

(e) *Current Assets and Investments*—All current assets and investments are shown at cost with the exception of New Zealand Government stock. On the basis that Government stock will normally be held to maturity the Bank considers it appropriate to record such stock at nominal value. Discounts or premiums on Government stock purchases are amortised on a straight line basis over the term of the stock.

The realisable value of fixed interest securities fluctuates with the movement in market yields and it is customary for such fluctuations to be disregarded in the recording of results of the long term institutional investor.

3. *Changes in Accounting Policies:*

In previous years deferred taxation has been calculated on the partial liability method which recognises that only some differences resulting in a deferred taxation liability will ever become payable. The Bank now recognises that all such differences resulting in deferred taxation will become payable at a future date and this has resulted in an adjustment to the provision for deferred taxation of \$258,614.

4. *Abnormal Items:*

An amount of \$442,792 has been included in the profit and loss account being a loss on sale of Government stock, redundant computer equipment written off, and stationery written off, which have had a significant effect on the current years profit.

5. *New Zealand Government Stock:*

The estimated market value at 31 March 1986 was \$12,604,000. The Government Guarantee on Depositors' Funds including accrued interest in terms of section 44 of the Trustee Banks Act 1983 and subsequent amendments was in force at balance date and continues to remain in force.

	1986 \$	1985 \$
6. <i>Fixed Assets</i>—		
Land at cost plus revaluation	85,500	23,675
Buildings at cost plus revaluation	1,117,537	691,391
Accumulated depreciation	68,398	61,133
	<u>1,049,139</u>	<u>630,258</u>
Furniture and equipment	1,654,220	1,297,067
Accumulated depreciation	714,591	579,155
	<u>939,629</u>	<u>717,912</u>
Goodwill	16,000	20,000
Fixed assets	<u>2,090,268</u>	<u>1,391,845</u>
7. <i>Deferred Taxation:</i>		
Opening balance	\$ 569,128	\$ 315,940
Adjustment for change in accounting policy	258,614	—
Adjustment for increase in taxation rates	37,941	—
Current years provision	44,651	253,188
	<u>\$910,334</u>	<u>\$569,128</u>
8. <i>Changes in Reserves:</i>		
Revaluation reserves	\$ 472,627	\$ —
Adjustment to deferred taxation	(296,555)	—
	<u>\$176,072</u>	<u>—</u>
9. <i>Commitments:</i>		
Capital expenditure commitments	\$ —	\$ —
Lending commitments approved but not advanced	133,500	311,500

REPORT OF THE AUDITORS

WE report that we have obtained all the information and explanations that we have required. In our opinion proper accounting records have been kept by the Bank so far as appears from our examination of those records.

In our opinion the accompanying profit and loss account, balance sheet, statement of changes in financial position and notes, using the historical cost method modified by the revaluation of certain assets, are properly drawn up so as to give a true and fair view of the state of the Bank's affairs as at 31 March 1986 and the results of its business and the changes in financial position for the year ended or that date in accordance with section 43 (c) of the Trustee Banks Act 1983.

MARSHALL & HEAPHY, Chartered Accountants.

12 May 1986.