NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: *Accounting Policies:*

General Accounting Policies:

The following general accounting policies have been adopted by the Bank in the preparation of the financial statements:

- The historical cost basis is used, modified for the revaluation of land and buildings, and investment properties.
- Accrual accounting is used to match revenue and expenses.
- Reliance is placed on the fact that the Bank is a going concern.

Particular Accounting Policies:

Recognition of Income:

Income shown in the profit statement is earned in the current year and includes the amortisation of premiums and discounts on the purchase of government and local authority securities.

Expenditure:

Interest credited to depositors accounts:

Interest on deposits is accrued to balance date on a daily basis at the appropriate rate of interest.

Other Expenses:

Other expenses, including expenditure on computer program development, are charged to the accounts in the year in which the expenditure is incurred.

Depreciation:

Fixed assets, other than freehold land, are depreciated on a straight line basis at rates estimated to write off the cost or revalued amount, less residual value, over the economic life of each class of asset.

The principal annual rates in use are:

Buildings—50 to 100 years.
Computer equipment, office furniture and motor vehicles—7 to 10 years.

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 has been adopted by the bank.

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

Valuation of Assets:

Current Assets and Investments:

All current assets and investments are shown at cost with the exception of government and local authority securities. Government 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 calculated on a purchase yield basis over the term of the securities. The discount or premium is calculated after adjusting for interest accrued in the purchase price.

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 reporting of the results of the long term institutional investor.

Fixed Assets:

Fixed assets are shown at cost less accumulated depreciation with the exception of revalued land and buildings which are shown at 90 percent of independent registered valuations.

Changes in Accounting Policies:

There have been no changes in accounting policies this year.

NOTE 2: *Property Revaluation Reserve:*

	1986 $	*1985 $*
Balance at 1 April	4,413	*3,670*
Less revaluation of property sold	–	*16*
	4,413	*3,654*
Add revaluations during year (Note 4)	1,264	*759*
Balance at 31 March	$5,677	*$4,413*

NOTE 3: *Government and Local Authority Securities:*

	Government 1986 $000	Government 1985 $000	Local Authority 1986 $000	Local Authority 1985 $000
Face value at 31 March	89,983	96,193	554	393
Less unamortised premiums and discounts	4,140	5,233	1	1
Book value 31 March	$85,843	$90,960	$553	$392
Cost price	$77,978	$83,930	$553	$392
Estimated market value 31 March	$68,254	$72,932	$478	$326

The government guarantee of 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. However, the requirement to hold New Zealand government securities pursuant to the same Act was removed on 11 February 1985.

NOTE 4: *Fixed Assets:*

	90% of Valuation $000	Cost $000	Depreciation to Date $000	Book Value 1986 $000
Land	2,118			*2,118*
Buildings	6,762	47	*24*	*6,785*
Computers, motor vehicles, office equipment and furniture		3,212	*1,564*	*1,648*
Totals 1986	$8,880	$3,259	*$1,588*	*$10,551*
Totals 1985	$7,790	$3,374	*$1,514*	*$9,650*