



*Annual Report* 1986

**Australia and New Zealand  
Banking Group Limited**

# THE COMPANY

Australia and New Zealand Banking Group Limited's history dates back to 1835 when the first of its former major antecedent banks received its Royal Charter.

Since then, through natural growth and a series of mergers, ANZ has become one of the largest companies in Australia and New Zealand and among the top 100 banks in the world, with assets totalling about A\$57 billion.

The Group has 1,657 points of representation throughout the world including 1,229 in Australia, 223 in New Zealand and 56 in India, and employs a total of over 39,000 staff.

With its wholly owned subsidiary Grindlays Bank plc, ANZ is represented in 47 countries with whom about 70 per cent of Australian and New Zealand trade is conducted. As such, ANZ is the largest Australasian international banking group.

The Group provides a wide range of banking and financial services including general finance facilities through Esanda Finance Corporation in Australia, UDC in New Zealand and ANZ Finance in the United Kingdom. The Group also provides trustee, investment, nominee, general insurance, travel

and property services. Merchant banking services are provided through ANZ Capital Markets Corporation in Australia and New Zealand, and ANZ Merchant Bank with its head office in London and

representation in New York, Tokyo and Hong Kong. Private banking is provided through specialised units in London, the Channel Islands, Switzerland and Monaco.



Bombay: The main banking hall of the principal branch in Bombay.



# NOTICE OF MEETING

The annual general meeting will be held in the ANZ Pavilion, The Theatres, Victorian Arts Centre, St Kilda Road, Melbourne at 11.00 am on Monday 19 January 1987. Further information about the meeting is contained in a separate Notice of Meeting enclosed with this report.

A summary of the Chairman's address to the annual general meeting will be published in The Australian Financial Review and The Australian on 20 January 1987. Copies of the address will be available from:

Community Relations Department, ANZ Bank, 55 Collins Street, Melbourne, Victoria 3001

Group Publicity Department, ANZ Bank, Minerva House, PO Box 7, Montague Close, London SE1 9DH

Branch Banking Services Department, ANZ Banking Group (New Zealand) Limited, 215-229 Lambton Quay, Wellington, New Zealand



## Financial Calendar

### Results

First half:	Announced 19 May 1986
Full year:	Announced 17 November 1986
Annual Report:	Circulated 16 December 1986
Annual General Meeting:	To be held in Melbourne on 19 January 1987

### Dividends

Interim:	Announced 19 May 1986 Paid 1 July 1986
Recommended final:	Announced 17 November 1986 To be paid 29 January 1987

### Group Headquarters and Registered Office:

55 Collins Street, Melbourne, Victoria, 3000

Telephone: (03) 658 2955

### Group

**Secretary:** L. C. Graham

### Group

**Executive, Finance:** C. A. Griss

**Solicitors:** Blake & Riggall

**Auditors:** Peat, Marwick, Mitchell & Co



Top Right & Left:  
Melbourne: ANZ's branch at 388 Collins Street – celebrating its centenary during 1987.

Melbourne: ANZ's Cheltenham branch – a new form of banking for ANZ customers.

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# BOARD OF DIRECTORS

## **Sir William Vines, C.M.G.**

Chairman. Age 70  
FASA, ACIS, LCA, psc. Company Director and Farmer

A Director since October 1976, appointed Deputy Chairman November 1980 and Chairman January 1982. Also a Director of ANZ Holdings (UK) p.l.c.

Sir William is a Director of Dalgety Australia Holdings Ltd and Dalgety Farmers Ltd. He is also Chairman of The Sir Robert Menzies Memorial Trust, and a member of the Australian Council of H.R.H. The Duke of Edinburgh's 6th Commonwealth Study Conference 1986.

He is a former Managing Director of the International Wool Secretariat (1961-1969), former Chairman of the Australian Wool Commission (1970-1972) and of Dalgety Australia Limited (1969-1980) (Managing Director 1970-1976), and former Chairman or Director of other United Kingdom and Australian companies.

Sir William farms in the New England district of New South Wales.

## **Mr W. J. Bailey**

Group Managing Director and Chief Executive Officer. Age 53  
AAIB, FAMI, FAIM, Bank Executive

A Director since July 1984, appointed to his present position in November 1984. Mr Bailey is Chairman of Australia and New Zealand Savings Bank Ltd, ANZ Executors & Trustee Co Ltd, ANZ Holdings (New Zealand) Limited, ANZ Pensions Pty. Ltd. and ANZ Properties (Australia) Ltd. He is a Director of Esanda Finance Corporation Ltd., ANZ Capital Markets Corporation Ltd., ANZ Finance (Far East) Ltd., Development Finance Corporation Ltd., Greater Pacific Life Assurance Company Limited, ANZ Banking Group (New Zealand) Ltd, ANZ Holdings (UK) p.l.c. and Grindlays Bank p.l.c. He is Chairman of the Australian Bankers' Association and President of the Australian Institute of Bankers.

Mr Bailey is also a Director of Dalgety Farmers Ltd, Chairman of the Economic Committee of the Business Council of Australia, a member of the Governing Board of University of Melbourne Graduate School of Management Foundation and the Queen Elizabeth II Silver Jubilee Trust for Young Australians. He is a Councillor of Enterprise Australia and of the Australian Opera Foundation, Hon Treasurer of the Baker Medical Research Institute and a Trustee of the Centre for Independent Studies.

He has had 36 years' experience in banking with the Group including Regional Manager New Zealand (1971), Assistant State Manager South Australia (1974), Chief Manager International London (1977), Assistant General Manager Branch Banking Melbourne (1980), General Manager Management Services (1982) and Chief General Manager (1983). Mr Bailey lives in Melbourne.

## **Mr M. D. Bridgland**

Age 64  
B.Sc., FTS, FRACI, FAIM, Company Director  
A Director since February 1982.

Mr Bridgland has been Chairman of ICI Australia Ltd. since 1980 (Managing Director from 1978-1984). He is Chairman of Jennings Properties Ltd. and a Director of Jennings Industries Ltd. He is also a member of the Board of Management of the University of Melbourne Graduate School of Management, the Australian Council of H.R.H. The Duke of Edinburgh's 6th Commonwealth Study Conference 1986, and is Chairman of the Board to the Salvation Army Australian Southern Territory.

Mr Bridgland lives in Melbourne.

## **Sir Roderick Carnegie**

Age 54  
B.Sc., MA, Dip. Agric. Econ., MBA (Harvard),  
Chief Executive (CRA) and Company Director

A Director since February 1986.

Sir Roderick has been Chairman and Chief Executive of CRA Limited since 1974 and is a director of The Rio Tinto-Zinc Corporation p.l.c. He is President of the Business Council of Australia, Chairman of the Consultative Committee on Relations with Japan, Councillor of The Royal Agricultural Society of Victoria, a member of the General Motors Australian Advisory Council, International Councillor of the Morgan Guaranty Trust, and a Member of the IBM World Trade Asia/Pacific Group Board. He is also a member of a number of other charitable and business organisations.

Sir Roderick lives in Melbourne.

## **Mr J. C. Dahlsen**

Age 51  
LL.B, MBA, Solicitor and Company Director

A Director since May 1985.

Mr Dahlsen was a senior partner in and is now a consultant with the Melbourne legal firm Corrs Pavey Whiting and Byrne. He is Chairman of The Herald and Weekly Times Ltd, and a director of Advertiser Newspapers Ltd and Queensland Press Ltd, and was formerly Deputy Chairman of The Myer Emporium Ltd. He is a member of the Board of Management of the University of Melbourne Graduate School of Management and of the Finance Advisory Committee of the Walter and Eliza Hall Institute of Medical Research.

Mr Dahlsen lives in Melbourne.

## **Mr D. C. L. Gibbs**

Age 59  
MA (Oxon), Company Director

A Director since February 1979, Alternate Director 1976-1979. Also a Director of ANZ Executors & Trustee Co Ltd and ANZ Pensions (UK) Ltd.

Mr Gibbs is Chairman of Marsh & McLennan Pty Ltd and Folkestone Ltd and a Director of Parbury Henty Holdings Ltd and John Swire and Sons Pty Ltd. He was Chairman of Gibbs Bright & Co Pty Ltd (1968-1985) and Chief Executive for 12 years. He is Chairman of the Victoria State Opera Foundation and a member of the Victoria State Opera Board. He is also Vice-President of the World Wildlife Fund - Australia, a trustee of the Felton Bequest and a member of the Victoria Council Australian Bicentennial Authority.

Mr Gibbs lives in Melbourne.

## **Mr J. B. Gough, O.B.E.**

Age 58  
FAIM, Chief Executive (Pacific Dunlop) and Company Director

A Director since August 1986.

Mr Gough has been a Director of Pacific Dunlop Limited since 1976 (Managing Director since 1980). He is also a Director of Amcor Ltd, The Broken Hill Proprietary Company Ltd and ICI Australia Ltd. He is a former Chairman of the Trade Development Council, Chairman of the Australia Japan Business Forum, a Board Member of the Walter and Eliza Hall Institute of Medical Research and is Chairman of the Board of Management of the University of Melbourne Graduate School of Management.

Mr Gough lives in Melbourne.

## **Mr C. J. Harper**

Age 55  
CA (Scots), Company Director

A Director since October 1976. Also a Director of ANZ Holdings (UK) p.l.c.

Mr Harper is Chairman of Humes Ltd and a Director of IBM Australia Ltd, Legal and General Assurance Holdings (Australia) Ltd, North Broken Hill Holdings Ltd, Vickers Holdings Ltd and Wiggins Teape Pty Ltd. He is Federal President of the Institute of Directors in Australia, a member of the Victoria State Opera Foundation and of the Touche Remnant & Co International Advisory Board. He was General Manager and Chief Executive of the merchant bank Australian United Corporation Ltd from 1968-1976.

Mr Harper lives in Melbourne.

## **Mr W. J. Holcroft, A.O.**

Age 64  
FASA, FCIS, FCIT, FAIM, Company Director  
A Director since October 1976. Also recently appointed to the Board of ANZ Pensions Pty Ltd.

Mr Holcroft is also a Director of Caltex Australia Ltd, The Commonwealth Industrial Gases Ltd and Nucleus Ltd and a member of the Board of Governors of The Australian Wildlife Fund Ltd. He retired as Managing Director of Brambles Industries Ltd in 1980.

Mr Holcroft farms in the Bathurst area of New South Wales.

## **Professor Dame Leonie Kramer, D.B.E.**

Age 62  
BA (Melb), D. Phil (Oxon), Hon D. Litt (Tasmania), Hon. LL.D. (Melb and ANU), FAHA, FACE, University Professor and Company Director

A Director since August 1983.

Dame Leonie is Professor of Australian Literature at the University of Sydney and a noted author and editor who serves on a number of scholastic committees. She is also a Director of Western Mining Corporation Holdings Ltd and Western Mining Corporation Ltd, National President of the Australia-Britain Society, a member of the Councils of the Australian National University, the National Roads and Motorists Association, New South Wales, and the National Institute of Dramatic Art. She was a member of the Australian Broadcasting Commission from 1977-1982 and Chairman of the Commission from 1982-1983.

Dame Leonie lives in Sydney.

## **Sir Laurence Muir, VRD**

Age 61  
LL.B, FSIA, FAIM, Company Director

A Director since August 1980. Also a Director of ANZ Pensions Pty Ltd.

Sir Laurence is Chairman of Liquid Air Australia Ltd and Australian Biomedical Corporation Ltd, and is a Director of ACI International Ltd, Alcoa of Australia Ltd, The Herald and Weekly Times Ltd, National Commercial Union Ltd and Wormald International Ltd. He is Chairman of the Canberra Development Board, President of the Baker Medical Research Institute, Deputy Chairman of the Australian Science & Technology Centre Advisory Committee, a member of General Motors Australian Advisory Council, L'Air Liquide World Advisory Committee, The Parliament House Construction Authority, the Sir Robert Menzies Memorial Trust and a number of other charitable organisations. He retired in 1980 as senior partner of Potter Partners.

Sir Laurence lives in Melbourne and on the South Coast of New South Wales.

## **Mr R. A. D. Nicolson**

Group Deputy Managing Director and Chief Operating Officer. Age 55  
AAIB, FAIM, Bank Executive

A Director since July 1984, appointed to his present post in November 1984. Also a Director of Australia and New Zealand Savings Bank Ltd, Esanda Finance Corporation Ltd, ANZ Capital Markets Corporation Ltd, ANZ Finance (Far East) Ltd, ANZ Banking Group (New Zealand) Ltd, ANZ Holdings (UK) p.l.c., Grindlays Bank p.l.c. and Australia and New Zealand Banking Group (PNG) Ltd.

Mr Nicolson has had 37 years' experience in banking with the Group including Regional Manager New South Wales (1966), Assistant Manager King and George Streets, Sydney (1970), Representative for Japan (1972), Deputy General Manager Esanda Ltd (1975), General Manager Esanda Ltd (1979), General Manager Corporate and International (1982) and Chief General Manager (1983).

