General Accounting Policies—The going concern concept has been applied. Historical cost has been used as a measurement base except for land, buildings and investments (including gold), which have been revalued. Accrual accounting has been used to match expenses and revenue.

Particular Accounting Policies—The following particular accounting policies which significantly affect the measurement of the results and financial position have been applied:

(a) *Foreign Currency Conversions:* Overseas assets and liabilities have been converted to New Zealand currency using the mid-market exchange rates at balance date.

(b) *Investments:* New Zealand investments, excluding Government stock held under sellback arrangements, have been valued at market value at balance date. Realised profits have been taken into the profit and loss account. Unrealised profits have been recorded in the investment fluctuation account.

(c) *Fixed Assets and Depreciation:*

(i) Land and buildings held at Christchurch, Auckland and Wellington have been valued at the latest Government valuations. Increases in value have been recorded in the properties revaluation reserve. This is a change in accounting policy in respect of buildings. The bank's buildings at Christchurch, Auckland and Wellington have been depreciated at a rate of 1 percent per annum.

(ii) Plant, equipment and vehicles have been valued at cost, less depreciation. Details are:

Item	*Cost* $	*Accumulated Depreciation* $	*Book Value* $
Plant	3,910,000	(555,000)	3,355,000
Office equipment	6,271,000	(1,591,000)	4,680,000
Note sorting equipment	4,762,000	(2,105,000)	2,657,000
Computer hardware	13,328,000	(7,962,000)	5,366,000
Motor vehicles	596,000	(325,000)	271,000
	$28,867,000	($12,538,000)	$16,329,000

These assets are written off over their estimated economic lives on a straight-line basis as follows:
Plant—10 percent per annum Other—20 percent per annum.

(iii) All software costs previously capitalised (and having a depreciated value of $949,000) have now been written off following the completion of development projects.

2. *Changes in Accounting Policy*—The changes made in accounting policy have been as follows:

(a) Buildings in Christchurch, Auckland and Wellington have been valued at the most recent Government valuation. Previously buildings had been carried at cost less depreciation.

(b) Software costs have been written off in full. In the past these costs were written off over 2 or 4 years (depending on the type of software).

(c) Gold has been valued at market value. Previously gold was recorded at cost.

The effects of these changes in policy have been as follows:

(a) The properties revaluation reserve has been increased by $10,960,000 due to the revaluation of buildings.

(b) The change in policy relating to software has resulted in a reduction to profit for the year under review of $949,000.

(c) The investment fluctuation account is $15,020,000 higher because of the change in the method of valuing gold.

Previous year's figures have been adjusted in the statements to reflect the changes in accounting policy.

3. *Balance Sheet*—

(a) *Liabilities Held Domestically:* these are foreign currency deposits placed by the Treasury.

(b) *Notes in Circulation:* All bank notes in circulation represent a charge on the Reserve Bank in favour of the holder.

(c) *Investment Fluctuation Account:* The investment fluctuation account recognises the unrealised surplus of market value over cost as at balance date.

It comprises:

	1988 $	1987 $
New Zealand investments	40,622,000	710,000
Gold	15,020,000	15,931,000
	$55,642,000	$16,641,000