

*Appropriation Account—*

Balance of Reserve Fund 1 April 1985	1,353,374	1,043,272
	1,605,703	1,352,723
Less provision for donations	20,000	—
	1,585,703	1,352,723
Add changes in reserves	176,072	651
Balance of Reserve Fund 31 March 1986	<u>\$1,761,775</u>	<u>\$1,353,374</u>

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

<i>Funds were Received from—</i>	1986	1985
<i>Operations:</i>	\$	\$
Net profit after taxation	252,329	309,451
<i>Adjust for items not involving movement of funds:</i>		
– Depreciation	205,397	208,809
– Deferred taxation	44,651	253,188
	502,377	771,448
<i>Payment of Principal:</i>		
New Zealand Government stock	6,345,098	5,432,942
Local authorities securities	15,311	7,676
Mortgages and personal loans	9,494,139	9,662,974
	15,854,548	15,103,592
<i>Other Sources:</i>		
Depositors fund	3,313,461	4,292,699
Increase in working capital	679,691	—
	4,011,152	4,292,699
	<u>20,368,077</u>	<u>20,167,739</u>
<i>These Funds Were Applied to:</i>		
<i>Investments in:</i>		
New Zealand Government Stock	3,440,000	8,054,750
Mortgages and personal loans	8,613,466	11,188,980
Interest bearing deposits	7,883,418	213,291
	19,936,884	19,457,021
<i>Other Applications:</i>		
Fixed assets	431,193	399,854
Decrease in working capital	—	310,864
	431,193	710,718
	<u>\$20,368,077</u>	<u>\$20,167,739</u>
<i>Net Increase (Decrease) in Working Capital:</i>		
Cash resources	444,581	(94,826)
Interest accrued on investments	(325,408)	(130,379)
Debtors and prepayments	(29,320)	100,813
Sundry creditors	34,080	(58,283)
Interest accrued on investment accounts	573,758	(128,189)
	<u>\$697,691</u>	<u>(\$310,864)</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 1986

1. *General Accounting Policies—*

The accounting policies as recommended by the New Zealand Society of Accountants for the measurement and reporting of results and financial position under the historic cost, modified by the revaluation of current assets, has been adopted consistent with the previous year. Reliance is placed on the fact that the Bank is a going concern.

2. *Particular Accounting Policies—*

(a) *Recognition of Income*—The income earned is recorded on an accrual basis and includes the amortization of premiums and discounts on the purchase of Government and local authority stock. Interest on personal loans is calculated according to the Rule of 78.

(b) *Expenditure*—Interest on depositors accounts represents interest paid, credited or accrued for the financial year ended 31st March 1986. Other expenses, including computer development costs and losses associated with dealing in securities, have been charged to the accounts in the year in which the expenditure or loss was incurred.

(c) *Fixed Assets and Depreciation*—Fixed assets are valued at cost less accumulated depreciation with the exception of land and buildings which are valued at 90 percent of a registered valuers valuation.

Depreciation has been charged using the straight line method which writes off the asset over its useful economic life to its estimated residual value:

Buildings	80–100 years
Computer and office equipment	5–10 years
Furniture and fittings	5–20 years
Motor vehicles	2–5 years

(d) *Taxation*—Taxation charged against net profit is the estimated expense relating to the result for the year. It includes amount for taxation, the payment of which is deferred to future periods, because taxation practice differs from accounting policies in the treatment of:

- (i) Interest accrued on investments,
- (ii) Depreciation charges,
- (iii) The amortization of profits and losses in respect of Government and local authority stock purchases and sales.