

	1984 \$	1983 \$
Add Extraordinary Item net of taxation (note 8)	69,732	
Tax paid profit after extraordinary item	588,210	648,118
Retained profit brought forward	2,219,329	1,561,211
	2,807,539	2,209,329
Add Provision for donations reversed		10,000
Retained profit	<u>\$2,807,539</u>	<u>\$2,219,329</u>

## FUNDS STATEMENT FOR YEAR ENDED 31 MARCH 1984

Source of Funds—	1984 \$	1983 \$
<b>From Operations:</b>		
Tax paid profits	518,478	648,118
Add back items not requiring funds		
—Depreciation	205,837	129,516
—Taxation	424,209	539,389
—Other	(75,910)	(56,645)
Total funds from operations	1,072,614	1,260,378
<b>From Other Sources:</b>		
Depositors' balances increase	7,300,074	8,860,004
Repayment of investment principal on		
—Mortgages and personal loans	10,445,067	7,526,202
—Local authority stock		389,197
—Government stock	2,000	20
Term loan net increase	845,440	243,140
Decrease in cash resources	2,602,164	
	<u>\$22,267,359</u>	<u>\$18,278,941</u>
<b>Use of Funds—</b>		
<b>Investments:</b>		
—Government stock	2,228,911	4,426,207
—Mortgage and personal loans	17,824,837	10,134,995
	20,053,748	14,561,202
Repayment of mortgage principal	58,694	
Payment of taxation	463,740	818,296
Fixed asset purchases net of disposal proceeds	1,691,177	207,607
Increase in cash resources		2,691,836
	<u>\$22,267,359</u>	<u>\$18,278,941</u>

## NOTES TO THE ACCOUNTS

## 1. Statement of Accounting Policies—

## 1.1 General Accounting Policies

The going concern concept has been adopted in the preparation of these accounts, with historical cost as the measurement base.

Accrual accounting is used to match income and expenses.

## 1.2 Particular Accounting Policies

## (a) Government Stock

Discounts and premiums on certain Government stocks are amortised from the date of purchase so that stocks will attain their redemption values by maturity date. The current years discount and premium amortisation is reflected in the profit statement.

## (b) Personal Loans

The Bank's policy is to add interest to the advance at the commencement of the loan. The 'rule of 78' method of accounting for income is used to apportion the income between accounting periods. The effect of this method is that income earned over the term of the loan represents a level rate of return on the declining loan balance outstanding. The personal loan investment is net of unearned interest.

## (c) Depreciation

Fixed assets are depreciated on the straight-line method at rates which will write off the cost over their estimated useful lives. The principal rates are:

Furniture and fittings	10% to 20%
Computer Equipment	20% to 25%

## (d) Taxation

The charge for income tax is the amount of the tax liability in respect of the accounting profit for the year and includes both current and deferred tax.

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The liability for deferred taxation arises from items of income and expenditure being included in taxation calculations in periods different from those in which they are dealt with in the financial accounts. The significant timing differences relate to accrued interest income, discounts earned and premiums paid on Government Stock and depreciation.

## 1.3 Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in prior years.

## 2. Investments—

Government stocks are recorded at cost adjusted by the discount or premium amortised to date. Stocks are generally held until maturity date and therefore, differences in the following bases of valuation have little financial effect on the Bank. Statutory ratio requirements are based on the nominal value of stocks.

## New Zealand Government Stock—

	1984 \$	1983 \$
Cost price plus amortisation	38,204,111	35,873,078
Nominal value	38,731,823	36,058,823
Market value	38,186,908	32,595,647

## 3. Fixed Assets—

	1984			1983		
	Cost \$	Accumulated Depreciation \$	Book Value \$	Cost \$	Accumulated Depreciation \$	Book Value \$
Land				78,771		78,771
Buildings				85,851	16,285	69,566
				164,622	16,285	148,337
Improvements to leasehold premises	674,726	98,292	576,434	289,314	144,412	144,902
Furniture, fittings and equipment	1,803,190	280,589	1,522,601	687,107	430,126	256,981
	<u>\$2,477,916</u>	<u>\$378,881</u>	<u>\$2,099,035</u>	<u>\$1,141,043</u>	<u>\$590,823</u>	<u>\$550,220</u>

## 4. Current Taxation Refund—

	1984 \$	1983 \$
Taxation on profit	424,209	539,389
Taxation on extraordinary item (note 7)	21,206	
	445,415	539,389
Less timing differences transferred to deferred taxation	60,607	57,376
	384,808	482,013
Less provisional tax paid	447,300	465,573
Taxation payable/(refund)	<u>(\$62,492)</u>	<u>\$16,440</u>

## 5. Term Liabilities—

The Housing Corporation of New Zealand liabilities relate to supplemented mortgage loans advanced for eligible depositors under the home ownership savings scheme.

## 6. Deferred Taxation Payable—

	1984 \$	1983 \$
Deferred taxation last year	766,294	708,918
Add timing differences transferred (note 4)	60,607	57,376
Deferred taxation this year	<u>\$826,901</u>	<u>\$766,294</u>

## 7. Term Investment Accounts—

	1984 \$	1983 \$
Repayable within		
1 year	63,684,460	51,439,558
1-2 years	5,861,000	3,043,000
2-3 years	1,418,000	5,211,300
3-5 years	100,000	47,000
	<u>\$71,063,460</u>	<u>\$59,740,858</u>

Rates of interest payable range from 7.0 percent to 15.5 percent per annum.

## 8. Extraordinary Item—

	1984 \$	1983 \$
Realised reserves upon sale of Cuba Street Property		
—Capital		31,513
—Revenue	59,425	
Less taxation payable	21,206	
		38,219
	<u>\$69,732</u>	<u>Nil</u>