	1%	-1%	1%	-1%
	'000	'000	'000	'000	'000	'000	'000	'000
Investment Income - Loan Interest	44	(44)	47	(47)	44	(44)	47	(47)
Investment Income - Other Interest	308	(308)	297	(297)	308	(308)	297	(297)
Interest Expense	(297)	297	(315)	315	-297	297	(315)	315
Available for Sale Financial Assets					(634)	634	(693)	693
	55	(55)	29	(29)	(579)	579	(664)	664





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

	2011 Total Loans	2010 Total Loans	Total value of Security Held
Loans to Organisations owned by the Roman Catholic Bishop of the Diocese of Christchurch	2,319	2,693	
Loans to Other Organisations	2,241	1,653	9,050
Total Loans	<u>4,560</u>	<u>4,346</u>	

The terms and conditions for loans are:

- Loans are provided for terms ranging from 1 to 15 years.
- Interest rates currently range from 5.06% - 6.10% (2010 – 5.14% - 8.5%) 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 4.09% to 9.66% (2010 – 4.40% to 9.66% ).
- 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.

2011	On Demand	0-6 Mths	6-12 Mths	12-18 Mths	18-24 Mths	+24 Mths	Total
<b>ASSETS</b>							
Investments		6,265	3,395	3,677	3,948	18,065	35,350
Cash	2,208						2,208
Receivables	7						7
Loans		236	243	251	259	3,571	4,560
<b>Total Assets</b>	<b>2,215</b>	<b>6,501</b>	<b>3,638</b>	<b>3,928</b>	<b>4,207</b>	<b>21,636</b>	<b>42,125</b>
<b>LIABILITIES</b>							
Accounts Payable	50						50
Public Call Account Deposits	2,120						2,120
Current Portion Public Term Deposits		4,368	4,239				8,607
Parish and Diocesan Deposits						20,984	20,984
Interest on Depositors Funds		221	301				522
<b>Total Liabilities</b>	<b>2,163</b>	<b>4,589</b>	<b>4,543</b>	<b>0</b>	<b>0</b>	<b>20,987</b>	<b>32,282</b>



2010	On Demand	0-6 Mths	6-12 Mths	12-18 Mths	18-24 mths	+24 Mths	Total
<b>ASSETS</b>							
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
<b>Total Assets</b>	<b>4,015</b>	<b>2,538</b>	<b>2,309</b>	<b>2,441</b>	<b>5,451</b>	<b>24,740</b>	<b>41,494</b>
<b>LIABILITIES</b>							
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
<b>Total Liabilities</b>	<b>2,112</b>	<b>5,284</b>	<b>4,878</b>	<b>0</b>	<b>0</b>	<b>16,158</b>	<b>28,432</b>

#### 4. Fair Value Hierarchy

The Fund uses various methods in estimating the fair value of a 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.

2011	Quoted Market Price Level 1 ('000's)	Valuation technique - market observable inputs Level 2 ('000's)	Valuation technique - non market observable inputs Level 3 ('000's)	Total ('000's)
<b>Financial Assets at fair value through equity</b>				
<b>Financial assets held for trading</b>				
<i>(i) Interest bearing securities</i>				
Listed debt securities	9,323	0	0	9,323
Capital notes	1,680	0	0	1,680
Non-listed corporate bonds	0	15,429	0	15,429
	<b>11,003</b>	<b>15,429</b>	<b>0</b>	<b>26,432</b>



	Quoted Market Price Level 1 ( <i>'000's</i> )	Valuation technique - market observable inputs Level 2 ( <i>'000's</i> )	Valuation technique - non market observable inputs Level 3 ( <i>'000's</i> )	Total ( <i>'000's</i> )
<b>2010</b>				
<b>Financial Assets at fair value through equity</b>				
<b>Financial assets held for trading</b>				
<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

## 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:	2011 (‘000’s)	2010 (‘000’s)
Interest from Loans	265	261
Interest from Other Investments	2,095	2,010

## 7. Expenses

	2011 (‘000’s)	2010 (‘000’s)
Interest and Commission expenses include:		
Interest Expense - Public	450	408
Interest Expense – Parish & Diocese	705	677
Other Expenses include:		
Auditor - Audit Fees	17	16
Depreciation	0	0
Amortisation Intangible Assets	1	0
Investment Advisors Fees	67	63
Impairment Loss (Refer to Note 10)	29	121