Mr Nicolson lives in Melbourne.

## **Mr L. M. Papps, C.M.G.**

Age 67  
LL.M (Wellington), Solicitor and Company Director

A Director since October 1976. Chairman of ANZ Banking Group (New Zealand) Ltd.

Mr Papps is senior partner of the Wellington and Auckland legal firm Bell Gully Buddle Weir. He is Chairman of Asea Tolley Electric Company Ltd, Steel & Tube Holdings Ltd, NZ Forest Products Ltd and UEB Industries Ltd and a Director of Metropolitan Life Assurance Company of New Zealand Limited, Rada Corporation Ltd and a number of other companies.

Mr Papps lives in New Zealand.

## **Mr. A. J. O. Ritchie**

Age 58  
MA (Cambridge), Company Director

A Director since September 1984. He is Chairman of ANZ Holdings (UK) p.l.c. and Grindlays Bank p.l.c.

Mr Ritchie is also Chairman of Union Discount Co. of London p.l.c., a Director of the European Investment Bank and a member of the London committee of the Ottoman Bank.

He has had 36 years' experience in banking in the United Kingdom and has held executive positions with Williams & Glyn's Bank Ltd before joining Grindlays Bank as Deputy Chairman in 1977. He was appointed as Chief Executive of Grindlays Bank in 1980 and Chairman in 1984.

Mr Ritchie lives in England.

## **Dr B. W. Scott, A.O.**

Age 51  
B.Ec, MBA, DBA, FAIM, Company Director

A Director since August 1985. Also a Director of Development Finance Corporation Ltd and Greater Pacific Life Assurance Company Ltd.

Dr Scott is Chairman of ACI International Ltd., W.D. Scott International Development Consultants Pty Ltd, Management Frontiers Pty Ltd, and Jon and Associates Pty Ltd. and is a Director of Imagineering Technology Ltd, James N. Kirby Foundation Ltd and Liquid Air Australia Ltd. He was chief executive of the W. D. Scott Group of Companies from 1974 until 1985. He is Chairman of the Trade Development Council and is the immediate-past Federal President of the Institute of Directors in Australia.

Dr Scott lives in Sydney.



(From left to right)  
 Mr W. J. Bailey, Mr W. J. Holcroft,  
 Mr M. D. Bridgland, Mr J. B. Gough,  
 Mr L. M. Papps, Mr C. J. Harper,  
 Sir William Vines.

**BOARD COMMITTEES**

**Audit Committee**

- Mr M. D. Bridgland  
*(Chairman)*
- Mr J. C. Dahlsen
- Professor Dame Leonie Kramer
- Dr B. W. Scott

**Credit Committee**

- Sir William Vines  
*(Chairman)*
- Mr W. J. Bailey
- Mr M. D. Bridgland
- Mr D. C. L. Gibbs
- Mr C. J. Harper
- Mr R. A. D. Nicolson



(From left to right) Mr A. J. O. Ritchie, Sir Roderick Carnegie, Mr R. A. D. Nicolson,  
 Dr B. W. Scott, Dame Leonie Kramer, Mr D. C. L. Gibbs, Mr J. C. Dahlsen, Sir Laurence Muir.

# FINANCIAL SUMMARY

## Financial Highlights

	1986	1985	% Movement
<b>For the years ended 30 September (\$'000)</b>			
Group gross income less interest paid	2,443,426	2,022,558	+ 20.8
Group operating profit	315,422	302,198*	+ 4.4
Group profit after extraordinary items	164,762#	312,104*	- 47.2
Dividends	133,088	103,733	+ 28.3
Number of times dividend covered by profits	2.37	2.91	
Return on average shareholders' funds	13.1% <sup>o</sup>	15.3%	
<b>Per share</b>			
Dividend — declared rate	31.0c	31.0c	
Earnings on fully-paid capital at end of year	76.8c <sup>o</sup>	90.0c	
Net assets per fully-paid share at end of year	\$6.08	\$6.43	
<b>At year end (\$'000)</b>			
Paid-up capital	449,830	336,038	+ 33.9
Shareholders' funds	2,731,082	2,159,459	+ 26.5
Total assets	56,630,603	42,782,104	+ 32.4
Ratio of shareholders' funds including minority interests to total assets	5.56%	5.18%	

\* Excludes abnormal credit of \$18.0 million arising from change in doubtful debt accounting change in 1985 to allow proper comparison.

# extraordinary items include write-off in full of goodwill on acquisition of 25% minority interest in ANZ Banking Group New Zealand Ltd and other acquisitions, totalling \$131.1 million.

<sup>o</sup> Shareholders' funds and fully-paid capital adjusted to exclude effect of 30.9.86 share exchange with New Zealand group minorities, profit in respect of which, is also not included in the results.

- **Group Operating Profit** of \$315 million.
- **Group Assets** increase by 32.1% to \$56.6 billion.
- **Paid Up Capital** increases by 34%.
- **Total Shareholders' Funds** increase by 26.5%.
- **Australian Profits**, banking and finance, affected by lower interest rate margins and increased doubtful debts.
- **Offshore Operations** contribute 35.5% of total profit.
- **All Business Sectors** – banking, finance and others achieve improved results.
- **Greater Pacific Life Assurance**, acquired during the year, contributes \$9 million to the Group result.
- **New Zealand Group** result shows strong increase.
- **Dividend Payment** for year based on final dividend of 16 cents per share as recommended to be \$133.1m compared with \$103.7m in 1985.

## Sources of Operating Profit

	1986 \$'000	% of Total	1985* \$'000	% of Total	Movement \$000	Movement %
Banking Company Operations	233,191	73.9	226,318	74.9	+6,873	+3.0
Finance Company Operations	61,474	19.5	60,080	19.9	+1,394	+2.3
Other	20,757	6.6	15,800	5.2	+4,957	+31.4
	<b>315,422</b>	<b>100.0</b>	<b>302,198</b>	<b>100.0</b>	<b>+13,224</b>	<b>+4.4</b>
Australian Operations	203,571	64.5	207,572	68.7	-4,001	-1.9
Offshore Operations	111,851	35.5	94,626	31.3	+17,225	+18.2
	<b>315,422</b>	<b>100.0</b>	<b>302,198</b>	<b>100.0</b>	<b>+13,224</b>	<b>+4.4</b>

\* 1985 figures exclude abnormal credit item of \$18.004 million arising from change in provision for doubtful debt policy (refer note 1(e))

## Analysis of Consolidated Profit

### Income

Interest received	5,600,723		4,536,927			+23.4
Less interest paid	4,202,935		3,301,330			+27.3
Net interest received	1,397,788	57.2	1,235,597	60.8		+13.1
Commission and other	1,045,638	42.8	786,961	38.7		+32.9
Extraordinary items	—		9,937	0.5		
Total Income	<b>2,443,426</b>	<b>100.0</b>	<b>2,032,495</b>	<b>100.0</b>		<b>+20.2</b>

### Expenses

Salaries	667,310	27.3	568,378	28.0		+17.4
Other personnel	212,722	8.7	201,911	9.9		+5.4
Building occupancy	219,267	9.0	184,956	9.1		+18.6
Doubtful debts	196,663	8.1	66,557	3.3		+195.5
Abnormal item	—		(18,004)	(0.9)		
Other	567,051	23.2	411,689	20.3		+37.7
Total expenses	<b>1,863,013</b>	<b>76.3</b>	<b>1,415,487</b>	<b>69.7</b>		<b>+31.6</b>
Income tax	245,944	10.1	270,952	13.3		-9.2
Extraordinary items	151,451	6.2	—			
Dividends	133,088	5.4	103,733	5.1		+28.3
Minority shareholders' interests	18,255	0.7	15,950	0.8		
Retained earnings (including reserves)	31,675	1.3	226,373	11.1		
Total expenses, distributions and retentions	<b>2,443,426</b>	<b>100.0</b>	<b>2,032,495</b>	<b>100.0</b>		<b>+20.2</b>

# THE YEAR IN BRIEF

*A period of difficult economic circumstances domestically and internationally during which ANZ both consolidated and expanded, strengthening its position as a major international financial institution and increasing its profit performance.*

Group operating profit after tax increased by 4.4 per cent to A\$315.4 million. Gross profit before tax and provision increased by 19 per cent to A\$777.1 million.

Group assets increased by 32 per cent to A\$56.6 billion.

Acquisition of Greater Pacific Life Assurance Company Limited.

Successful offer made for the balance of the whole of the capital of ANZ Banking Group (New Zealand) Limited.

Organisational restructure of Australian and New Zealand operations implemented; restructuring of offshore units continuing.

Formation of an International Board of Advice comprising distinguished businessmen from key countries in the Group's network.

Operations of Esanda Limited and Finance Corporation of Australia Limited merged under the name of Esanda Finance Corporation and assets increased by 12.6 per cent to A\$3.9 billion.

US\$300 million perpetual FRN issue successfully completed in October 1986. This raising will be treated as part of the Group's capital base by the Reserve Bank of Australia.

ANZ ranked 11th bank in the world in a global foreign exchange survey.

In Australia, Trading Bank market share increased despite new foreign bank competition.

Grindlays' banking operations in Toronto and Tokyo converted to ANZ's name. ANZ branches established in Hong Kong and Frankfurt. Representative offices opened in Beijing and Milan. Former Grindlays representative offices in Madrid and Rio de Janeiro converted to joint ANZ/Grindlays offices.

Investment funds under management by the Group exceeded A\$10 billion.

Global Treasury operations integrated with major regional treasuries established in London, New York, Hong Kong, Wellington and Melbourne. New state-of-the-art dealing rooms operational in London, Los Angeles and Melbourne.

ANZ Capital Markets Corporation (ANZCAP) was market leader in producing the highest return on funds under management in Australia in the year to September. A branch of the company was opened in Auckland, New Zealand.

ANZ Executors and Trustee Company Common Fund (cash management) exceeded A\$1 billion in total deposits.

ANZ Merchant Bank Limited incorporated in the United Kingdom. Its operations now include the Group's 100 per cent owned London stockbroker, Capel Cure Myers.



# CHAIRMAN'S REPORT

This has been an eventful and challenging year for the Group. As a result of an excellent management performance, earnings after substantial provisions for bad and doubtful debts exceeded the expectations held by the Board in the middle part of the year. As I shall later report, economic conditions in our home markets in Australia and New Zealand have not been helpful, and the immediate outlook shows little prospect of improvement.

## Earnings and Revenue

Group profit after tax but before extraordinary items rose by 4.4 per cent to A\$315.4 million, due substantially to increased contributions from offshore operations, and particularly from our New Zealand subsidiary. (To allow proper comparison of trading performance, the abnormal profit item of A\$18.0 million which arose from the doubtful debt accounting policy change in 1985 has been excluded from last year's comparative operating profit.)

These results represented a return of 13.1 per cent on average shareholders' funds, adjusted to exclude the effect of the share exchange with New Zealand Group minorities which occurred on the last day of the financial year, i.e. 30 September 1986.

After including net charge from extraordinary items of A\$150,660,000 (1985 - net gain of A\$9,906,000) total consolidated profit after tax was A\$164,762,000 compared with A\$312,104,000 for the previous year.

In keeping with current conservative policy and treatment in past years, all goodwill arising from acquisitions has been written off in full. Extraordinary items for the year include goodwill arising from the acquisition of the 25 per cent minority shareholding in the New Zealand group as at 30 September 1986. No profits in respect of the 25 per cent holding have been included in the Group results. Also included is the net goodwill written off in respect of the acquisition of the UK broking firm Capel-Cure Myers, Barclays' business in Vanuatu and Greater Pacific Assurance Company Limited.

Notwithstanding the increased number of trading bank competitors in Australia, there was a strong and successful effort to increase trading bank market share. In the United Kingdom region, which includes Grindlays Bank, the Group also recorded a pleasing growth in revenue. Overall, net interest and other revenue increased by 20.8 per cent to A\$2.443 billion.

## Dividends

A final dividend of 16 cents per share has been recommended by Directors which, together with the interim dividend of 15 cents paid on 1 July 1986, will make a total of 31 cents for the year, unchanged from 1985.

Dividend payout for the year as recommended is A\$133.1 million, compared with A\$103.7 million in 1985 and representing 42.2 per cent of Group operating profit.

## Share Issue

The one for five rights issue announced last year closed 95.6 per cent subscribed. Shares not taken up in the issue were allocated to a Trustee and sold by the joint brokers to the issue at an average price of A\$4.85 per share. Surplus proceeds, after deduction of acceptance monies and expenses, were distributed to those shareholders who did not take up their entitlements.

Nearly 16,000 shareholders (25.5 per cent of total) holding about 23.7 per cent of capital are currently participating in the Dividend Reinvestment Scheme.

