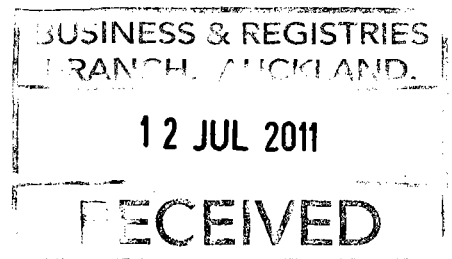




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SAFE AND SOUND AND CONTROLLED ENTITIES

**Financial Report For The Period Ended
31 January 2011**



Directors Report.

S97 of the Building Societies Act 1965 (NZ) required directors to attach a report to the Balance Sheet.

The Directors are pleased to present the balance sheet and financial statements of SAFE AND SOUND building society for the year ended 31 January 2011.

INCORPORATION: The Building Society was incorporated on 28 April 2008.

ACTIVITIES: The main activities of the Society were the provision of banking and other financial services for the members and non members.

RESULTS: As per the financial statements, the result for the period was a loss of (\$22,967). This loss includes provision for foreign exchange losses not yet realised, these foreign exchange losses may or may not be realised in subsequent periods.

DIVIDENDS: The society has chosen not to declare or pay any dividends in this period.

CAPITAL: As per the financial statements, the Society raised during the year additional ordinary share capital of \$2,299,470.00 NZD.

OFFICES: The society maintains three primary offices;

(a) Registered office; Level 19 BDO Tower 120 Albert Street Auckland, New Zealand
Postal address;

PO Box 189 Shortland Street Auckland New Zealand 1140

(b) Admin centre; 77-83 Judith Street Crestmead QLD 4132

(c) Records are held at; 19 Ellesmere Ave, Bell Block New Plymouth, New Zealand

EXECUTIVE: (a) Mr. Frederic Fritz Mendl Stonnell

(b) Mr. Clive Paul Kay

(c) Mr. Daniel J. Murphy – CEO

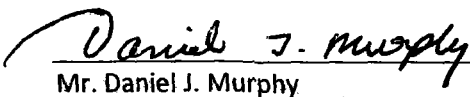
AUDITOR: SRJ, Brisbane.


The Directors report that; while not being accountants or lawyers, but being business people, in their view the attached balance sheet is a true, fair, and accurate report of the situation of the Building Society as per the accounting reporting protocols.

The Building Society has now been incorporated for just over 3 years. During this period we have endured, the death of a Director, a global financial crises (GFC), a cyclone in the vicinity of one of our offices, widespread flooding in SEQ, earthquakes affecting the Capital of the Nation and significant regulatory reform. During this period many of our peers required government assistance to stay in business. We did not need, seek nor receive any external assistance. We have been able to advance the cause of the Society and, accordingly, we are now receiving the respect and cooperation of our peer banking institutions.

The board anticipates much improved trading conditions going forward. The board are of the firm view that the next period will be profitable.

For and on behalf of the Board of Directors;

 26-6-2011
Mr. Daniel J. Murphy

 26-6-2011
Mr. Clive P. Kay

SAFE AND SOUND AND CONTROLLED ENTITIES

Financial Report For The Period Ended 31 January 2011

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Statement of Cash Flows	4
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**SAFE AND SOUND
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 JANUARY 2011**

	Note	Consolidated Group		Parent Entity	
		2011 \$	2010 \$	2011 \$	2010 \$
Income					
Revenue	2	3,576	3,829	3,501	3,715
Expenses					
ASIC fees		-	(516)	-	-
Auditor's remuneration		(6,843)	(8,979)	(6,843)	(8,979)
Bank charges		(663)	(614)	-	(455)
Foreign exchange losses		-	(3,830)	-	(3,828)
Trustee fees		(3,451)	(11,143)	(3,451)	(11,143)
Administration expenses		(500)	-	(500)	-
Sundry expenses		(5,517)	-	(6,364)	-
Withholding tax paid		(256)	-	(44)	-
Profit before income tax	2	(13,654)	(21,253)	(13,701)	(20,690)
Income tax expense	3	-	-	-	-
Profit for the period	2	(13,654)	(21,253)	(13,701)	(20,690)
Total comprehensive income for the period		(13,654)	(21,253)	(13,701)	(20,690)

The accompanying notes form part of these financial statements.

