

FUNDS STATEMENT FOR YEAR ENDED 31 MARCH 1986

	1986 \$000	1985 \$000
<i>Funds were provided from Operations:</i>		
Tax paid profits	1,041	416
Adjustment for items not involving movement of funds:		
Depreciation	333	295
Taxation	279	340
Other	8	(157)
	<u>1,661</u>	<u>894</u>
<i>Other Sources:</i>		
Depositors' funds	7,763	16,660
Repayment of investment principal on:		
—Mortgages and other lending	20,568	15,845
—Government securities	22,428	4
	<u>\$52,420</u>	<u>\$33,403</u>
<i>Funds were applied to—</i>		
<i>Investments:</i>		
Government securities	5,139	3,726
Mortgages and other lending	24,670	27,129
Associated company	1,625	—
Other	4,096	—
	<u>35,530</u>	<u>30,855</u>
<i>Other applications:</i>		
Fixed assets	326	397
Cash resources	16,266	2,246
Taxation	61	97
Housing Corporation liability reduction	237	(192)
	<u>\$52,420</u>	<u>\$33,403</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.

Particular Accounting Policies(a) *Current Assets and Investments*

All current assets and investments are shown at cost with the exception of government and local authority securities. Government and local authority securities are regarded as long term investments and are redeemable at maturity at their face value. These securities are valued at cost, adjusted by the amortisation of the discount or premium on purchase, on a straight line basis over the term of the security. The discount or premium is calculated after adjusting for interest accrued in the purchase price.

The realisable value of fixed interest securities fluctuates with movement in market yields and it is customary for such fluctuations to be disregarded in the reporting of the results of the long term institutional investor.

(b) *Investment Income*

Interest on investments is accrued to balance date on a daily basis at the appropriate rate of 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%
Vehicles	20%

(d) *Taxation*

Provision is made for taxation after taking advantage of all deductions available under current taxation legislation.

Deferred taxation is provided under the partial liability method to the extent that timing differences are expected to reverse in the foreseeable future.

The major timing differences relate to depreciation and the recognition of investment income.

The 1985 Budget announced increase tax rates applicable from 1 April 1986. Additional tax applicable to future deferred tax liabilities has been recognised.

(e) *Changes in Accounting Policies*

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

2. *Investment Income—*

	1986 \$000	1985 \$000
Government and Local Authority Securities	3,220	4,624
Mortgages and other lending	14,236	10,022
Other investments	4,211	971
Associated company	5	—
	<u>\$21,672</u>	<u>\$15,617</u>

3. *Operating Expenses—*

Administration	6,335	5,309
Audit fee	26	25
Depreciation	333	295
Trustees' honoraria	23	15
	<u>\$6,717</u>	<u>\$5,644</u>