## Group Assets

Total assets of the Group increased by 32 per cent to A\$56.6 billion as at 30 September 1986.

The Group now has 44 per cent of its assets outside Australia and is represented in a total of 47 countries.

In the year ahead, the Group will review investments that no longer conform with strategic directions, and opportunities to divest will be taken.

## Implications of Taxation

In the year under review, the Australian Government's fringe benefits tax and restatement of deferred tax balances for New Zealand and Australian company tax rate increases, resulted in a charge of A\$14 million against total Group profit, including extraordinary items.

The impact of Australian tax reform legislation for fringe benefits is estimated to cost the Group A\$16 million in a full year. Whilst the concept of taxing genuine fringe benefits is accepted, the Group opposes the principle of taxing the employer rather than the recipient of the benefit. This tax imposes on the Group a considerable and costly administrative burden which has been only slightly reduced by recently announced amendments.

Other major legislative changes yet to impact include an increase in the corporate tax rate from 46 per cent to 49 per cent, the foreign tax credit system and the dividend imputation system. In particular, the proposed dividend imputation system will require careful consideration.

It is important that all shareholders - offshore and local - share equitably in the distribution of dividends. At the same time the Company's ability to retain earnings to fund expansion and growth must not be impaired. Until the draft legislation is available we are unable to make any firm recommendations. It is a serious matter, and shareholders should be aware that a special meeting may be needed to consider it when the legislation is finalised.

The Group is addressing these various taxation aspects, and will meet their costs in the most efficient manner. However, we can expect higher taxes in Australia and New Zealand to be a significant additional cost in 1986/87 and beyond.

## Provisions for Debt

The profit performance of the Group was reduced by increased bad and doubtful debt provisions in a number of areas reflecting, in substantial measure, poor economic conditions in a number of industry sectors both domestic and overseas.

# CHAIRMAN'S REPORT

Since changing the doubtful debt accounting provision policy in 1985 to the more accepted international banking practice, banking profits of ANZ now fully reflect adverse debt experience in the year in which it occurs. Under the previous accounting policy, bad debts and provisions were spread over five years.

Within Australia, doubtful debt provision in the banking operations increased from A\$35.5 million to A\$65.9 million, reflecting the recession in most rural areas, the impact on foreign currency lending of the weakening of the Australian dollar, and the generally adverse effects of a prolonged period of high interest rates. However, this increased provision must also be viewed in the context of a 23 per cent growth in the average Trading Bank lending assets.

Offshore debt provisions for ANZ Holdings (UK) p.l.c. (incorporating Grindlays) increased from A\$31.9 million to A\$77.3 million, related principally to shipping and Middle East exposures which continue to be reviewed in the light of changing economic circumstances and impact on security values. The significant fall in oil prices in the middle of the year was the major influence on assessment of debt provision. Very significant provisions are now held against shipping risks.

For the Group as a whole, the total charge to profits in 1986 for provisions and net write-offs amounted to A\$196.7 million (A\$66.6 million in 1985). The total cover held by the Group for possible loan losses amounts to A\$1.06 billion (A\$875.9 million in 1985).

## Exposure to Sovereign Risk

As reported in the 1985 Annual Report, over 90 per cent of the Group's total sovereign risk exposure relates to lending to Governments, banks and Government entities, and no individual country exposure exceeds one per cent of Group assets.

The Group continues to assess its level of provisions against exposure to debt rescheduling countries, and to make appropriate provisions taking into account both the total provisions held against these assets and the exposure to individual countries. The Board is satisfied that the substantial provisions which have been made are fully adequate in all the circumstances now existing.

By geographic region, lending exposure by ANZ Group to 23 countries subject to rescheduling arrangements is:

South and Central Americas	A\$1,365 million
Eastern European Bloc	A\$ 150 million
Africa & Middle East	A\$ 128 million
Asia	A\$ 56 million
	<u>A\$1,699 million</u>

These assets, which are predominantly US dollar denominated, represented 3.0 per cent (gross) of total Group assets at 30 September 1986 compared with 3.4 per cent in 1985.

## Acquisition of New Zealand Subsidiary

During the year the Group, through its wholly owned subsidiary ANZ Holdings (New Zealand) Limited, made an offer to acquire all the share capital in ANZ Banking Group (New Zealand) Limited in which it held 74.2 per cent equity, the balance being held by the New Zealand public.

Following consent of the New Zealand Overseas Investment Commission, the offer was declared unconditional, and at the time of closing on 10 October attracted 98.6 per cent acceptance. The offer was for an outright cash payment of NZ\$3.75 per share or seven ANZ Group shares for every ten ANZ (New Zealand) shares.

The purpose of this offer was to enable ANZ's New Zealand operations to draw upon the full strength of the Group's global balance sheet to meet the competition of new local banks, the imminent entry of large integrated international banks, and the deregulation of New Zealand's financial markets. The acquisition will also enable the Group to pursue diversification in New Zealand more actively as a consequence of our extensive expansion into non-bank financial services in Australia. By utilising the resources of the Group as a whole, we believe ANZ is now in a unique position to strengthen further its position as a leading bank in New Zealand.

It is intended to maintain local incorporation, together with an effective local board of directors with a strong non-executive emphasis in New Zealand.

## Other Initiatives

A number of major initiatives has been taken to reposition the Group within Australia and New Zealand and internationally. These have involved significant allocations of cash and other resources. Some, such as the acquisition of Greater Pacific Life Assurance Company Limited, have provided immediate and satisfactory returns. Others such as the Grindlays acquisition, because of their size, complexity and diversity, are confidently expected to provide acceptable returns in the medium term. Significant investment has also been made in the future through the automation of banking and finance operations.

Directors believe that these moves, which have involved significant short term costs, will see benefits flow to shareholders progressively over the next few years. Already positive signs are emerging. A direct result of the international spread of the Group's operations in the year under review was the increased contribution in Australian dollar terms from offshore units.

## Organisational Restructure

Last year I reported that the Group had undertaken, with the assistance of McKinsey & Co, a major organisational restructure with the purpose of streamlining, decentralising and making the whole Group more market and customer responsive. On 1 May 1986 the restructure

became effective for our Australian operations, followed later in the year by New Zealand. The work of reorganising our offshore points has been well begun and is continuing. The implementation of this massive programme was a formidable task involving cultural as well as physical changes.

The Group is now organised into over 50 business units grouped into eight strategic sectors worldwide. Each business unit chief executive is responsible for the operations and profitability of his particular business.

The restructure has resulted in a number of new divisions, created to serve key market segments. These include a new Commercial Banking unit in Australia that is focusing on the 'middle market' commercial segment where ANZ has achieved a strong position through Area Banking; also a new Global Treasury which is now managing the Group's major treasuries around the world on an integrated basis. Details of these and other units' operations are included elsewhere in this Report.

### Staff

During a year of intense competition, the restructure placed additional stresses on staff and they are to be commended for their commitment and invaluable contribution to this year's results.

In appreciation of these efforts, the Board has agreed to allocate A\$13.7 million pre-tax to eligible staff under the Bank's profit sharing scheme. In view of the radical changes in organisation structure and acquisitions made by the Group in recent years, this scheme will be reviewed during the current year.

### Economic Overview

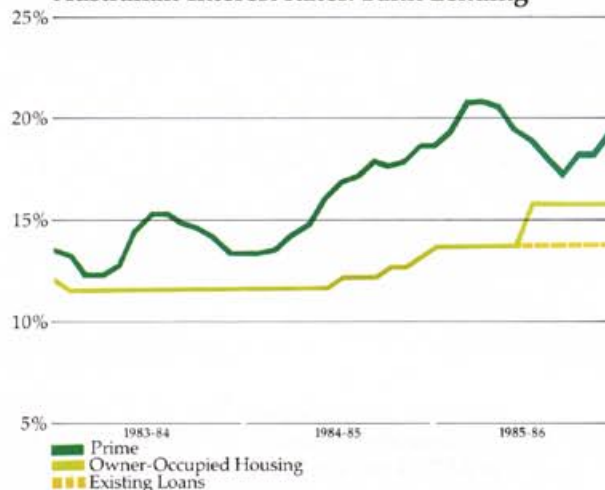
Economic conditions in Australia deteriorated significantly in 1986. Overall production actually contracted in the first half of the year, following strong growth in 1984 and 1985. Further, a sharp decline in prices received for Australia's exports meant that the real market value of output also had to be marked down for this effect.

A large part of this economic turnaround reflected the depressing effects of high interest rates and a reduction in business and consumer confidence. These developments can in turn be traced back to the persistent weakening in Australia's balance of payments. In 1985/86 the current account deficit widened to nearly six per cent of GDP, well up from an average ratio of two to three per cent in the 1960s and 1970s.

Interest rates rose to very high levels as monetary policy was tightened following significant declines in the value of the Australian dollar in late 1985 and mid 1986. In the second half of 1986 fiscal and wages policies were also tightened somewhat, but not sufficiently given Australia's straitened circumstances.

Prospects for 1987 and beyond centre on Australian business – particularly those in the manufacturing and

**Australian Interest Rates: Bank Lending**



service sectors – using the depreciation-related boost to their international competitiveness to increase their penetration of domestic and export markets. However, significant and sustained success in these markets will require the installation of new plant and the upgrading of existing equipment. Within our Bank in Australia we are currently experiencing a very low level of demand for advances for investment purposes to support this requirement. Such investment is being hampered by high interest rates, an inflation rate significantly above that of Australia's major trading partners, some adverse changes to business taxation, uncertainty as to the medium term outlook for the exchange rate and Australia's level of labour productivity.

World inflation continued to fall during 1986 aided by the halving of oil prices. This allowed reductions in interest rates, and in the United States and Europe interest rates are now at or below levels last seen in the late 1960s and early 1970s.

Large trade imbalances in the major industrial countries continue to fuel international protectionist pressures. This development potentially has severe implications for Australia as a trading nation. However, several hopeful signs have emerged: a long-awaited decline in the value of the United States dollar; a commitment by the United States legislature to lower budget deficits; and some progress in widening the scope of negotiations being carried out within the framework of the General Agreement on Tariffs and Trade (GATT).

Despite these favourable stimuli, world economic growth continued to slow in 1986, though to a lesser extent than in Australia. However, on the expectation that world inflation and interest rates will remain low, and of prospective improvements in international imbalances, a return to moderate growth with low inflation in 1987 is widely forecast.

# CHAIRMAN'S REPORT

## International Board of Advice

In October 1986 the Board announced the establishment of an International Board of Advice, comprising distinguished members drawn from key areas within the 47 countries in which the Group operates.

This Board has no executive function. It follows the practice of other large multi-national organisations throughout the world. We shall look to members of this Board for advice on business and economic conditions in their respective countries, and on opportunities for business development. The Board of Advice will also keep the Group informed on its assessment of political and strategic developments likely to be of interest or concern to ANZ, and in other ways its members will be helpful to the Group's interests in their respective areas of influence.

The first Chairman of the International Board of Advice will be Sir James McNeill, AC, CBE. Inaugural members include:

United Kingdom	Sir Peter Baxendell Chairman, Hawker Siddeley Former Chairman, Shell International Lord Remnant, CVO, FCA Chairman, Touche Remnant & Co.
USA	Charles Parry Chairman and CEO, ALCOA Chairman, US Bicentennial Association William F. Ray Partner, Brown Bros Harriman & Company, New York Bankers Chairman, America Australia Association in the USA
India	Dr K. S. Krishnaswamy Chairman, Indian Advisory Board, Grindlays Bank Former Deputy Governor, Reserve Bank of India
France	Roger Martin Previous Chairman, St. Gobain Pont a Mousson
Germany	Karl Gustaf Ratjen Previous Chairman Metallgesellschaft
Netherlands	Frans Van Den Hoven Previous Chairman, Unilever
New Zealand	Sir Ronald Trotter Chairman, Fletcher Challenge Ltd

Australia	Rt. Hon. Malcolm Fraser, CH Former Prime Minister of Australia Sir Leslie Froggatt Company Director
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Members from a number of other countries, including developing areas, will be appointed within the next few months.

## Board Changes

On 29 July 1986 Sir James McNeill, AC, CBE, retired from the Board having reached the age for retirement required by our Articles of Association. The Board acknowledges the significant contribution made by Sir James since his appointment as a Director in October 1982 and in particular, his active involvement in the strategic decisions to expand our business within Australia and overseas. The Board is pleased that Sir James has agreed to continue to make his knowledge and experience available through the recently announced International Board of Advice as its inaugural Chairman.

During the year the Board welcomed the appointment of two new Directors.

Sir Roderick Carnegie, Chairman of Conzinc Riotinto of Australia Limited, and President of the Business Council of Australia, was appointed as a Director in February 1986.

Mr John Gough, OBE, Managing Director of Pacific Dunlop Limited and Vice President of the Business Council of Australia, was appointed as a Director in August 1986.

