

**Statement of Accounting Policies:***General Accounting Policies:*

The measurement base adopted in the preparation of these Financial Statements is that of historical cost modified by the revaluation of land and buildings. Reliance has been placed on the fact that the bank is a going concern. Accrual accounting is used in the matching of expenses and revenue.

*Particular Accounting Policies:*

(a) *Recognition of Investment Income*—Interest on investments is accrued to balance date on a daily basis at the appropriate rate of interest.  
 (b) *Depreciation*—The cost or revalued amount of fixed assets (excluding land) is allocated over their economic lives on the straight line basis. The economic lives of the major classes are:

Buildings .. .. .	50–100 years
Computer and office equipment .. .. .	7–10 years
Furniture and fittings .. .. .	10 years
Motor vehicles .. .. .	5 years

(c) *Investments*—Investments are shown at cost with the exception of government securities and associate company investment.

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

Due provision is made for the difference between cost and face value by the amortisation of the discount or premium on purchase over the term of the security on a straight line basis.

The realisable value of fixed interest securities fluctuates with movements 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) The banks investment in Trusteebank Computer Ltd. an associate company, has been treated on an equity basis.

(d) *Fixed Assets*—Land and buildings are revalued annually and are recorded at a value which is 90 percent of independent registered valuation. Changes in valuations are transferred to the Property Revaluation Reserve.

(e) *Taxation*—Provision is made for taxation after taking advantage of all deductions available under current taxation legislation.

The liability method of accounting for the taxation effect of timing differences between the treatment of certain items for accounting purposes and their treatment for taxation has been adopted by the bank.

The major timing differences relate to depreciation and the recognition of investment income.

(f) *Changes in Accounting Policies*—There have been no significant changes in accounting policies.

**NOTES TO THE FINANCIAL STATEMENTS**

(1) *Associate Company*—The Bank's investment in Trusteebank Computer Limited has been shown in the accounts according to the standard accounting practice adopted by the New Zealand Society of Accountants for an associate company.

The investment is made up as follows:

	\$	\$
Debentures .. .. .		662,750
Paid up shares .. .. .		997,000
Share of accumulated profit brought forward .. .. .		138,380
Plus share of profit for year .. .. .	174,943	
Less share of provision for taxation .. .. .	79,132	
	<u>95,811</u>	
Less dividend received .. .. .	21,000	
		<u>74,811</u>
Investment in associate company .. .. .		<u>\$1,872,941</u>

(2) *Fixed Assets:*

	Cost or Revaluation \$	1986 Accumulated Depreciation \$	Book Value \$	Cost \$	1985 Accumulated Depreciation \$	Book Value \$
Land .. .. .	1,386,925	..	1,386,925	1,048,152	..	1,048,152
Buildings .. .. .	4,441,902	115,177	4,326,725	3,990,947	62,723	3,928,224
	5,828,827	115,177	5,713,650	5,039,099	62,723	4,976,376
Furniture, fittings and alterations .. .. .	2,239,072	708,747	1,530,325	1,581,936	644,760	937,176
Computer and office equipment .. .. .	1,609,664	827,276	782,388	1,382,978	657,417	725,561
Motor vehicles .. .. .	168,080	47,450	120,630	124,902	41,167	83,735
Capital work in progress .. .. .	66,932	..	66,932	43,924	..	43,924
	<u>\$9,912,575</u>	<u>\$1,698,650</u>	<u>\$8,213,925</u>	<u>\$8,172,839</u>	<u>\$1,406,067</u>	<u>\$6,766,772</u>

(3) *Property Revaluation Reserve:*

	1986 \$	1985 \$
Balance brought forward .. .. .	2,517,430	..
Current revaluation .. .. .	690,152	2,517,430
	<u>3,207,582</u>	<u>2,517,430</u>

(4) *New Zealand Government Stock:*

	1986 \$	1985 \$
Nominal Value .. .. .	54,210,928	67,584,202
Plus/less unamortised premiums/discounts .. .. .	9,196	(655,487)
Balance sheet value .. .. .	<u>54,220,124</u>	<u>66,928,715</u>
Original cost .. .. .	54,221,617	66,891,561
Estimated market value .. .. .	43,703,587	55,764,925

The Government guarantee of depositors funds including accrued interest in terms of section 44 of the Trusteebanks 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.