## 8. Current Assets – Cash and Cash Equivalents

	2011 (‘000’s)	2010 (‘000’s)
Cash at bank and in hand (Current)	11	10
Cash at bank (Call)	2,197	3,998
Total Cash at bank and in hand	2,208	4,008

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

	2011 (‘000’s)	2010 (‘000’s)
Total Loans	4,560	4,346
Other Receivables	7	7
Total Loans and Receivables	4,567	4,353
Less Current Portion	486	699
Non Current Portion	4,081	3,654

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



## 10. Available-for-sale Financial Assets

	<b>Fair Value 2011</b> (‘000’s)	<b>Fair Value 2010</b> (‘000’s)
Bank deposits	4,222	1,000
Bonds	22,945	24,364
Capital Notes	3,486	2,099
	<hr/>	<hr/>
	30,653	27,463
Less Current Portion	7,303	2,226
	<hr/>	<hr/>
Non Current Portion	23,350	25,237

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

### Impairment Loss

#### Bluestar Group

On 20 July Bluestar announced a restructure of their business and debt that would adversely affect the subordinated bonds. The proposal still needs to pass a noteholder and shareholder vote so at this stage it is only a proposal. The proposal entails splitting the current subordinated bonds into 2 securities on the basis that 1/3 of the holding will essentially convert to equity and 2/3 will remain as subordinated bonds. The 1/3 will not pay dividends. The 2/3 holding will receive interest at the rate of 9.1% from July 2013. All accrued interest will be written off. The subordinated bonds are trading at \$0.07 in the dollar and an impairment should now be taken down to that level. The restructure is clearly a negative announcement for the noteholders and is an indication that the business conditions have been negatively affected in the recent result.

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 was recognised in 2010 of \$121,360, and a further impairment loss was recognised in 2011 of \$14,480.

#### 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. There has been no material change to the value of the Babcock and Brown Bonds in the past 12 months. The liquidator continues to make investigations into the companies prior to it being placed into liquidation and they will report their findings when they are able to do so. 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 \$0.00 in the dollar. The Fund holds a face value

of \$200,000 of Babcock and Brown securities; an Impairment Loss was recognised in 2009 of \$198,000, and a further impairment loss was recognised in 2011 of \$2,000.

### Deutsche Bank and Sky City

The market value of these notes have fallen below cost therefore an impairment loss had been recognised of \$7,600 for Deutsche Bank and \$4,600 for Sky City.

<b>Reconciliation</b>	<b>2011</b> ( <i>'000's</i> )	<b>2010</b> ( <i>'000's</i> )
Opening Carrying Amount	27,463	25,605
Allowance for Impairment Loss	0	0
Changes in Allowance for Impairment Loss	0	0
Amounts Written Off (at cost)	(29)	(121)
Additions/Disposals (at cost)	2,964	449
Movement in Valuation	255	1,530
Closing Carrying Amount	<u>30,653</u>	<u>27,463</u>

## 11. Non-current Assets – Plant and Equipment

	<b>Cost</b>	<b>Current Yr Depreciation</b>	<b>Accumulated Depreciation</b>	<b>Book Value</b>
	( <i>'000's</i> )	( <i>'000's</i> )	( <i>'000's</i> )	( <i>'000's</i> )
<b>Computer Hardware</b>				
31 March 2011	2	0	2	0
31 March 2010	2	0	2	0

## 12. Intangibles – Computer Software

	<b>Cost</b>	<b>Current Yr Amortisation</b>	<b>Accumulated Amortisation</b>	<b>Book Value</b>
	( <i>'000's</i> )	( <i>'000's</i> )	( <i>'000's</i> )	( <i>'000's</i> )
<b>Computer Software</b>				
31 March 2011	37	1	26	11
31 March 2010	25	0	25	0

## 13. Current Liabilities – Trade and Other Payables

	<b>2011</b> ( <i>'000's</i> )	<b>2010</b> ( <i>'000's</i> )
Trade Creditors	50	54
Related Party Payables	0	0
Closing Carrying Amount	<u>50</u>	<u>54</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**