The Board welcomes these new Directors and the breadth of experience they will bring to ANZ.



Chairman

# REVIEW OF OPERATIONS

## Australian Operations

### Environment

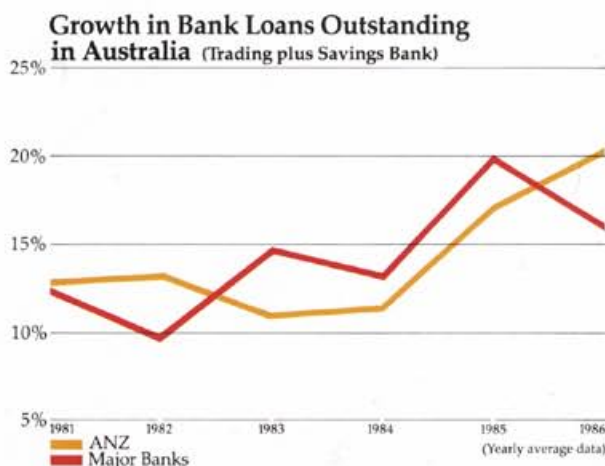
The year in Australia was one in which our business coped with five major influences – the continued impact of financial deregulation, a deteriorating economic climate, a volatile exchange rate and high interest rates plus weak commodity and mineral prices. Much has been written about all factors but two aspects are worthy of further comment here.

Due to the poor global outlook for agricultural commodities, where Australia is a price taker for all produce except wool, many farms are no longer viable. Indeed industry sources estimate around 25 per cent of farms are in this category. The rural sector represents about 9 per cent of ANZ's Australian lending assets; our market share is approximately 17 per cent.

High interest rates over the past few years have encouraged business to seek funds in overseas markets where rates were lower. There was a willingness in some parts of the community to accept the inherent exchange rate risk. Indeed, the benefits of lower interest rates were actively promoted by some financial advisors although not by ANZ. The sizeable devaluation of the Australian dollar has now clearly illustrated the risks associated with unhedged offshore borrowing and costly lessons have been learned.

Internally, it has been a year of substantial change for the Group. The organisational restructure coupled with the ongoing integration of our subsidiary, Grindlays, into the parent bank has taken a considerable amount of senior management's time and effort.

Concurrently, the technology revolution continued apace with the constant discipline of recognising that incorrect strategic decisions involving this form of major capital expenditure would be detrimental to the Group.



Associated with these major factors is the need to review constantly the impact of the pace of change on our most critical asset – our people. The change in corporate culture requires very professional personnel management and it is receiving appropriate attention.

From left to right: Mr A. T. L. Maitland (General Manager, Retail Banking); Mr D. W. Gall (General Manager, Electronic Network Services); Mr R. K. W. Bennett (Director, Australian Retail Banking).



### Retail Banking

Following the restructure of the Group's organisation, retail banking operations are now focusing more specifically on market segments and customers' needs rather than product lines. Benefits are already becoming evident.

At 30 September the Bank had 1229 points of representation within Australia, and progress was made in modifying branch layout and appearance to improve customer access to managers. The most progressive and radical modification was introduced in July at Cheltenham, Victoria (see photograph page 1) where customer service officers are located at individual desks and customers sit to transact business. This concept greatly assists personal interaction between customers and staff, alters the impact of queues, provides ready access to interview rooms, removes the bulk of clerical work to another office and provides 24 hour banking through Night & Day Bank machines in the entrance lobby. It has proved very popular with customers and is now being introduced to other selected areas.

Particular attention has also been paid to improving customer service and a special group has been established to ensure we maintain and improve ANZ's ability to provide service. To achieve this goal, officer recruitment, training, operational procedures and premises have been, or are in the course of being studied to effect improvements. The special group also supervises

# REVIEW OF OPERATIONS

the staff wardrobe which is being updated seasonally twice a year. Since its introduction to branches in April, about 15,000 staff have voluntarily purchased the wardrobe, demonstrating a personal commitment to their own presentation and improvement of the Bank's service image.

It is pleasing to report that several new or enhanced products were introduced during the year. These included *Fast Forward* (an account for under 25's), *ANZ Home Savings Bonds* (a fixed term deposit to assist prospective home purchasers), *Harvest Account* (a high interest at call deposit account for primary producers), and *ANZ High Performance Passbook* (a high interest passbook savings account) which was designed to enable basic passbook account holders to receive interest rates more aligned to current market rates. This is proving to be exceptionally popular with customers of competitor financial institutions as well as ANZ's own Savings Bank customers.

As mentioned above, the rural sector is posing some concerns regarding value of properties and ongoing viability of farming operations. ANZ has some customers in this category and where necessary we have provided for possible losses and are managing our rural lending with a mix of reality and compassion.

## Electronic Banking

Tranzaction Banking, ANZ's electronic teller terminal service, is now operational at 1094 branches, enabling customers with 'electronic' cards to conduct most personal banking transactions on a national basis without preparation of paper-based entries.

ANZ's Night & Day Bank ATM network was expanded during the year to 295 locations. In addition, following an interchange agreement with National Australia Bank, ANZ customers now have access to a total of 655 ATMs soon to be expanded further by the addition of the State Banks network.

In a further development of electronic banking, ANZ established Australia's first automated Banking Centre at Balwyn, Victoria. The trial centre, known as the "Night & Day Banking Centre" is one of the first in the world to offer banking services via a laser vision terminal, a rapid cash dispenser, public access to the ANZTELL videotex service and the first drive-up ATM and electronic commercial deposit service. The centre is open to customers of any financial institution with electronically striped plastic cards. Other trials are planned for Sydney and Adelaide.

Significant advances were made with electronic funds transfer at the point of sale (EFTPOS) resulting in the announcement, in July 1986, of an interchange agreement between the members of Bankcard which should lead to rapid deployment of point of sale systems. Indeed, ANZ's Bankcard and Visa card were the first credit cards to be used in a national EFTPOS network, emphasising

our commitment to a network which satisfies all involved parties – customers, retailers and financial institutions. ANZ is taking an active role in promoting these facilities to merchants through the Electronic Network Services unit which was established as a result of the organisational restructure. This unit also is expanding its range of services to be provided, recent examples being:

- A private label electronic credit card which was established with the national Sportsgirl chain of stores. Other major retailers are also planning private label cards in conjunction with ANZ.
- A pilot Card Phone system which was established in Perth in conjunction with Telecom and Standard Telephone and Cables Pty Ltd, utilising ANZ's EFTPOS system and enabling customers to make and pay for long distance calls through debit or credit cards.

Both of these innovative initiatives were the first of their type in Australia.

## Plastic Cards

The total number of ANZ plastic cards on issue and electronically striped exceeds two million, of which more than one million have Personal Identification Numbers.

The number of ANZ Bankcard cardholder accounts increased by 1.8 per cent and cardholder outstandings by 7.6 per cent. ANZ Bankcard merchant outlets increased by 19.1 per cent to approximately 53,000 and merchant sales increased by 12.9 per cent.

During the year, total ANZ Visa cardholder accounts rose by 34.0 per cent and cardholder outstandings rose by 61.4 per cent.

Visa continues to increase in popularity and ANZ merchant sales increased by 154 per cent with total merchant outlets rising by 49.0 per cent.

ANZ's Tranzaction (debit) Card also recorded significant growth with the number of cards on issue increasing by 27.0 per cent.

## Commercial Banking

ANZ always has had a strong share of the commercial business segment and as a result of the organisational review established a commercial bank. This is providing sophisticated banking, previously only available to very large clients, to the smaller corporations and commercial businesses, and capitalises further on ANZ's successful Area Banking concept. Professional account executives are now relationship bankers to their commercial customers and are calling on them regularly.

The commercial bank provides a wide range of specialised services including forward rate agreements, interest rate swaps, fixed rate commercial bills facilities and foreign currency services, in addition to our traditional banking activities.

Although economic conditions are difficult for many businesses, ANZ has already achieved early success in

increasing our business with the 4000 customer groups now managed by the commercial bank. Encouraging results for the short period since May 1986 reflect the potential for this type of specialised relationship banking. The new closer and deeper relationship has enabled the Bank to manage better our loan book. Smaller enterprises are often more highly geared and therefore more prone to failure, particularly in difficult economic times. Accordingly, given the current and projected climate, we have taken a firm stance in identifying any potential problem accounts. Where necessary provisions have been made.

### Corporate Banking & Services

ANZ continued to develop and maintain its strong relationships with major Australian corporations and enhanced its leadership position within this area by utilising the strength and diversity of the Group's operations and global network. Nearly one third of Australia's top 100 corporations name ANZ as their prime banker.

In conjunction with ANZ Capital Markets Corporation, ANZ is a major participant in the Australian promissory note market. The Group currently acts as advisors, lead managers and underwriters.

During the year corporate processing centres and improved customer orientated reporting systems were developed and will be ready for implementation in early 1987. These will provide an improved flow of

From left to right: Mr J. R. McConnell  
(General Manager, Corporate Banking);  
Mr B. H. Walters (Managing Director,  
ANZ Capital Markets Corporation);  
Mr F. A. McDonald (Director, Corporate Services).



Australia: High Performance Passbook Account – exceptionally popular with customers of competitor financial institutions.

management and customer information, enabling ANZ progressively to provide even higher levels of service to corporate clients.

The Group's ability to respond efficiently and quickly was demonstrated during the year with the provision of multi million dollar facilities to a number of clients in very short time-frames.

### McCaughan Dyson & Co

This 50 per cent owned stockbroking associate company of the Group continues to enhance its reputation in the market and recorded very satisfactory business writings. The Australian securities markets continued to grow, and corporate takeover activity rose to unprecedented levels. New capital raisings assumed greater significance. As a result the stockbroking industry operated at a very high level of capacity and the company achieved a strong improvement in profit and return on shareholders' funds.

During the year, McCaughan Dyson increased market share of its traditional equity business, extended activities in the corporate finance area, expanded coverage of the Sydney Futures Exchange and introduced a fixed-rate loan facility.

The company services both institutional and private clients in Australia and the world's major financial centres including the United Kingdom, United States and South East Asia. In London, McCaughan Dyson now shares facilities with ANZ Merchant Bank. This will enable a more rapid integration of a number of activities conducted globally by both McCaughan Dyson and the Group's London stockbroking subsidiary, Capel-Cure Myers, and provide the basis for expanding client services.

# REVIEW OF OPERATIONS

## **Daiwa ANZ International**

In December 1985, Melbourne-based Daiwa ANZ International Limited commenced operations. A three-way joint venture between ANZ Bank (50 per cent), Daiwa Securities Co Ltd and Nippon Life Insurance Company, this company provides capital market and securities facilities to borrowers in Australia, New Zealand, and other Oceania countries, as well as access to the Japanese stock markets for investors from those countries.

Daiwa ANZ also provides access to Daiwa International Capital Management Co Ltd (DICAM), the largest investment management company in Japan which services overseas investors through its offices in Tokyo, London, New York and Singapore.

## **Finance Company Operations**

In the second half of the year, the operations of Esanda Limited and Finance Corporation of Australia Limited were merged, and the company was renamed Esanda Finance Corporation Limited.

Although there was a noticeable decline in the rural, motor vehicle, and housing and construction industries, loan demand was maintained at the 1985 record level and a total of A\$2,007 million new business was written.

Economic uncertainties and declining commodity prices also impacted severely on the cash flows of small business and rural producers, and on the earning capacity of many consumers. This affected their ability to repay commitments and resulted in A\$20.6 million being provided for bad debts. This is a significant increase from an unusually low base of A\$6 million in 1985 and represents 0.57 per cent of average net receivables.

Predictably, lease writings decreased by 12 per cent following the withdrawal of the investment allowance incentive after 30 June 1985 but were compensated with increases in other areas of Esanda business, particularly hire purchase and property during the first half of the year.

Demand for factoring and business services facilities has steadily improved. Esanda also introduced a trade finance facility for import funding which will complement existing international factoring business writings.

Recent increases in the cost of borrowings have not been fully covered by an upward movement in lending rates due to competitive forces, resulting in pressure on the gross lending margin.

Income from real estate development rose to A\$10.5 million which compares favourably with A\$8.8 million in 1985. Venture development investment increased A\$15.2 million to A\$59.6 million.

Assets increased by 12.6 per cent to A\$3,987.5 million.

## **Investment & Trust Services**

During the year the Bank's team of 70 licensed investment consultants increased funds under ANZ's management to A\$1.7 billion.

The ANZ Approved Deposit Fund out-performed all major competitors with an annualised return of 36 per cent. ADF funds now total about A\$200 million.

During the year, a new superannuation scheme was launched, targeted specifically to meet the needs of small business and commercial clients. A 'stock lending' facility was introduced to provide local and overseas stockbrokers with access to a substantial pool of securities, enabling them to complete transactions that otherwise may be delayed.

