

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR YEAR ENDED 31 MARCH 1986

Funds were received from:		
Operations:	\$000	\$000
Net profit after tax and extraordinary items	10,070	
Less: Net provision for donations	744	
	<u>9,326</u>	
Adjustments for items not involving movement of funds:		
Deferred taxation	4,139	
Depreciation	3,362	
Net loss on assets/investments	710	
Total funds from operations		17,537
Other sources:		
Repayment of investments	249,924	
Increase in depositors' balances	199,259	
		<u>449,183</u>
		<u>\$466,720</u>
These funds were applied to:		
Reduction of term liabilities		439
Net capital expenditure:		
Land and buildings	511	
Other fixed assets	5,753	
New investments		6,264
Net increase in working capital		255,974
		<u>204,043</u>
		<u>\$466,720</u>

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 1986

1. *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 revenues.

2. *Particular Accounting Policies*

Particular accounting policies used which significantly affect the measurement of the Bank's profit and its financial position, are set out below:

(a) Recognition of 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) 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	40-100 years
Computer and office equipment	5- 10 years
Furniture and fittings	10- 15 years
Other fixed assets	3- 15 years

(c) 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.

(d) Investments

Investments are shown at cost with the exception of Government and local authorities securities.

Government and local authorities 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 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.

(e) Conversion of Foreign Currencies

Figures in the accounts are expressed in New Zealand currency. Rates used in conversion are those ruling at balance date.

3. *Changes in Accounting Policies*

(a) Amortisation of Government and Local Authorities Securities

In accordance with accepted accrual conventions the Bank has adopted a straight line method of amortising any discount or premium on purchase over the term of the security.

The effect is to increase the 1986 profit before taxation by \$1,441,000.

(b) Revaluation of Land and Buildings

Land and buildings have been written up to 90 percent of their value at 31 March 1986 as determined by independent registered valuation.

There have been no other material changes in accounting policies.