

values, in the majority of cases these securities are held to, or close to maturity dates when they would be redeemed at face value. Accordingly, no provision is made for any difference between book value and market value of individual securities.

Sale of Public Securities—

Profit or losses realised on sale of public securities are reflected in the profit and loss statement in equal annual instalments over the unexpired period to maturity of the securities sold or 5 years, whichever is the shorter.

*Taxation—*The company adopts tax effect accounting whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent taxation differences. The tax effect of timing differences which occur where items are included or allowed for income tax purposes in a period different to that for accounting is shown in provision for deferred income tax and future income tax benefits, as applicable, at current taxation rates.

The liability method of inter-period allocation of income tax has been applied.

*Changes in Accounting Policies—*There have been no significant changes in the accounting policies applied during the period covered by these financial statements. All policies have been applied on bases consistent with those used in previous years.

2. *Extraordinary Items*

	1988	1987
	\$000	\$000

Increase in provision for deferred taxation arising from change in company rates	-	2
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3. *New Zealand Public Securities*

Book, redemption and market value of these securities at 30 September were:

	1988	1987
	\$000	\$000

Book	-	53,735
Redemption	-	53,860
Market	-	51,868

4. *Share Capital*

	1988	1987
	\$000	\$000

Authorised Capital—

14 400 000 ordinary shares of \$1.00 each	14,400	14,400
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Issued Capital—

12 400 000 ordinary shares of \$1.00 each	12,400	12,400
2 000 000 ordinary shares of \$1.00 each paid to 30 cents	600	600
	\$13,000	\$13,000

5. *Contingent Liability*

No contingent liabilities exist (1987, \$Nil).

6. *Directors' Emoluments*

No emoluments are paid to the directors of the company.

Statement of Cash Flows For the Year Ended 30 September 1988

	1988	1987
	\$000	\$000

Cash Flows From Operating Activities:

Cash was provided from:		
Interest income	14,844	19,570
Cash was applied to:		
Interest expense	11,218	14,682
Management and operating expenses	1,177	1,579
Auditors' remuneration	9	7
Taxes paid	3,771	(529)
<i>Net cash flow from operations</i>	(1,331)	3,831

Cash Flows From Investing Activities:

Cash was provided from:		
Proceeds from maturity of Government securities	53,815	15,294
Mortgage and loan repayments	13,036	16,602
Proceeds from sale of subsidiary	-	500
Cash was applied to:		
Repayment of loan to subsidiary	-	500
Repayment depositors balances*	20,064	20,098
<i>Net cash flow from investing</i>	46,787	11,798

Cash Flows From Financing Activities:

Cash was provided from:	-	-
Cash was applied to:	-	-
<i>Net cash flow from financing</i>	-	-
<i>Net increase in cash</i>	45,456	15,629