The value of securities under the control of ANZ's nominee and custodian operation now totals about A\$9 billion and ANZ is acknowledged as the leading Australian custodian both within Australia and overseas.

During the year, the *Australia Fund* was launched in Japan in conjunction with Daiwa ANZ International to attract retail investment in Australia. The launch was most successful and raised A\$100 million.

## **ANZ Executors & Trustee Company**

This fully owned subsidiary continues to record significant growth as it has capitalised on the strategic strength of access to the Group's established network. This growth was highlighted by the performance of *Common Fund V2* which exceeded A\$1 billion in total deposits. When ANZ Trustees assumed management of the fund in 1983 it had deposits of about A\$2.4 million with about 300 depositor clients. There are now more than 40,000 depositor clients, making this *Common Fund* the most successful cash management type fund in Australia.

Growth was also recorded in other areas of operation such as corporate trusts (63 per cent increase in assets under administration) and will services where the number of wills prepared increased by more than 100 per cent compared to the previous year.

## **Australian Fixed Trusts**

AFT is the largest unit trust management group in Australia. This position was achieved following outstanding growth during the period 1981-84. However, this growth when combined with changed market conditions arising from taxation changes and different economic circumstances has placed considerable demands on AFT's management and infrastructure. Over the past year AFT has focused attention on a major reorganisation which has included the strengthening of senior management, greater emphasis on planning, research development together with a review and major upgrading of systems, including information processing. As a result the profit contribution of AFT has declined.





From left to right: Mr D. R. Watson (General Manager, Investment and Trust Services); Mr E. C. J. Johnson (General Manager, Commercial Banking); Mr B. P. Ranford (Managing Director, ANZ Executors & Trustee Company); Mr D. Nicolson (Director, Australian Commercial Services).

The company is now in a time of consolidation and there will be a period of quite modest returns as efforts continue to maintain AFT's leadership position with unit trusts and position AFT as a major force in the funds management industry. Supporting the strengthening of senior management, additional members of the parent Board have joined the AFT Directorate and ANZ Group has increased AFT's capital from A\$19 million to A\$29 million.

### Greater Pacific Life

In December 1985, ANZ announced the acquisition of Greater Pacific Life Assurance Company Limited. By acquiring a fully established life company ANZ was able to overcome the long lead times necessary to generate profitability from a newly established life assurance subsidiary.

Greater Pacific Life has responded most effectively to membership of ANZ Group and sales and profits have improved significantly since the acquisition.

The company offers a full range of life insurance products including a very successful range of insurance bonds.

### Travel Services

In a year of difficult trading in the travel industry, ANZ Travel improved its position with an increase in gross sales to almost A\$115 million.

In the business travel market ANZ's strong commercial business base provides a strong foundation for continued growth.

## New Zealand Operations

### New Zealand Banking Environment

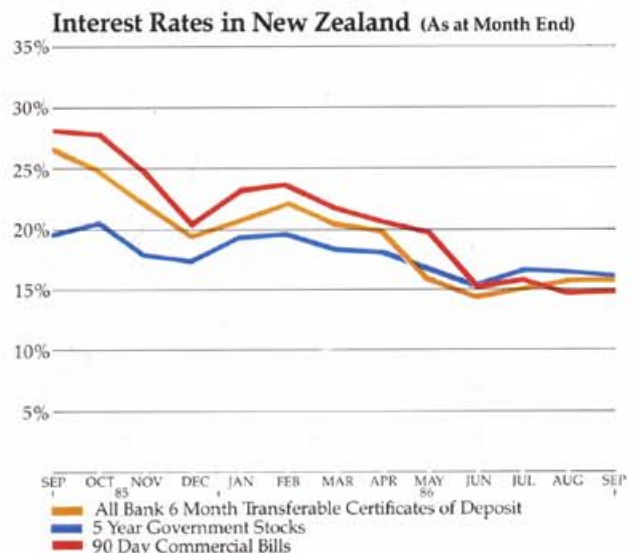
The New Zealand economy has been in modest decline for most of the past year, with a welcome reduction in the inflation rate. The strong momentum of change in Government economic policies continued during the year, with emphasis on labour market, taxation and public sector financial management policies. Tight official monetary policies remained in place during the year and money supply and credit growth eased.

Increasing cost pressures were also evident, particularly as a result of high wage settlements during 1985/86. However, interest rates fell from the very high 1985 levels, partly because of more settled money market conditions, a factor adding significantly to the competitive environment.

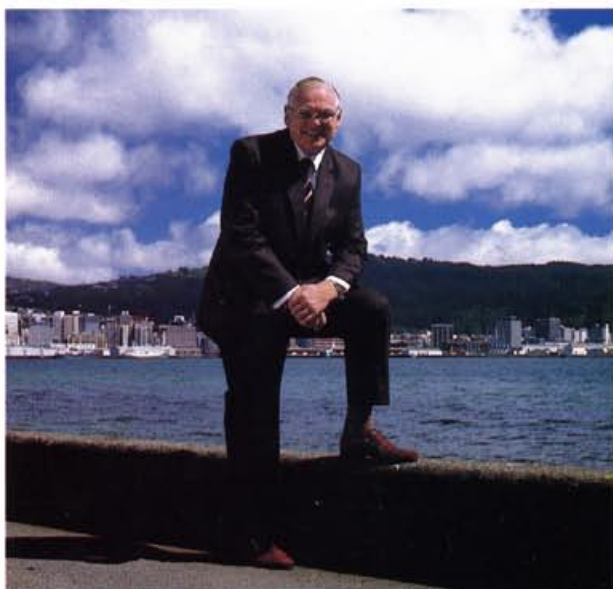
With deregulation of the New Zealand finance sector now in place, financial institutions have been able to concentrate on product development and the marketing of services. As a consequence, a higher level of competition was evident in all aspects of ANZ's business. In particular, more active promotion of bank lending facilities was a major highlight of the year. This was partly in response to reduced use of consumer credit and lower demand for corporate fundings during the year.

The deregulated competitive environment also resulted in banks increasing their share of the financial market, and this provided more resources for bank lending. Competition will increase further in the year ahead with the advent of open entry to banking expected to apply from early 1987.

In the last quarter of the year a new organisation structure was agreed and implementation has started.



# REVIEW OF OPERATIONS



Wellington: Mr B. Weeks, Managing Director, ANZ Banking Group (New Zealand) Limited

As with the parent Group, the aim is to eliminate bureaucracy and make the organisation more customer responsive.

## Results

ANZ Banking Group (New Zealand) Limited maintained its excellent growth record with an after tax operating profit of NZ\$87.8 million, an increase for the year of 12.2 per cent.

Satisfactory growth in earning assets, including increased returns on a higher Government securities portfolio, a continuing high level of overseas exchange business and more stability in interest rates compared to the previous year were major factors contributing to the Bank's pleasing performance.

ANZ trading and savings bank deposits rose by 27.0 per cent during the year, and the Bank's total lending rose by 13.0 per cent.

In response to lower cost of deposits and to maintain a competitive position in the market, ANZ reduced lending interest rates substantially during the year. Other moves were made to enhance lending services and to increase asset growth. The Bank's initiatives were directed in particular to the housing finance market, and ANZ's share of this business increased significantly.

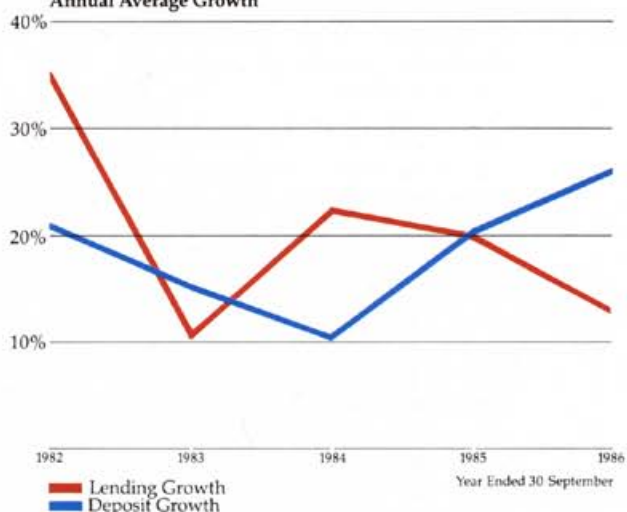
In the corporate sector, ANZ's corporate financing services in Auckland were upgraded with a specialist corporate banking department and a branch of ANZ Capital Markets Corporation Limited.

During the year, ANZ purchased a shareholding in AIC Charge Card Services Limited, further developing activities in the consumer credit sector.

Several new marketing initiatives were taken in the retail and small business sectors including a new housing finance scheme, a package to assist businesses prepare their returns for Goods and Services tax and the introduction of *Junior Super Saver* – an account that encourages and teaches children saving. In addition, several joint marketing programmes were successfully undertaken with Metropolitan Life Assurance Company of NZ Limited, in which ANZ has a 50 per cent shareholding.

The wholly owned finance company, UDC Holdings Limited, recorded sound business growth during the year, increasing total consolidated tangible assets by 26.1 per cent. The finance company sector in New Zealand has experienced very competitive conditions, resulting in lower margins and a general decline in profitability. The result of UDC represents a strong profit recovery after absorbing losses on the sale of a significant portion of Government securities during the first half year.

## ANZ Deposits And Lending in New Zealand



## Worldwide Operations

### World Banking Environment

The international banking environment continued to offer both challenges and opportunities in 1986.

The sharp fall in international oil prices early in the year contributed to much lower rates of inflation in many countries, eased the debt-servicing problems of some heavily-indebted countries, and will eventually help to ensure continued world economic expansion. However, it has also caused immediate and acute financial strains in those countries which rely heavily on oil as their primary export and as their principal source of government revenue. This has been particularly evident in several countries in the Gulf States.

The decline in oil prices has also exacerbated the difficulties facing several commodity-producing countries, especially in South-East Asia, which have already had to cope with the problems created by the continued weakness of a wide range of non-oil commodity and mineral prices.

Economic growth in the USA, which is a vital market for many countries, has been disappointingly slow in 1986. Despite this slow growth, and despite the substantial decline in the value of the US dollar since February 1985, the USA has continued to absorb increasing amounts of other countries' exports and has therefore provided support for economic expansion in other parts of the world. At the same time, lower US interest rates have also helped to ease the debt-servicing burden of many LDCs.

However, LDCs may now have to cope with a *rising* trend in US interest rates, while the decline in the US dollar may have reached the point at which the US appetite for imports is curbed. Moreover, protectionist pressures in the USA remain strong. Therefore many LDCs will continue to confront a difficult international economic environment. It is hoped that other major economic powers with balance of payment surpluses will take action to absorb some of the responsibility for stimulating trade.

The international debt problem remains a major concern of the international banking community, which has continued to co-operate with the governments concerned and with the appropriate international financial institutions to develop longer-term solutions while managing the short-term difficulties. No immediate resolution of the problem can be expected but, barring unexpected shocks to the economic and financial system, there are reasonably good prospects that the difficulties can be resolved gradually.

The pace of innovation and integration in international banking has shown no signs of slackening in 1986 as new financial instruments have been created and as many banks have continued to extend their geographical

networks and range of activities. Many of the old distinctions and divisions between types of business and organisation are disappearing or have become blurred. This process has taken its most dramatic form in London's "Big Bang" in which ANZ Group, through ANZ Merchant Bank, is a positive but cautious participant. It is also evident in Australia itself, where the entry of foreign banks has led to a sharp intensification of the competitive environment. This trend will become increasingly apparent in New Zealand too as the market opens to foreign competition.

Coping with rapid change can create new tensions within the international banking community, and some of the difficulties experienced by individual financial institutions are a reminder of the need for a cautious approach to some of the apparently glamorous innovations in financing techniques. Supervisory agencies are showing a keen awareness of the potential for over-enthusiastic participation by institutions which may not have fully understood the implications and risks of some of the new types of business. Although close scrutiny by the official agencies is welcome, particularly if they are able to ensure comparability of treatment between different national economic, financial and tax regimes, it is to be hoped that their supervision will not be so heavy-handed as to stifle initiative and efficiency.

### Global Treasury

ANZ's global Treasury operations unify the complex inter-relationships inherent in operating in 47 countries, scores of currencies, diversified assets and instruments, and a mix of funding in the wholesale and retail markets. As such, it is unique among Australian banks in the way it operates and the breadth of people and depth of involvement it has throughout world markets.

Treasury has several important global roles. Primarily, it formulates policy for and manages the overall liquidity and interest rate exposures of the Group, and co-ordinates wholesale and international funding. The Group's mix of assets and liabilities is also monitored and controlled through Treasury and, importantly, with its trading and financial markets' activities, it is a major profit centre.

Because of Treasury's global scope, it acts as banker to the Group, as well as the control point for exposure to countries and banks with which the Group deals.