**SAFE AND SOUND
AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 JANUARY 2011**

Note	Ordinary Share Capital	Retained Earnings	Total
Consolidated Group			
Balance at 1 April 2009	\$ 200,000	\$ 4,550	\$ 204,550
Profit for the period	-	(21,253)	(21,253)
Balance at 31 March 2010	<u>200,000</u>	<u>(16,703)</u>	<u>183,297</u>
Balance at 1 April 2010	200,000	(16,703)	183,297
Profit for the period	-	(13,654)	(13,654)
Shares issued during the period	2,299,470	-	2,299,470
Balance at 31 January 2011	<u>2,499,470</u>	<u>(30,357)</u>	<u>2,469,113</u>

Note	Ordinary Share Capital	Retained Earnings	Total
Parent Entity			
Balance at 1 April 2009	\$ 200,000	\$ 4,550	\$ 204,550
Profit for the period	-	(20,690)	(20,690)
Balance at 31 March 2010	<u>200,000</u>	<u>(16,140)</u>	<u>183,860</u>
Balance at 1 April 2010	200,000	(16,140)	183,860
Profit for the period	-	(13,701)	(13,701)
Shares issued during the period	2,299,470	-	2,299,470
Balance at 31 January 2011	<u>2,499,470</u>	<u>(29,841)</u>	<u>2,469,629</u>

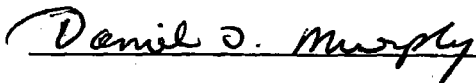
The accompanying notes form part of these financial statements.

**SAFE AND SOUND
AND CONTROLLED ENTITIES
BALANCE SHEET AS AT 31 JANUARY 2011**

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
		\$	\$	\$	\$
EQUITY					
Issued capital	13	2,499,470	200,000	2,499,470	200,000
Retained earnings		(30,357)	(16,703)	(29,841)	(16,140)
TOTAL EQUITY		2,469,113	183,297	2,469,629	183,860
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	5	278,476	240,906	249,675	-
Trade and other receivables	6	-	2,989	-	2,989
Current tax receivable	11	-	5,454	-	5,454
Other financial assets	7	190,637	-	190,637	-
Other assets	9	-	250	-	250
Safe and Sound Operations Pty Ltd		-	-	28,801	240,953
Loans		19,000,000	-	19,000,000	-
TOTAL CURRENT ASSETS		19,469,113	249,599	19,469,113	249,646
NON-CURRENT ASSETS					
Other financial assets	7	-	-	516	516
TOTAL NON-CURRENT ASSETS		-	-	516	516
TOTAL ASSETS		19,469,113	249,599	19,469,629	250,162
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	10	-	8,204	-	8,204
Overpayments from subscribers		-	58,098	-	58,098
Deposits		17,000,000	-	17,000,000	-
TOTAL CURRENT LIABILITIES		17,000,000	66,302	17,000,000	66,302
TOTAL LIABILITIES		17,000,000	66,302	17,000,000	66,302
NET ASSETS		2,469,113	183,297	2,469,629	183,860

For and on behalf of the board which authorised the issue of the financial report:

Director



Director



Dated this 12 day of July 2011.

**SAFE AND SOUND
AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 JANUARY 2011**

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		3,576	3,181	3,501	3,181
Exchange gain		-	3,949	-	3,835
Payments to suppliers and employees		(16,741)	(18,883)	(16,713)	(15,555)
Finance costs		-	(614)	-	(455)
Income tax paid		-	(1,505)	-	(1,505)
Net cash provided by/(used in) operating activities	15a	<u>(13,165)</u>	<u>(13,872)</u>	<u>(13,212)</u>	<u>(10,499)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of financial assets		(190,637)	-	(190,637)	-
Payment for subsidiary, net of cash acquired		-	-	-	(516)
Loan to related parties					
- payments made		-	-	-	(238,468)
- proceeds from repayments		-	-	212,152	-
Net advance		-	(2,989)	-	(2,989)
Net cash provided by/(used in) investing activities		<u>(190,637)</u>	<u>(2,989)</u>	<u>21,515</u>	<u>(241,973)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		241,363	-	241,363	-
Net cash provided by/(used in) financing activities		<u>241,363</u>	<u>-</u>	<u>241,363</u>	<u>-</u>
Net increase(decrease) in cash held		37,561	(16,861)	249,666	(252,472)
Cash and cash equivalents at beginning of financial period	5	240,906	252,472	-	252,472
Effect of exchange rates on cash holdings in foreign currencies		-	5,295	-	-
Cash and cash equivalents at end of financial period	5	<u>278,467</u>	<u>240,906</u>	<u>249,666</u>	<u>-</u>

The accompanying notes form part of these financial statements.

**SAFE AND SOUND
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2011**

Note 1 Summary of Significant Accounting Policies

Reporting Entity

Safe and Sound ("the entity") is an entity incorporated in New Zealand, registered under the Building Societies Act 1965.

