

Sale of Public Securities—

Profit or losses realised on sale of public securities are reflected in the statement of profit in equal annual instalments over the unexpired period to maturity or five years, whichever is the shorter.

Taxation—

The liability method of interperiod tax allocation has been applied primarily in respect of public security interest income.

Changes in Accounting Policies—There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

2. New Zealand Public Securities

Book, redemption and market value of these securities at 30 September were:

| | 1985 \$000 | 1984 \$000 |
|--------------------|---------------|---------------|
| Book | 72,157 | 82,577 |
| Redemption | 72,704 | 83,508 |
| Market | 61,294 | 75,660 |

3. Investment in Subsidiary

During the year the company acquired all of the issued capital of The Commercial Bank Savings Bank (N.Z.) Limited for a consideration equivalent to the value of the outstanding shares. Subsequently the book value of the investment was revalued to the net asset value of the investee company. Distributions by way of dividend of \$3,985,000 have been offset against the book value of the investment in order to recognise the diminution in the value of its underlying net assets arising from the payment.

4. Shareholders' Funds

| | 1985 \$000 | 1984 \$000 |
|---|---------------|---------------|
| Share Capital— | | |
| Authorised and issued capital 1 October 2,000,000 ordinary shares of \$1 each | 2,000 | 2,000 |
| Increase of 12,400,000 ordinary shares of \$1 each | 12,400 | .. |
| Authorised and issued capital 30 September | <u>14,400</u> | <u>2,000</u> |

The increase in share capital arose through capitalisation by way of bonus issue of retained earnings, general reserve and asset revaluation reserve.

General Reserve—

| | | |
|--|----------------|--------------|
| Balance 1 October | 5,000 | 5,000 |
| Capitalisation for bonus issue | <u>(5,000)</u> | .. |
| Balance 30 September | <u>..</u> | <u>5,000</u> |

Asset Revaluation Reserve—

| | | |
|--|----------------|----|
| Balance 1 October 1984 | .. | .. |
| Revaluation of investment in subsidiary (see Note 3) | 3,985 | .. |
| Capitalisation for bonus issue | <u>(3,985)</u> | .. |
| Balance 30 September 1985 | <u>..</u> | .. |

5. Taxation

| | 1985 \$000 | 1984 \$000 |
|---|---------------|---------------|
| Taxation on current income | 1,116 | 1,603 |
| Less prior year's overprovision | 14 | .. |
| Taxation expense | <u>1,102</u> | <u>1,603</u> |

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 30 SEPTEMBER 1985

| | 1985 \$000 | 1984 \$000 |
|--|---------------|----------------|
| Funds were provided: | | |
| From Operations—net profit after taxation | 1,378 | 1,959 |
| Dividend from subsidiary | 3,985 | .. |
| From Other Sources— | | |
| Decrease in holdings of N.Z. Public Securities | 10,420 | 10,907 |
| Decrease in mortgages and loans | 18,924 | 18,966 |
| Taxation recovered | .. | 775 |
| Decrease in accrued interest and other liabilities | <u>1,757</u> | <u>(5,819)</u> |
| | <u>36,464</u> | <u>26,788</u> |
| Funds were applied to: | | |
| Increase in deposit with Westpac Banking Corporation | 7,737 | (943) |
| Repay depositors balances | 22,770 | 28,525 |
| Acquire the share capital The Commercial Bank Savings Bank (N.Z.) Ltd. | 500 | .. |
| Decrease provision for taxation—Deferred | 444 | 803 |
| —Current | 1,428 | (1,597) |
| Decrease loan from The Commercial Bank Savings Bank (N.Z.) Ltd. | <u>3,985</u> | .. |
| | <u>36,464</u> | <u>26,788</u> |

The investment in the Commercial Bank Savings (N.Z.) Limited was financed by intercompany borrowing. No assets or liabilities other than share capital and intercompany indebtedness exist in that company.

Dated the 25th day of November 1985.

On behalf of the Board—

R. W. R. WHITE, Director.