

## (b) Investments

- (i) The bank's one-fifth shareholding in Northern Trustee Computerbank Limited as at the company's 31 May 1983 balance date has been treated on an equity basis.
- (ii) New Zealand Government Securities have been valued on a purchase yield basis.
- (iii) Other investments have been recorded at cost less a provision for doubtful debts of \$140,000 (1983 \$140,000).

## (c) Fixed Assets and Depreciation

- (i) Land is recorded at the higher of original cost or the 1981 Government Valuation.
- (ii) Buildings are now being revalued annually and are recorded at a value which is 90 percent of the Registered Valuer's valuation.
- (iii) Maximum rates of depreciation as approved by the Commissioner of Inland Revenue have been used, except for assets which have been revalued, to which the approved rates have been applied.
- (iv) The cost of lease goodwill has been spread evenly over the terms of the leases.

*Changes in Accounting Policies:*

Buildings, which were previously disclosed at cost, are now being revalued annualised as noted in the particular accounting policy 1 (c) (ii). The effect of this change in the current year has been to reduce the net profit after taxation by \$23,632, being depreciation on the revalued amount. The revaluation of buildings has increased the reported value of the bank's assets and reserves by \$2,630,000.

With this exception, there have been no changes in the above accounting policies which have been applied on bases consistent with those used in previous years.

	1984 \$000	1983 \$000
<b>2. Interest Income—</b>		
Government and local authority securities	9,238	6,739
Mortgages and other lending	21,568	19,311
Associated company	5	5
	<u>\$30,811</u>	<u>\$26,055</u>

**3. Operating Expenses—**

Audit fee	35	26
Bad or doubtful debts	15	171
Depreciation	417	369
Rentals	220	205
Trustees' fees	31	26
Other expenses	7,597	6,507
	<u>\$8,315</u>	<u>\$7,304</u>

**4. Net Loss on Trading Securities—**

Amortization of loss on trading Government stock	75	75
Other trading profits/losses	43	20
	<u>\$118</u>	<u>\$95</u>

**5. Taxation—***Current:*

Taxation as per Profit Statement	2,077	1,712
Less prior period taxation	(192)	(3)
Less timing differences transferred to deferred tax	(1,614)	(233)
Current taxation payable	271	1,476
Plus 1982 taxation outstanding		46
	271	1,522
Less provisional tax paid	(1,570)	(557)
Taxation payable/(refund due)	<u>(\$1,299)</u>	<u>\$965</u>

*Deferred:*

Provision for deferred tax	1,144	911
Plus Current deferred portion	1,614	233
	<u>\$2,758</u>	<u>\$1,144</u>

Both the provision for current taxation and the provision for deferred taxation include amounts relating to items currently under investigation by the Inland Revenue Department.

**6. Changes to Reserves—***Revenue Reserves:*

Northern Trustee Computerbank Limited equity adjustment		(15)
Prior year adjustments—Expenses		(3)
Loss on sale of securities recovered	75	75
Unamortised discount	1	
	<u>76</u>	<u>57</u>

1984  
\$000

1983  
\$000

*Capital Reserves:*

Land Revaluation		75
Building revaluation	2,630	
Capital profit on sales of assets		6
	<u>2,630</u>	<u>81</u>
	<u>\$2,706</u>	<u>\$138</u>

**7. Reserves—***Revenue Reserves:*

Retained Earnings	7,357	5,630
Northern Trustee Computerbank Limited	104	74
Unallocated Profit/Loss on sale of securities	(42)	(119)
	<u>\$7,419</u>	<u>\$5,585</u>

*Capital Reserves:*

Land and buildings revaluation	2,844	215
Profit on sale of assets	6	6
	<u>2,850</u>	<u>221</u>
	<u>\$10,269</u>	<u>\$5,806</u>

**8. New Zealand Government Securities—**

Statutory ratio requirements are based on nominal value of Government securities held and current practice generally is to hold such securities to or near maturity.

Valuation at purchase yields	88,514	68,221
Nominal value	91,054	70,877
Market value	90,148	60,188

**9. Local Authority Securities—**

Total advances	11,336	11,064
Less sales and matured advances	10,864	10,456
	<u>\$472</u>	<u>\$608</u>
Current balance of debenture held	287	520
Nominal value of registered stock held	185	88
	<u>\$472</u>	<u>\$608</u>

Market value of registered stock	193	70
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**10. Associated Company—***Northern Trustee Computerbank Limited:*

Shares at cost	140	80
Shares of profits	104	74
Debenture at cost	93	33
	<u>\$337</u>	<u>\$187</u>

**11. Fixed Assets—**

Land (at 1981 valuation)	385	385
Land (at cost)	142	97
Land—Leasehold	78	77
	<u>605</u>	<u>559</u>
Buildings at cost		2,347
Buildings at revaluation	4,852	
Less accumulated depreciation		104
	4,852	<u>2,243</u>
Other fixed assets at cost	4,035	3,526
Less accumulated depreciation	2,288	1,922
	<u>1,747</u>	<u>1,604</u>
	<u>\$7,204</u>	<u>\$4,406</u>

*Government Valuations (1981):*

<b>Head office land and buildings</b>		
Land	385	385
Improvements	1,317	1,317
Capital value	1,702	1,702
<b>Branches</b>		
Land	46	32
Improvements	8	
Capital value	54	32

**12. Commitments—**

Loans	5,632	1,804
Other	2,000	

**13. Contingent Liabilities—**

Visa, overdrafts, unused limits	7,283	6,561
Other		112