The financial statements are based on the general principles of historical cost accounting, including the going concern concept and the accrual basis of accounting.

Particular Accounting Policies

Consistency

The management fee paid to Westpac Banking Corporation was based on the direct costs associated with or apportionment in respect of Savings Bank activity. The accounting policy has been changed as it is considered more appropriate to only charge direct costs incurred.

Except for the above change there have been no significant changes in the accounting policies applied by the company during the period covered by these financial statements. All other policies have been applied on bases consistent with those used in previous years.

Valuation of Investments

New Zealand public securities are valued at cost adjusted annually for the proportion of discount or premium on purchase so as to allow redemption value by maturity date.

Whilst in the ordinary course of business some realisation of New Zealand public securities may take place at prices below book values, in the majority of cases these securities are held to, or close to maturity dates when they would be redeemed at face value. Accordingly, no provision is made for any difference between book value and market value of individual securities.

Sale of Public Securities

Profit or losses realised on sale of public securities are reflected in the profit and loss statement in equal annual instalments over the unexpired period to maturity of the securities sold or 5 years, whichever is the shorter.