A central policy group directs and co-ordinates these various activities out of Group headquarters, but five regional Treasury divisions, centred in London, New York, Hong Kong, Melbourne and Wellington have been structured to establish close client interface and front line control of the branches' treasury operations and services.

With the formation of the new global Treasury in May 1986 to integrate our previously separate domestic and international treasuries, the year has been one of great activity. Not only has a new structure been established

# REVIEW OF OPERATIONS

and staffed, but a complete review of the Group's treasury practices has been completed with positive results.

In addition to these important structural changes, several events in the year are worthy of separate attention:

- For many years ANZ has achieved the highest credit rating in the United States, and during 1986 this reputation was further confirmed by Dominion Bond Rating Services which awarded ANZ the top credit ratings in Canada; AAA for long term borrowings and R-1 (High) for commercial paper. ANZ is one of only 19 companies in Canada to receive top credit ratings, reflecting the Group's sound record of profitability and high asset quality.
- ANZ's reputation in world financial markets for highly professional trading skills was also confirmed in May by Euromoney magazine in its global foreign exchange survey. ANZ was ranked 11th and the only Australasian bank to be placed in the top 20 banks by corporate treasurers around the world. That this reputation is well earned was evident in that revenues from ANZ's foreign exchange operations, carefully nurtured under difficult and volatile trading conditions, reached record levels in 1986.
- The Treasury for UK/Europe is located in ANZ's former head office building at 55 Gracechurch Street in the City of London. The trading rooms in London, and in Melbourne, Hong Kong and Los Angeles, have been greatly enlarged and re-equipped during the year with advanced dealing and communications aids.
- Organisational changes and re-positioning efforts have enabled ANZ to maximise its influence and presence in global financial markets. For example, during the year co-ordination between Australian Treasury and ANZ Merchant Bank Limited enabled ANZ to become the first Australian bank to lead manage a Euro-Australian dollar debt issue.
- Following the Reserve Bank of Australia's new guidelines on capital adequacy, ANZ entered the global capital markets in October and successfully issued US\$300 million of perpetual floating rate notes.

As a consequence of the organisational restructure, Treasury is now in a better position to manage its affairs and service its sixteen "network" treasuries in the world's major financial centres and hundreds of offices throughout 47 countries, on a 24 hour basis.

## International Banking

Considerable progress has been made in the integration of Grindlays Bank activities into the parent Group. This is a complex and lengthy process, but already beneficial results are beginning to be realised. Substantial business is now being attracted to the Group as customers recognise the strength and geographic spread of ANZ's international network.



Mr P. J. Rizzo (Director, Global Treasury) with Mr R. Longdon, dealer and Miss B. Tsang, position clerk in ANZ's Melbourne foreign exchange dealing room.

## Americas

The branch in Toronto, Canada, conducted by our subsidiary Grindlays, was transferred to the parent Bank early in the year. ANZ Bank Canada, as reported elsewhere in this Review, has been accorded the highest credit rating by Dominion Bond Rating Services enabling ANZ to access the Canadian financial market at competitive rates.

Branches in New York, Chicago and Los Angeles achieved satisfactory results during a period when margins were under pressure and interest rates were declining.

In Brazil, approval was received from the Central Bank to convert the existing Grindlays representative office to a joint ANZ/Grindlays office. This office, located in Rio de Janeiro, will provide clients with advice and services for existing or prospective business with this largest of South American countries.

## South East Asia

In January 1986 the Tokyo branch of Grindlays was transferred to the ANZ name, enabling the Group to build further on the established client base. The Grindlays branch has operated in Tokyo for ten years and as such, ANZ was the first Australasian banking group to have a full operational presence in Japan. The branch traded profitably during the year.

In Hong Kong an ANZ branch was established, replacing the former representative office and in addition to the deposit taking companies which continued to operate.

Hong Kong has long been the centre for ANZ and Grindlays business with the People's Republic of China. However, during the year ANZ established a representative office in Beijing, complemented by "China desks" in Melbourne, London, New York, Sydney and Wellington. ANZ has enjoyed 35 years as a major correspondent bank with the Bank of China and our global network enables us to offer unique services to this rapidly developing country.

Grindlays branches in Seoul and Taipei continued to be important links in our international network. In the latter centre, difficult trading conditions prevailed for foreign banks and the period was one of consolidation.

The economic recession evident in Singapore was not reflected in the good results reported by the branch which continued to build on a well established customer base.

#### **Papua New Guinea**

In Papua New Guinea the benefits flowing from an expanded global network created new business opportunities in financing export trade and facilitated involvement in large scale foreign engineering projects within the country.

It has been a difficult year for banks operating in Papua New Guinea. Tight liquidity and Government intervention to regulate lending interest rates resulted in an operational loss. Trading conditions are not expected to improve significantly before about mid-1987.

Hong Kong: Mr D. Craig, Director,  
Americas and Pacific Basin.



#### **Pacific Islands**

Acquisition of the business of Barclays Bank plc in both Fiji and Vanuatu was announced in last year's annual report. This amalgamation was completed during the year thereby incurring additional costs. Nevertheless, satisfactory profits were generated and with a greater market share and a broader customer base the Bank is well placed for further growth.

Our Pacific Islands business comprising 11 branches in Fiji, Vanuatu and the Solomon Islands is administered from Regional Headquarters in Suva.

#### **United Kingdom**

A specialised trade financing division has been established in London to enable the Group to maximise its unique international network potential.

The Group's private banking activities in London, Jersey and Guernsey have had another excellent year with profits above planned levels. The Group is in the process of expanding this segment of its business and will build on its successful formula of providing an all-encompassing service to a wide range of private clients around the world. Through the Group's private banking activities in London and the Channel Islands, the investment management services provided by Capel-Cure Myers and branches in Monaco and Switzerland, the Group is able to offer to private customers in many countries a professional and personal range of high quality services.

As part of the Group's strategy to strengthen its presence in the United Kingdom, ANZ Finance Limited was established during the year. This company will act both as a holding company for the Group's asset-based finance subsidiaries as well as being a vehicle by which these activities will be developed and expanded.

The ANZ Finance Limited group comprises ANZ Humberclyde Ltd (a market leader which provides leasing and finance services to the agricultural industry), ANZ Industrial Finance Limited (specialising in hire purchase and equipment leasing particularly for commercial automotive and industrial machinery), ANZ Leasing Limited (involved in major asset-based projects), and ANZ Commercial Finance (providing loans for private businesses in the retail and service sectors).

#### **Continental Europe**

ANZ is the only Australasian bank with a substantial branch presence in this region. The Group opened a branch in Frankfurt in February 1986 and is now better able to service over 50 major German corporate customers. The ANZ branch in Frankfurt is the first bank in Germany to specialise in Australian and New Zealand dollar dealing. The branch also deals actively in other currencies including the Indian rupee.

Operating results for the Group's activities in Germany were significantly ahead of forecast.

# REVIEW OF OPERATIONS

In Switzerland, Grindlays Bank's branches in Geneva and Zurich have now been granted an unconditional licence by the Swiss authorities. Through our subsidiary, ANZ is the only Australasian banking group to be represented in Switzerland.

During the year the Group's Treasury in Zurich was substantially upgraded and now offers a wide range of treasury services in Switzerland. Relationships with a significant number of Swiss multinational corporations have also been enhanced.

For private clients in Switzerland a comprehensive range of services is offered including full investment management on a discretionary or non-discretionary basis, trusts, foreign exchange, precious metals and bond trading facilities.

The Group also established a representative office and finance company in Milan, placing ANZ as the only Australasian bank to be represented in Italy. The office will focus on developing trade finance services and will promote the Group's services to Italian banks and companies.

During 1986 the representative office of Grindlays Bank in Madrid was converted into a joint ANZ/Grindlays office. This office, one of the largest of any foreign bank in Spain, has been active in promoting the Group's merchant banking and correspondent banking services to Spanish banks and financial institutions.

In Greece the Group's branches in Athens and Piraeus have produced encouraging results.

A new on-line computer system and new products have widened the scope of services provided to customers of the Bank's network of 14 branches in France and Monaco. The deposit base has further developed and this year has seen the expansion of the personal and investment banking sectors with new investment funds being established. In collaboration with Group units in India and other countries, the Bank has participated in the financing of major international contracts and has strengthened its international department to take advantage of the Group's worldwide network.

## **South Asia**

The Indian Government continued its commitment to sound management of key areas of the economy which experienced accelerated growth despite some initial setbacks with its export programme. Encouraging developments were in evidence in capital and financial markets in India.

Government commitment to increasing automation and transfer of technology to industry in India also continued. Automation of the Bank's Indian branches is proceeding and, when completed, will lead to better management of the Group's resources and anticipated expansion of business in India.



London: Mr B. B. Dickinson, Senior General Manager, ANZ and Managing Director, Grindlays Bank plc (left) with Mr W. J. Bailey, Group Managing Director and Chief Executive Officer.

To participate actively in and support the development of new technologies in India, the Group announced a venture capital fund and plans for this project are at an advanced stage. Also the Group, after consultation with the Indian Government, has decided to establish a computer software development unit in an Electronics Export Processing Zone. This unit will produce software for use in the Group's global information processing centres.

The Group retained its position as the largest foreign banking group in India and continued to attract business from the corporate sector. Among customers able to avail themselves of the Group's network are consortium partners in the giant US\$570 million HBJ Gas Pipe Line project for whom the Group provides important banking services in France, Japan and India.

Group business in India continues to be very profitable and business in Sri Lanka and Bangladesh continues at satisfactory levels. In Bangladesh, relocation and refurbishment of the Bank's 11 branches, supported by automation, has resulted in development of both institutional and retail business.

## **Africa**

Despite continuing economic uncertainties, the Group's African operations were very successful and produced excellent returns.

The Bank's presence in Africa has provided useful support to customers throughout the world benefitting not only the Group but also the host countries in which the Bank maintains a presence.

The Group has no business in South Africa but events in that country are causing concerns in the region and could impact on operations in the front line States.

### **Middle East**

The Middle East region suffered a severe recession following the sharp reduction in the price of oil. Many businesses are in financial difficulties and sizeable provisions have been recorded. As a consequence, the Group is concentrating on managing its assets and containing costs. Notwithstanding this, progress was made in restructuring Gulf State branches' business to promote offshore private banking products to Middle East residents. As a result, the Group was successful in increasing the deposits of the Private Bank in the UK and attracting significant funds for portfolio management by Capel-Cure Myers in London. In addition, the Group capitalised on its strength in the Indian sub-continent by intermediating in the investment in a number of share issues in India by Indian citizens resident in the Middle East.

In Iran, the representative office of Grindlays Bank became a joint ANZ/Grindlays office, and ANZ was accepted on the National Iranian Oil Corporation list of banks acceptable for opening or confirming Letters of Credit.

In Pakistan the Group's 14 branches successfully converted their operations to Islamic banking requirements. As a result of the extensive preparatory work undertaken for this conversion, the Bank was able to increase its market share and profitability.

### **Correspondent Banking**

During the year, emphasis has been placed on aggressive cross-selling of the Group's products on a global basis.

Within Europe, particular attention has been paid to products of Treasury and the Merchant Bank. In Africa and India, business with other banks continued to grow, principally through the extension of credit for short term trade transactions. Profitability of the correspondent banking division in London has been very satisfactory.

The correspondent banking unit within Australia has concentrated on relationships and servicing correspondent banks in Australian and New Zealand dollar transactions through the Group's branch networks in Australia and New Zealand. A concerted effort is being made to promote these services in South and South East Asia.

### **Merchant Banking**

The Group's involvement in merchant banking is lead, within Australia and New Zealand, by ANZ Capital Markets Corporation based in Melbourne and, internationally by ANZ Merchant Bank based in London.

ANZ Merchant Bank Limited commenced formal operations in January 1986 to deliver investment banking

products and services across the Group's network. The Merchant Bank is the only international investment bank owned by an Australasian banking group and since January has expanded its international representation to Hong Kong, Tokyo and New York.

During the year, the Group increased its shareholding in stockbrokers Capel-Cure Myers to 100 per cent. Capel-Cure Myers is managed as an integral part of ANZ Merchant Bank and resulted in ANZ being one of the first fully operational broker-banks in the London financial markets.

In the short time it has been established, ANZ Merchant Bank has already developed a prominent position in global investment banking. With Capel-Cure Myers it has sponsored more new companies to listing on the London Stock Exchange's Unlisted Securities Market this year than any other institution, and has become prominent in Australian dollar, Euro Sterling and Euronote issues in which it also acts as a market maker. The Merchant Bank presently has over GBP 2 billion in international funds under management.

This year ANZ Capital Markets Corporation (ANZCAP) completed its first full and very successful year of operation as a member of the Group and has also achieved prominence in merchant banking activities within a short period. In conjunction with the Delfin group and stockbrokers McCaughan Dyson, ANZCAP has developed a professional advisory team, and is Australia's leader in promissory note facilities. In the year to September 1986, ANZCAP was the market leader in producing the highest return on funds under management. The placement and trading of securitised debt, swaps, future rate agreements and other capital market activities have been developed into substantial activities within ANZCAP, complementing the activities of the corporate banking unit. During the year ANZCAP extended its operations to New Zealand.

