

Funds Were Used For:

Mortgage advances	31,142	25,177
New Zealand Government stock	32,500	27,505
Local authority securities	..	272
Fixed assets	1,037	660
Increases—Sundry debtors	..	99
—Accrued interest	677	1,868
Payments—Taxation	..	2,728
Personal loans, overdrafts, Visa advances, associated companies	18,894	11,579
Grants	200	150
Cash, short term deposits	8,470	..
	<u>\$92,920</u>	<u>\$70,038</u>

NOTES TO THE ACCOUNTS

1. *Statement of Accounting Policies—**General Accounting Policies:*

As recommended by the New Zealand Society of Accountants:

(i) The measurement base adopted is that of historical cost modified by the revaluation of certain assets. Reliance is placed on the fact that the bank is a going concern.

(ii) Accrual accounting is used to match expenses and revenues.

Particular Accounting Policies:

(a) Revenue and Expense Recognition

(i) Personal loan interest has been recognised on the sum of the digits basis.

(ii) Losses associated with dealing in securities have been allocated to revenue during the current year.

(iii) The charge for income tax is the amount of tax liability in respect of the accounting profit for the current year. Taxation charges which are expected to be payable in accounting periods subsequent to the 1984/85 financial year are included under the heading "Provision for Deferred Taxation".

Deferred taxation arises out of timing differences resulting from differing treatment for accounting and taxation purposes of Government stock transactions and interest income.

(b) Investments

(i) Government and local authority securities are normally held to maturity and redeemed at their face value.

These securities are valued at cost, adjusted by the amortisation of the discount or premium on purchase calculated on a yield basis over the term of the stock. 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 recording of the results of the long term institutional investor.

(ii) Other investments have been recorded at cost less a provision for doubtful debts of \$140,000 (1984: \$140,000).

(iii) The bank's one-fifth shareholding in Trusteebank Computer Limited as at the company's 31 May 1984 balance date has been treated on an equity basis.

(c) Fixed Assets and Depreciation

(i) Land is recorded at the higher of original cost or the 1981 Government valuation.

(ii) Buildings are 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:

There have been no changes in accounting policies that would significantly affect profit or financial position.

	1985 \$000	1984 \$000
<i>2. Interest Income—</i>		
Government and local authority securities	11,609	9,238
Mortgages and other lending	25,529	21,568
Associated company	33	5
	<u>\$37,171</u>	<u>\$30,811</u>

3. Operating Expenses—

Audit fee	33	35
Bad or doubtful debts	24	15
Depreciation	513	417
Rentals	354	220
Trustees' fees	28	31
Other expenses	9,058	7,597
	<u>\$10,010</u>	<u>\$8,315</u>

4. Net Loss on Trading Securities—

Amortisation of loss on trading Government stock	43	75
Other trading profits/losses	477	43
	<u>\$520</u>	<u>\$118</u>