

Other Expenses

Other expenses, including expenditure on computer program development, are charged to the accounts in the year in which the expenditure is incurred.

Depreciation

Fixed assets, other than freehold land, are depreciated on a straight line basis at rates estimated to write off the cost or revalued amount, less residual value, over the economic life of each class of asset.

The principal annual rates in use are:

Buildings—1 percent to 2 percent.

Computer equipment, office furniture and motor vehicles—10 percent to 15 percent.

Taxation

Taxation charged against profits for the year is the estimated expense for the year. Tax allocation accounting has been adopted by the Bank for significant timing differences in respect of accrued investment income, depreciation, capital profits and losses, and amortisations of government and local authority securities.

*Valuation of Assets**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 redeemable at maturity at their face value. These securities are valued at cost, adjusted by the amortisation of the discount or premium calculated on a purchase yield basis over the term of the securities. The discount or premium is calculated after adjusting for interest accrued in the purchase price.

The realisable value of fixed interest securities fluctuates with the 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.

Fixed Assets

Fixed assets are shown at cost less accumulated depreciation with the exception of revalued land and buildings which are shown at 90 percent of an independent valuations.

Changes in Accounting Policies

There have been no changes in the accounting policies this year.

NOTE 2: *Property Revaluation Reserve*

	1985 \$	1984 \$
Balance at 1 April	3,670,038	3,330,020
Less revaluation of property sold	16,267	32,640
	<u>3,653,771</u>	<u>3,297,380</u>
Add revaluations during year (Note 4)	759,087	372,658
	<u>\$4,412,858</u>	<u>\$3,670,038</u>

NOTE 3: *Government and Local Authority Securities*

	Government		Local Authority	
	1985	1984	1985	1984
Face value at 31 March	96,192,938	78,983,020	393,605	209,759
Less unamortised premiums and discounts	5,232,942	4,485,227	1,397	1,611
Book value 31 March	<u>\$90,959,996</u>	<u>\$74,497,793</u>	<u>\$392,208</u>	<u>\$208,148</u>
Cost price	<u>\$83,929,865</u>	<u>\$69,498,346</u>	<u>\$391,874</u>	<u>\$208,028</u>
Estimated market value 31 March	<u>\$72,932,448</u>	<u>\$73,302,815</u>	<u>\$325,723</u>	<u>\$195,434</u>

The government guarantee of depositors' funds including accrued interest in terms of section 44 of the Trustee Banks Act 1983 and subsequent amendments was in force at balance date and continues to remain in force. However, the requirement to hold New Zealand government securities pursuant to the same Act was removed on 11 February 1985.

NOTE 4: *Fixed Assets*

	90% of Valuation	Cost	Depreciation to Date	Book Value 1985
Land	1,665,000			1,665,000
Buildings	6,124,680	33,671	31,144	6,127,207
Computers, motor vehicles, office equipment and furniture	..	3,340,558	1,483,070	1,857,488
Totals 1985	<u>\$7,789,680</u>	<u>\$3,374,229</u>	<u>\$1,514,214</u>	<u>\$9,649,695</u>
Totals 1984	<u>\$6,616,306</u>	<u>\$4,003,926</u>	<u>\$1,167,788</u>	<u>\$9,452,444</u>

Freehold land and buildings were written up to 90 percent of independent registered valuations as at 31 March 1985. Other capital work in progress and leasehold properties are shown at cost.

The Bank's share of a property under development was last year recorded in the cost of buildings. This year the completed project is included with other investments.

The latest government valuations of land and buildings dated from 1 July 1981, plus subsequent additions at cost, amount of \$5,743,308 (1984, \$6,330,000).

Capital commitments outstanding at 31 March 1985 amount to \$187,000 (1984, \$217,000).

NOTE 5: *Taxation*

There is no taxation liability in respect of the current year. The charge for deferred taxation \$727,212 consists of taxation payable in future years on timing differences arising through the amortisation and sale of government securities \$913,701 and the increase in interest accrued \$459,073 and other items \$582 less the effect of available tax credits carried forward \$646,144.