# REVIEW OF OPERATIONS

## Staff

During the year staff throughout the Group faced many new challenges and we gratefully acknowledge the contribution made by all employees.

Within Australia and New Zealand, particularly within banking units, staff experienced increased competition with other institutions and a major organisational restructure. Their success in adapting to change is a reflection of their professionalism and commitment.

As reported elsewhere, significant progress has been made with integration of ANZ and Grindlays staff throughout the world, assisted by the organisational restructure and through selective interchange of staff. The restructure will enable us to develop the individual potential of our staff members to the maximum.

At 30 September 1986, Group staff worldwide totalled 39,018, an increase of 2.6 per cent on the previous year. Within Australia, including all subsidiaries, staff totalled 24,355 (23,986 in 1985).

Personnel costs amounted to A\$880 million or 47 per cent of total operating costs excluding interest paid, and salary and other remuneration expenses accounted for 82 per cent of these costs.

The Australian Government's fringe benefits tax legislation will be a substantial future impost on the Group's Australian operations. Following a review of our staff benefits, the impact of this tax is being borne largely by the Group at an estimated cost of A\$16 million per year. ANZ accepts that some fringe benefits should be taxed as a matter of equity in remuneration but the Group opposes and will continue to oppose the principle of taxing the employer rather than the politically less popular but nevertheless more correct practice of taxing the recipient.

### Pension Schemes

During the year the Group continued to review retirement benefit needs throughout the world relative to local environmental factors. Changes are being made progressively within Australia after consultation with elected staff committees. In the United States a new scheme was introduced, replacing the earlier separate schemes for ANZ and Grindlays staff. Similarly, a new scheme for the integrated staff in Hong Kong is about to be introduced.

In the United Kingdom, retirement benefits will be reviewed as a result of changing legislation and integration of ANZ and Grindlays staff schemes.

### Staff Share Purchases

During the year staff purchased a further 1,075,301 shares under the employee share purchase scheme, bringing the total to 4,635,078 shares. At present almost 30 per cent of eligible staff in Australia are shareholders under this scheme.

In addition, 4,250,000 partly paid shares have been issued to date under a separate purchase plan for senior staff.

### Staff Profit Participation

The contribution of staff to this year's results will be acknowledged under the Bank's profit sharing scheme and payment will amount to A\$13.7 million pre-tax. This scheme is being reviewed as a result of the Group's new organisation structure and with the intention of evolving towards a performance incentive arrangement linked to achievements within business units and the Group for officers of management status. Other staff will continue to participate in a broader based scheme.

### Senior Management Changes

Many changes were made to senior management as a result of the organisational restructure, involving re-appointments and promotions. As one of the objectives of the restructure is to make hierarchical relationships less relevant and positions more attuned to the market place, it is inappropriate to list them here. However, details of senior management are included on the inside back cover.

The Group acknowledges the valuable contribution and dedication of three senior officers who retired during the year. Mr Peter G Gilbert retired as Managing Director, ANZ Banking Group (New Zealand) Limited following 38 years service. Mr Colin W McInnes retired as General Manager, Corporate Banking after more than 35 years service, and Mr John Hogarth retired as Managing Director, Esanda Limited with almost 40 years service to the Group. We wish them and all other staff who retired during the year best wishes for the future and our thanks for their respective contributions during their careers.



Group Managing Director  
and Chief Executive Officer



# PRINCIPAL ESTABLISHMENTS

## Australia and New Zealand Banking Group Limited

\*55 Collins Street, Melbourne  
Victoria  
Australia 3000  
Telex: 39920  
(Note: Principal Share Register)

### Australia Victoria

287 Collins St., Melbourne 3000  
Telex: 39920

### New South Wales

\*20 Martin Place, Sydney 2000  
Telex: 29800

### Queensland

\*324 Queen St., Brisbane 4000  
Telex: 40333

### South Australia

\*13 Grenfell St., Adelaide 5000  
Telex: 82100

### Western Australia

\*84 St George's Terrace, Perth 6000  
Telex: 92011

### Tasmania

86 Collins St., Hobart 7000  
Telex: 58100  
Share Register: \*40 Elizabeth St.,  
Hobart 7000

### Australian Capital Territory

\*City Walk and Ainslie Avenue,  
Canberra 2600

### Northern Territory

43 Smith St., Darwin 5790

\*Offices at which share register  
maintained

### Major Subsidiaries

Australian Fixed Trusts Limited  
14 O'Connell St., Sydney 2000  
Telex: 20135

ANZ Capital Markets Corporation  
Limited (ANZCAP)  
15th Floor  
360 Collins St., Melbourne 3000  
Telex: 32330

ANZ Executors & Trustee Company  
Limited  
94 Queen St., Melbourne 3000  
Telex: 34436

Development Finance Corporation  
Limited  
16 O'Connell St., Sydney 2000  
Telex: 24602

Esanda Finance Corporation Limited  
55 Collins St., Melbourne 3000  
Telex: 39920

Greater Pacific Life Assurance  
Company Limited  
22 Sir John Young Crescent,  
Woolloomooloo 2011

### Associated Companies

Daiwa ANZ International Limited  
(50%)  
31st Level, Nauru House  
80 Collins St., Melbourne 3000  
Telex: 152198

McCaughan Dyson Holdings  
Limited (50%)  
4th Floor, 360 Collins St.,  
Melbourne 3000  
Telex: 33228

### New Zealand

Australia and New Zealand Banking  
Group (New Zealand) Limited  
Principal Office and Share Register  
215-229 Lambton Quay, Wellington  
Telex: 3385

### Major Subsidiaries

UDC Group Holdings Limited  
104 The Terrace Wellington  
Telex: 3898

### Associated Companies

Metropolitan Life Assurance  
Company of N.Z. Limited (50%)  
139 Albert St., Auckland

### United Kingdom

Australia and New Zealand Banking  
Group Limited  
Grindlays Bank p.l.c.  
Minerva House,  
PO Box 7,  
Montague Close,  
London SE1 9DH  
Telex: 885043-6  
Share Register:  
6 Greencoat Place, London  
SW1P 1PL

55 Gracechurch Street,  
London EC3V 0BN  
Telex: 8812741

### Major Subsidiaries

Grindlays Bank p.l.c.  
Private Bank,  
13 St. James's Square,  
London SW1Y 4LF  
Telex: 885043-6

ANZ Merchant Bank Limited,  
65 Holborn Viaduct,  
London EC1A 2EU  
Telex: 888981/9419031 ANZMB G

Capel-Cure Myers,  
65 Holborn Viaduct,  
London EC1A 2EU  
Telex: 886653/9419251 PROCUR G

ANZ Finance Limited  
Minerva House,  
Montague Close,  
London SE1 9DH  
Telex: 8812741-4

Brandts Timber Group Limited,  
PO Box No. 63,  
10 Charterhouse Square,  
London EC1P 1AS  
Telex: 28458

ANZ Humberclyde Limited,  
United House,  
Piccadilly,  
York YO1 1PQ

ANZ Industrial Finance Limited,  
Betchworth House,  
57-65 Station Road,  
Redhill, Surrey RH1 1DL

### Channel Islands

Australia and New Zealand Banking  
Group (Channel Islands) Limited  
St Julian's Court, St Julian's Avenue,  
St Peter Port, Guernsey  
Telex: 419 1663

Grindlays Bank (Jersey) Limited,  
PO Box 80  
West House, West's Centre  
Peter Street, St. Helier  
Telex: 4192062 GRNDLY G

## ANZ Group World Wide Distribution

(at 30 September 1986)

	Representation	Personnel
Australia	1,229	24,355
New Zealand	223	4,150
South Asia	69	4,390
Middle East	43	1,390
Africa	23	1,044
Continental Europe	20	768
Pacific Islands	18	473
South East Asia	9	309
Americas	9	250
Papua New Guinea	8	283
United Kingdom	6	1,606
Totals	1,657	39,018

# PRINCIPAL ESTABLISHMENTS

## Continental Europe

### France

Grindlays Bank S.A.  
96 av. Raymond Poincare  
75116 Paris  
Telex: 614193 GRIRP

### Federal Republic of Germany

Australia and New Zealand Banking Group Limited  
Grindlays Bank p.l.c. Representative Office,  
Mainzer Landstr. 46,  
D-6000 Frankfurt/Main 17  
Telex: 4185126 ANZBD

### Greece

Grindlays Bank p.l.c.  
7 Merlin Street  
GR-10671 Athens  
Telex: 214651 GRIN GR

### Italy

Via F. Turati 25,  
20127 Milan

### Monaco

Grindlays Bank S.A.  
24, Avenue de Fontvieille, Monaco,  
Telex: 479419 MC GRINMO

### Spain

Australia and New Zealand Banking Group Limited/Grindlays Bank p.l.c.  
Alcala 32-4a Planta, 28014 Madrid  
Telex: 46363 GRNDE

### Switzerland

Grindlays Bank p.l.c.  
Case Postale 875,  
7 Quai du Mont Blanc,  
CH-1211 Geneve 1  
Telex: 22730 GRIN CH

Grindlays Bank p.l.c. Branch/  
Australia and New Zealand Banking Group Limited Representative Office,  
Giesshubelstrasse 45,  
Postfach CH-8045 Zurich  
Telex: 813571 GBZ

## Middle East

### Bahrain

Grindlays International Limited  
Offshore Banking Unit,  
PO Box 20324,  
1st Floor,  
Manama Centre, Entrance 3,  
Manama, Bahrain  
Telex: 9254 GILBAHBN

Grindlays Bahrain Bank BSC (c)  
PO Box 793,  
Manama Centre,  
Government Road,  
Bahrain  
Telex: 8335 GRNDLY BN

### Iran

Australia and New Zealand Banking Group Limited/  
Grindlays Bank p.l.c.,  
3rd Floor,  
No. 37 Shahid Sarfaraz Street  
(ex-Daryaye Noor Street),  
Ostad Mottahari Avenue,  
Tehran  
Telex: 213948 GRIN IR

### Jordan

Grindlays Bank p.l.c.  
PO Box 9997,  
Shmeissani, Amman  
Telex: 21980 MNERVA JO

### Oman

Grindlays Bank p.l.c.  
PO Box 3550, Ruwi  
Telex: 3393/3219 GRNDLY ON

### Pakistan

Grindlays Bank p.l.c.  
PO Box 5556, I.I. Chundrigar Road  
Karachi-2  
Telex: 2755 GB PK

### Qatar

Grindlays Bank p.l.c.  
PO Box 7001, Rayyan Road, Doha  
Telex: 4209 GRNDLY DH

### United Arab Emirates

Grindlays Bank p.l.c.  
PO Box 4166  
Deira, Dubai  
Telex: 49265 MINERV EM

## Africa

### Ghana

Merchant Bank (Ghana) Limited  
PO Box 401, Swanmill,  
Kwame Nkrumah Avenue, Accra  
Telex: 2191 MERBAN GH

### Kenya

Grindlays Bank International (Kenya) Limited  
PO Box 30113, Kenyatta Avenue,  
Nairobi  
Telex: 22397 GRINDLAY

### Nigeria

Grindlays Merchant Bank of Nigeria Limited  
PO Box 54746, Falomo Ikoyi,  
25 Boyle Street, Lagos  
Telex: 23216 GRIMBK NG

### Uganda

Grindlays Bank (Uganda) Limited  
PO Box 7131, 45 Kampala Road  
Kampala  
Telex: 61018 GRINDLAY

### Zaire

Grindlays Bank (Zaire) s.z.a.r.l.  
Galeries Presidentielles,  
Place du 27 Octobre  
B P 16.297, Kinshasa 1  
Telex: 21413 BGI-KIN-ZR

### Zambia

Grindlays Bank International (Zambia) Limited,  
PO Box 31955, Woodgate House  
Cairo Road, Lusaka,  
Telex: 42461 GRINDLY ZA

### Zimbabwe

Grindlays Bank p.l.c.  
PO Box 300, First Floor, Ottoman House  
59 Samora Machel Avenue, Harare,  
Telex: 4361/4739 GBLZW

## South Asia

### India

Regional Directorate  
Grindlays Bank p.l.c.,  
PO Box 725, 90 Mahatma Gandhi Road,  
Bombay 400 001  
Telex: 011-4792 RDSA IN

### Eastern India

PO Box 2781, 19 Netaji Subhas Road,  
Calcutta 700 001  
Telex: 021 7341 GBCL IN

### Northern India

PO Box 624,  
'H' Block, Connaught Circus,  
New Delhi 110 001  
Telex: 031-2228 GBND IN