The entity was incorporated on 14th April 2008 pursuant to the Building Societies Act 1965.

The entity and its subsidiary comprise the Safe and Sound Group ("the group").

The financial statements of the entity and the group have been prepared in accordance with the Building Societies Act 1965 and the Building Societies Regulation 1989.

Measurement Basis

The accounting principles recognised as appropriate for the measurement of reporting of financial performance and financial position on a historical cost basis are followed by the entity.

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and therefore comply with International Financial Reporting Standards. For this purpose the entity has designated itself as profit-oriented.

The financial statements comprise the consolidated financial statements of the group and the separate financial statements of the parent entity.

These accounts are reported in New Zealand Dollars, being the functional currency of the company.

Specific Accounting Policies

The following specific accounting policies, which materially affect the measurement of financial performance and financial position have been applied. There have been no changes in accounting policies. All policies have been applied on a basis consistent with previous years.

(a) Consolidation

The consolidated financial statements include the parent entity and its subsidiary accounted for using the purchase method.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

In the entity's financial statements, investments in subsidiary is recognised at cost less any impairment losses.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

(c) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

**SAFE AND SOUND
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2011**

(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 and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(d) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. Any impairment losses are recognised immediately in profit or loss.

(e) Foreign Currency Transactions and Balances

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in New Zealand dollars which is the parent entity's functional and presentation currency. Foreign currency transactions are translated into functional currency using the exchange rates provided by Inland Revenue.

As balance date, foreign monetary assets are translated at the closing rate, and exchange variations arising from these translations are recognised in the income statement.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits available on demand with banks.

(g) Shares in Subsidiary

Shares in subsidiary are initially recorded at cost and reviewed for impairment at reporting date.

(h) Revenue

Interest revenue is recognised in the income statement as it accrues using the effective interest method. The method calculates interest on a daily basis.

(i) Comparative Figures

During the financial year, the group changed their financial year end date to 31 January. Consequently the figures presented are for the period from 1 April 2010 to 31 January 2011. The comparative figures presented are for the 12 months ended 31 March 2010.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(j) Segment Information

The operating segments reported are those that engage in business activities and whose operating results are regularly reviewed by the group's chief operating decision maker. Profit, assets and liabilities are measured according to generally accepted accounting practice in New Zealand.

(k) Statement of Cash Flows

The Statement of Cash Flows has been presented using the direct approach method. Cash and cash equivalents reflect the balance of the bank funds of the entity, net of any bank overdrafts.

**SAFE AND SOUND
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2011**

Note 2 Revenue and Other Income

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
		\$	\$	\$	\$
Revenue					
— interest received		3,576	3,829	3,501	3,715
Total revenue		<u>3,576</u>	<u>3,829</u>	<u>3,501</u>	<u>3,715</u>

Note 3 Income Tax Expense

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
		\$	\$	\$	\$
(a) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:					
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)					
— consolidated group		(4,096)	(6,376)		
— parent entity				(4,110)	(6,207)
Add:					
Tax effect of:					
— tax losses not brought to account		4,096	6,376	4,110	6,207
Income tax attributable to entity		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 4 Auditors' Remuneration

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
		\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:					
— auditing or reviewing the financial report		-	8,979	-	8,979

Note 5 Cash and Cash Equivalents

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
		\$	\$	\$	\$
Cash at bank and in hand		278,476	240,906	249,675	-
	18	<u>278,476</u>	<u>240,906</u>	<u>249,675</u>	<u>-</u>
Reconciliation of cash					
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as					
Cash and cash equivalents		<u>278,476</u>	<u>240,906</u>	<u>249,675</u>	<u>-</u>

Note 6 Trade and Other Receivables

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
		\$	\$	\$	\$
CURRENT					
Amounts receivable from:					
— key management personnel		-	2,989	-	2,989
Total current trade and other receivables		<u>-</u>	<u>2,989</u>	<u>-</u>	<u>2,989</u>
(a) Financial Assets Classified as Loans and Receivables					
Trade and other Receivables					
— Total current		-	2,989	-	2,989
Financial assets	18	<u>-</u>	<u>2,989</u>	<u>-</u>	<u>2,989</u>

**SAFE AND SOUND
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2011**

Note 7 Other Financial Assets

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
		\$	\$	\$	\$
CURRENT					
Held-to-maturity financial assets	7a	179,534	-	179,534	-
Direct broking		11,103	-	11,103	-
Total current assets		190,637	-	190,637	-
NON-CURRENT					
Other investments	7b	-	-	516	516
Total non-current assets		-	-	516	516