	<b>2011</b> (‘000’s)	<b>2010</b> (‘000’s)
<b>Current</b>		
Client Call Account Deposits	2,120	2,058
Client Term Deposits	8,607	9,714
<b>Non-current</b>		
Parish & Diocesan Deposits	20,984	18,645
	<u>31,711</u>	<u>30,417</u>

### **Fair Values**

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

<b>Financial Liabilities 2011</b>	<b>Effective Interest Rate</b>	<b>Total</b> (‘000’s)
Accounts Payable	N/A	50
Call Account Deposits	0-2.50%	2,120
Client Term Deposits	2.25%-4.20%	8,607
Parish & Diocesan Deposits	2.25%-4.20%	20,984
<b>Total Financial Liabilities</b>		<u>31,761</u>
<b>Financial Liabilities 2010</b>	<b>Effective Interest Rate</b>	<b>Total</b> (‘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
<b>Total Financial Liabilities</b>		<u>30,471</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

	2011 (‘000s)	2010 (‘000s)
<b>Retained Earnings</b>		
Balance 1 April	4,294	3,874
Surplus/(Deficit) for the year	1,270	820
Distribution to Catholic Diocese of Christchurch	(1,200)	(400)
Balance at 31 March	<u>4,364</u>	<u>4,294</u>
<b>Special Reserve</b>		
Balance 1 April	295	295
Movements for the year	0	0
Balance at 31 March	<u>295</u>	<u>295</u>
<b>Fair Value through Equity Reserve</b>		
Balance 1 April	764	(766)
Unrealised Valuation Gains/(Losses) taken to Equity	255	1,530
Balance at 31 March	<u>1,019</u>	<u>764</u>
<b>Total Equity 31 March</b>	<u><b>5,678</b></u>	<u><b>5,353</b></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. Refer also to Note 3 - Financial Risk Management Objectives and Policies.

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

The Fund is not subject to any externally imposed capital requirements.

## 17. Cash Flow Statement Reconciliation

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

	<b>2011</b> (‘000’s)	<b>2010</b> (‘000’s)
Net Surplus for the Period	1,270	820
<i>Adjustments to reconcile the Net Surplus to the Net Cash Inflow from Operating Activities</i>		
<i>Add:</i>		
Investment Write down	29	121
Amortisation of Software	1	0
Decrease in Accounts Receivable	0	0
Increase in Trade Creditors	35	
	<u>65</u>	<u>121</u>
<i>Deduct:</i>		
Decrease in Trade Creditors	0	113
Increase in Accounts Receivable	0	7
	<u>0</u>	<u>120</u>
Net Cash Inflow from Operating Activities	<u>1,335</u>	<u>821</u>

### (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 2011 amounted to \$1,200,000, (2010: \$400,000). 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 \$9,105,596 (2010: \$7,092,452).

### Loans

The Diocese has loans from the Fund on standard terms. The total owing at balance date was \$2,318,646 (2010: \$2,693,306). During the year no new loans were made to the Diocese. Repayments totalling \$374,660 were made during the year resulting in the year end balance of \$2,318,646. Interest charged and paid was \$143,945 at the rate of between 5.64% and 6.10%.

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.

<b>Related Party (\$'000)</b>	<b>Amount Loaned at balance Date</b>	<b>Interest Received from Loans to Related Party</b>	<b>Deposits Received at Balance Date</b>	<b>Interest Paid on Deposits from Related Party</b>	<b>Distribution Paid to Related Party</b>
<b>2011 Catholic Diocese of Christchurch</b>	2,319	144	9,106	301	1,200
<b>2010 Catholic Diocese of Christchurch</b>	2,693	140	7,092	251	400

There are no related party transactions with Trustees or key management personnel.

## 19. Significant Events After the Balance Date

There were no significant events after balance date affecting the financial statements.  
(2010 – Nil)

**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 26, which comprise the statement of financial position of Catholic Development Fund as at 31 March 2011, and a statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the 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 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 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.

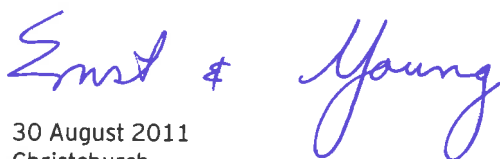
Other than in our capacity as auditor we have no relationship with, or interest in Catholic Development Fund.

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 26:

- ▶ 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 trust as at 31 March 2011 and its financial performance and cash flows for the year then ended.



30 August 2011  
Christchurch