

(b) Current Assets

(i) Government securities purchased subsequent to 11 February 1985 are treated as trading stock and valued at market value.

(c) Investments

(i) Government securities purchased prior to 11 February 1985 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 calculated on a purchase yield basis over the term of the security.

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 (1985: \$140,000).

(iii) The bank's one-fifth shareholding in Trusteebank Computer Limited (TCL) as at the company's 31 May 1985 balance date has been treated on an equity basis.

(d) 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) The cost or revalued amount of fixed assets (excluding land) less estimated residual value is allocated over their economic lives on the straight line basis. The range of economic lives of the major classes are:

Buildings	100 years
Office equipment	5 years
Furniture and fittings	5 years
Motor vehicles	5 years
Plant	10 years

(iv) The cost of lease goodwill has been spread evenly over the terms of the leases.

Changes in Accounting Policies:

Depreciation is now provided on the straight line basis in order to provide a better method of recording the diminution in value of the asset over its useful life. The net effect of this change in the current year is to increase both fixed assets and net profit before taxation by \$23,806.

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.

	1986 \$000	1985 \$000
2. Interest Income—		
Government and local authority securities	14,255	11,609
Mortgages and other lending	41,746	25,529
Associated company	114	33
	<u>\$56,115</u>	<u>\$37,171</u>
3. Operating Expenses—		
Audit fee	33	33
Bad debts	33	24
Depreciation	816	513
Rentals	428	354
Trustees' fees	41	28
Other expenses	12,451	9,058
	<u>\$13,802</u>	<u>\$10,010</u>
4. Net Loss on Trading Securities—		
Amortisation of loss on trading Government securities	0	43
Other trading profits/losses	1,987	477
	<u>\$1,987</u>	<u>\$520</u>
5. Taxation—		
<i>Current:</i>		
Taxation as per profit statement	1,452	1,445
Less timing differences transferred to deferred tax	(847)	(942)
Current taxation payable	605	503
Less refund brought forward	(796)	(1,299)
Refund due	<u>191</u>	<u>796</u>
<i>Deferred:</i>		
Provision for deferred tax	3,699	2,757
Plus current deferred portion	847	942
Less abnormal items—reestimate of permanent difference	(1,704)	..
	<u>\$2,842</u>	<u>\$3,699</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:*Loss on sale of securities recovered

0

43

Capital Reserves:

Building revaluation

430

(245)

430

(202)

F