(a) Held-to-maturity Investments

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
CURRENT				
— government and fixed interest securities	179,534	-	179,534	-

(b) Other investments

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
NON CURRENT				
Shares in subsidiaries	-	-	516	516

Note 8 Controlled Entities

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2011	2010
		Subsidiaries of Safe and Sound: Safe And Sound Operations Pty Ltd	Australia

* Percentage of voting power is in proportion to ownership

Note 9 Other Assets

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
CURRENT				
Prepayments	-	250	-	250

Note 10 Trade and Other Payables

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
		\$	\$	\$	\$
CURRENT					
Unsecured liabilities					
Trade payables		-	1,204	-	1,204
Sundry payables and accrued expenses		-	7,000	-	7,000

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
		\$	\$	\$	\$
(a) Financial liabilities at amortised cost classified as trade and other payables					
Trade and other payables		-	8,204	-	8,204
— Total current		-	8,204	-	8,204
Financial liabilities as trade and other payables	18	-	8,204	-	8,204

Note 11 Tax

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
CURRENT				
Income tax payable	-	(5,454)	-	(5,454)
TOTAL	-	(5,454)	-	(5,454)

**SAFE AND SOUND
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2011**

Note 12 Issued Capital

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
249,947,000 (2010: 20,000,000) fully paid ordinary shares	2,499,461	200,000	2,499,461	200,000
	<u>2,499,461</u>	<u>200,000</u>	<u>2,499,461</u>	<u>200,000</u>

(a) Ordinary Shares

At the beginning of the reporting period

Shares issued during the year

— 22 November 2010

— 4 January 2011

At the end of the reporting period

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
At the beginning of the reporting period	200,000	200,000	200,000	200,000
Shares issued during the year				
— 22 November 2010	2,000,000	-	2,000,000	-
— 4 January 2011	299,470	-	299,470	-
At the end of the reporting period	<u>2,499,470</u>	<u>200,000</u>	<u>2,499,470</u>	<u>200,000</u>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 13 Contingent Liabilities and Contingent Assets

At the date of this report, there were no contingent assets or contingent liabilities which significantly affected or may significantly affect the financial statements.

Note 14 Operating Segments

Segment Information

The Group operates in one industry, financial services, and in one geographical area, New Zealand. At year end the group was in 'start-up' mode and no revenue, other than interest, had been earned.

Note 15 Cash Flow Information

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax				
Profit after income tax	(13,654)	(21,253)	(13,701)	(20,690)
Non-cash flows in profit				
Net loss on foreign currency balance	-	7,012	-	7,010
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	2,989	120	2,989	120
(Increase)/decrease in prepayments	250	(250)	250	(250)
Increase/(decrease) in trade payables and	(8,204)	2,004	(8,204)	2,004
Increase/(decrease) in income taxes payable	5,454	(1,505)	5,454	(1,505)
Increase/(decrease) in expenses paid by subsidiary on behalf of parent	-	-	-	2,812
Cash flow from operations	<u>(13,165)</u>	<u>(13,872)</u>	<u>(13,212)</u>	<u>(10,499)</u>

Note 16 Events After the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Note 17 Related Party Transactions

(a) The Group's main related parties are as follows:

i. Key Management Personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

ii. Other Related Parties

Other related parties include entities over which key management personnel exercise significant influence.

**SAFE AND SOUND
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2011**

Note 18 Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group		Parent Entity	
		2011 \$	2010 \$	2011 \$	2010 \$
Financial Assets					
Cash and cash equivalents	5	278,476	240,906	249,675	-
Held-to-maturity investments	7	179,534	-	179,534	-
Loans and receivables		19,000,000	2,989	19,000,000	2,989
Total Financial Assets		19,458,010	243,895	19,429,209	2,989
Financial Liabilities					
Financial liabilities at amortised cost					
— Trade and other payables	10	-	8,204	-	8,204
— Borrowings		17,000,000	-	17,000,000	-
Total Financial Liabilities		17,000,000	8,204	17,000,000	8,204

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of currency risk and interest rate risk.

a. Credit risk

To the extent that the group has a receivable from another party, there is a credit risk in the event of non performance by that counter-party. Financial instruments which potentially subject the group to credit risk consist of bank balances and receivables.

The group manages its exposure to credit risk to minimise losses from bad debts. At balance date, group exposure is largely with various financial institutions.

Maximum exposure to credit risk at balance date is the carrying value of the financial assets. The carrying value is net of any impairment losses. There were no financial assets considered past due or impaired at year end (2010: \$nil). No collateral is held on the below amounts:

	Note	Consolidated Group		Parent Entity	
		2011 \$	2010 \$	2011 \$	2010 \$
Bank balances		278,476	240,906	249,675	-
Net advances to subsidiary		-	-	28,801	249,953
Loans and receivables		19,000,000	2,989	19,000,000	2,989
Other financial assets		190,637	-	190,637	-
		19,469,113	243,895	19,469,113	252,942

b. Liquidity risk

Liquidity risk is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period. The group maintains sufficient liquid funds to meet its commitments based on historical and anticipated cash flows.

c. Market Risk

i. Currency Risk

The group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. Other than NZ dollars, the group transacts in Australian dollars.

By managing currency risk, the group aims to moderate the impact of short-term fluctuations in exchange rates. Over longer periods changes in exchange rates will have an impact of profit. If the NZ dollar had been 1% stronger against the Australian dollar over the reporting period it is estimated that reported profit would be less than \$2,000 lower.

ii. Interest Rate Risk

The group has exposure to interest rate risk to the extent that it has bank funds earning interest. The group manages interest rate risk by reviewing interest rates on a regular basis.

**SAFE AND SOUND
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2011**

Repricing Analysis

	Effective interest rate	2011		Effective interest rate	2010	
		Total \$	6 months or less \$		Total \$	6 months or less \$
Parent						
Assets						
Ledger NZ Account		8,312	8,312	0%	-	-
NZ Deposit Bank		241,363	241,363	0%	-	-
Advances to subsidiary	0%	28,801	28,801	0%	240,953	240,953
Loans and receivables	0%	19,000,000	19,000,000	0%	2,989	2,989
Bonds	0%	179,534	179,534	0%	-	-
Direct broking account	0%	11,103	11,103	0%	-	-
Liabilities						
Creditors	0%	-	-	0%	1,204	1,204
Overpayment by subscribers	0%	-	-	0%	58,098	58,098
Deposits	0%	17,000,000	17,000,000	0%	-	-
Repricing gap		2,469,113	2,469,113		184,640	184,640

	Effective interest rate	2011		Effective interest rate	2010	
		Total \$	6 months or less \$		Total \$	6 months or less \$
Group						
Assets						
Bank of Queensland - AUD	0%	2,699	2,699	0%	132,221	132,221
Bank of Queensland - NZD		26,102	26,102	0.50%	108,685	108,685
Ledger NZ Account		8,312	8,312	0%	-	-
Macquarie - AUD		241,363	241,363	0%	-	-
Loans and receivables	0%	19,000,000	19,000,000	0%	2,989	2,989
Bonds	0%	179,534	179,534	0%	-	-
Direct broking account	0%	11,103	11,103	0%	-	-
Liabilities						
Creditors	0%	-	-	0%	1,204	1,204
Overpayment by subscribers	0%	-	-	0%	58,098	58,098
Deposits	0%	17,000,000	17,000,000	0%	-	-
Repricing gap		2,469,113	2,469,113		184,593	184,593

Fair Value

The carrying value of the financial instruments are considered to be the same as their fair value.

AUDIT REPORT

TO THE SHAREHOLDERS OF SAFE AND SOUND

We have audited the financial report on pages 1 to 11. The financial report provides information about the past financial performance and financial position of Safe and Sound ("Society") and Group as at 31 January 2011. This information is stated in accordance with the accounting policy set out on page 7.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial report which gives a true and fair view of the financial position of the Society and Group as at 31 January 2011 and the results of operations and cash flows for the period ended on that date.

Auditors' Responsibility

It is our responsibility to express to you an independent opinion on the financial report presented by the Board of Directors.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes the assessing:

- The significant estimates and judgements made by the Board of Directors in the preparation of the financial report; and
- Whether the accounting policies are appropriate to the Society's and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report.

Other than in our capacity as auditor we have no relationship with or interest in the Society or its subsidiary.

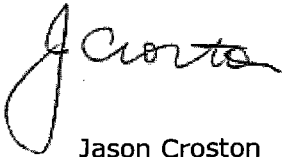
Unqualified Opinion

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

In our opinion:

- Proper accounting records have been kept by the Society as far as it appears from our examination of those records; and
- The financial report on pages 1 to 11:
 - Comply with generally accepted accounting practice in New Zealand; and
 - Gives a true and fair view of the financial position of Safe and Sound and Group as at 31 January 2011 and the results of its operations and cash flows for the period ended on that date.

Our audit was completed on 29th of June 2011 and our unqualified opinion is expressed at that date.



Jason Croston

SRJ Accountants