### Southern India

PO Box 297, 19 Rajaji Salai,  
Madras 600 001  
Telex: 041-212 GBMS IN

### Western India

PO Box 1175, 90 Mahatma Gandhi Road,  
Bombay 400 001  
Telex: 011-2240 GBBY IN

### Bangladesh

Grindlays Bank p.l.c.  
PO Box 502,  
No. 2 Dilkusha Commercial Area,  
Dhaka 2  
Telex: 64 2841/64 2597 GBLD BJ

### Sri Lanka

Grindlays Bank p.l.c.  
PO Box 112, 37 York Street  
Colombo 1  
Telex: 21130/21521 GRNDLAY CE

### Nepal

Grindlays Bank p.l.c.  
GPO Box 3941, Kathmandu,  
Nepal  
Telex: 2263

## Americas

### New York

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NY 10005 USA  
Telex: 667559



**Los Angeles**

Suite 3290, 725 South Figueroa St.,  
Los Angeles, California 90017 USA  
Telex: 4720773

**Chicago**

Suite 3910,  
39th Floor, 30 North La Salle St  
Chicago, Illinois 60602, USA  
Telex: 4330119

**Houston**

Suite 3850 First City Tower  
1001 Fannin, Houston, Texas 77002  
USA  
Telex: 166229

**Bahamas**

Grindlays Bank p.l.c.  
PO Box N7788, Nassau

**Brazil**

Australia and New Zealand Banking  
Group Limited/Grindlays Bank p.l.c.  
Av Nilo Pecanha, 50 grupo 418,  
20.044 Rio de Janeiro - RJ  
Telex: 30541

**Canada**

ANZ Bank Canada,  
18th Floor, North Tower,  
Royal Bank Plaza,  
Toronto, Ontario M5J 2J3  
Telex: 217530

**South East Asia**

**Hong Kong**

27th Floor, One Exchange Square,  
8 Connaught Place Central,  
Hong Kong  
Telex: 86019

**Indonesia**

Australia and New Zealand Banking  
Group Limited/Grindlays Bank p.l.c.  
12 A Floor, Wisma Kosgoro,  
Jalan M H Thamrin, 53 Jakarta,  
10350  
Telex: 61656

**Japan**

8th Floor,  
Yanmar Tokyo Building,  
1-1 Yaesu 2 Chome,  
Chuo-ku,  
Tokyo 104  
Telex: 24157

ANZ Merchant Bank Limited  
Room 1109, Shin Yurakucho  
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12-1 Yurakucho 1 Chome,  
Chiyoda-Ku,  
Tokyo 100  
Telex: 26268

**Korea**

Grindlays Bank p.l.c.  
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Chung-ku, Seoul.  
Telex: 27338

**Malaysia**

Australia and New Zealand Banking  
Group Limited/Grindlays Bank  
p.l.c.,  
8th Floor, Bangunan Hongkong  
Bank,  
2, Leboh Ampang, 50100 Kuala  
Lumpur  
Telex: 31054

**Peoples Republic of China**

Room 162, Jianguo Hotel  
Jianguomenwai Dajie  
Beijing  
Telex: 210323

**Singapore**

10 Collyer Quay  
No 17 02/05  
Ocean Building, Singapore 0104  
Telex: 23336

**Taiwan**

Grindlays Bank p.l.c.  
2nd Floor, Shin Kong Building  
123 Nanking East Road, Section 2,  
Taipei  
Telex: 11894

**Thailand**

Grindlays Bank p.l.c.  
17th Floor,  
Sathorn Thani Building,  
Sathorn Road,  
Bangkok 10500  
Telex: 21583

**Papua New Guinea**

Australia and New Zealand Banking  
Group (PNG) Limited,  
2nd Floor, Defens Haus  
Cnr Champion Parade and  
Hunter St.,  
Port Moresby  
Telex: 1012

**Pacific Islands**

**Fiji**

4th Floor, Civic House,  
Suva, Fiji  
Telex: 2194

**Solomon Islands**

Mendana Avenue, Honiara  
Telex: 66321

**Vanuatu**

ANZ Bank (Vanuatu) Limited,  
ANZ House, Kumul Highway,  
Port Vila  
Telex: 11012



Mr W. J. Bailey, Group Managing Director and Chief Executive Officer (left) with Mr R. A. D. Nicolson, Group Deputy Managing Director and Chief Operating Officer.

**Board of Directors**

**Group Managing Director and Chief Executive Officer**

**Group Secretary**

**Group Deputy Managing Director and Chief Operating Officer**

**Australian Retail Banking**

- Retail Banking
- Branch Operations
  - Branch Banking Regions
  - Australian Banking Services & Supply
- Electronic Network Services
  - Group Communications
- DP Operations

**Australian Commercial Services**

- Commercial Banking
  - Correspondent Banking
  - International Services
- ANZ Executors and Trustees
- Australian Fixed Trusts
- Esanda Finance Corporation
- Greater Pacific Life
- Investment & Trust Services
  - ANZ Managed Investments
  - ANZ Nominees
- Melanesia International Trust Company Limited (MELITCO)
- Travel Services

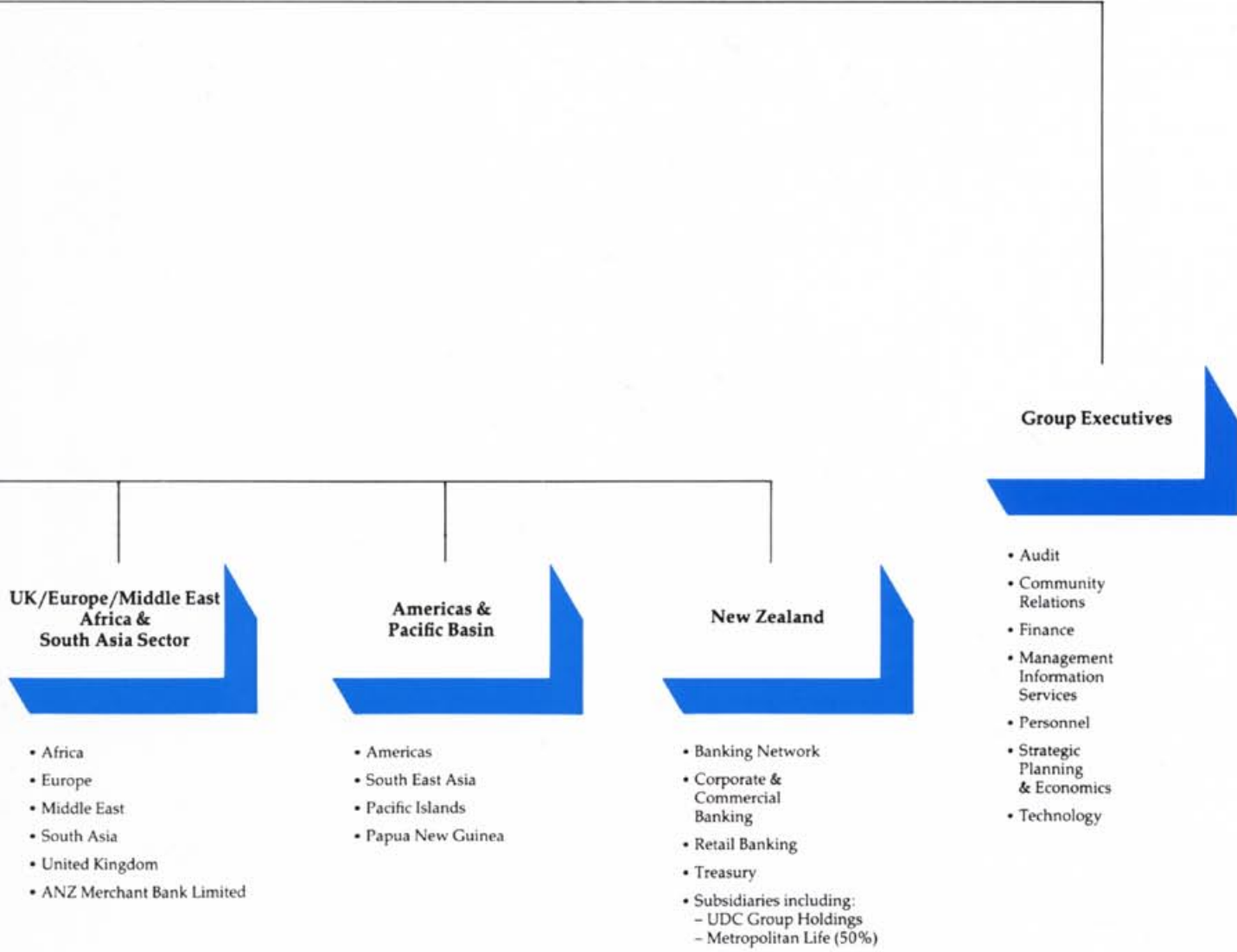
**Corporate Services**

- Corporate Banking
- ANZ Capital Markets Corporation
- Daiwa ANZ International (50%)
- Development Finance Corporation
  - Delfin Investment Services
  - Delfin Corporate Services
  - Delfin Property
- McCaughan Dyson (50%)
- ANZ Property Group

**Global Treasury**

- Americas Treasury
- Australian Treasury
- New Zealand Treasury
- Pacific Treasury
- UK/Europe Treasury
- Treasury Policy

# ORGANISATION STRUCTURE



## Group Executives

- Audit
- Community Relations
- Finance
- Management Information Services
- Personnel
- Strategic Planning & Economics
- Technology

### UK/Europe/Middle East Africa & South Asia Sector

- Africa
- Europe
- Middle East
- South Asia
- United Kingdom
- ANZ Merchant Bank Limited

### Americas & Pacific Basin

- Americas
- South East Asia
- Pacific Islands
- Papua New Guinea

### New Zealand

- Banking Network
- Corporate & Commercial Banking
- Retail Banking
- Treasury
- Subsidiaries including:
  - UDC Group Holdings
  - Metropolitan Life (50%)

# FIVE YEAR STATISTICAL SUMMARY

For the year to 30 September	Amounts in \$ millions				
	1982	1983	1984	1985	1986
Group gross income	2,749.1	2,979.6	3,275.9	5,323.9	6,646.4
Group operating profit	180.5	197.9	269.0	302.2†	315.4
Including					
— Australian Trading Bank	71.5	83.3	129.4	134.4†	130.0
— Australian Savings Bank	28.5	29.1	38.3	41.3	41.1
— New Zealand Group (excluding minority interests)	20.6	25.2	26.0	37.3†	54.4
— Esanda Group	51.4	52.7	52.3	52.8	50.3
— Grindlays Group	—	—	—	11.7	6.5
— Development Finance Corporation	—	—	16.0*	8.7	5.0
— Greater Pacific Life	—	—	—	—	9.0#
Group operating profit and extraordinary items	187.8	197.8	122.2	330.1†	164.8
Dividends	58.5	63.1	86.2	103.7	133.1
Number of times dividend covered by profits	3.1	3.1	3.1	2.9	2.4
Return on average shareholders' funds	18.1%	17.5%	17.7%	15.3%	13.1%°

## Per fully-paid share

Dividends — declared rate	28.0¢	28.0¢	30.0¢	31.0¢	31.0¢
Earnings (adjusted for bonus issues)	71.3¢	78.0¢	80.8¢	90.0¢	76.8¢°
Net assets	\$5.08	\$5.70	\$5.89	\$6.43	\$6.08
Net assets (adjusted for bonus issues)	\$4.20	\$4.71	\$5.35	\$6.43	\$6.08
Share issues to shareholders	1 for 5 bonus	—	1 for 10 bonus	1 for 10 bonus	1 for 5 at \$3.75
			1 for 4 at \$3.70		

## Year end

Paid-up capital	209.1	209.7	302.9	336.0	449.8
Shareholders' funds	1,062.8	1,194.9	1,780.9	2,159.5	2,731.1
Total assets	20,729.0	22,726.4	35,854.7	42,782.1	56,630.6
Ratio of shareholders' funds including minorities to total assets	5.2%	5.4%	5.1%	5.2%	5.6%**
Total deposits	11,514.7	12,418.9	19,632.4	23,777.8	30,473.6
Trading Bank deposits	7,323.1	7,498.2	8,759.5	11,001.7	14,121.4
Trading Bank advances, loans etc.	7,019.5	7,282.7	8,485.0	10,903.8	13,938.2
Australian Savings Bank deposits	2,474.7	3,305.1	3,715.8	3,789.3	4,363.6
Esanda Group total assets	2,689.4	2,558.5	2,941.0	3,539.9	3,987.5
Number of shareholders	40,452	41,551	48,779	51,192	59,518
Number of employees	24,393	25,991	36,789	38,031	39,018
Points of representation	1,414	1,439	1,649	1,657	1,657

\* 15 months profit.

† Excludes abnormal credit item of \$18.0 million consolidated, \$10.1 million Australian Trading Bank and \$7.6 million New Zealand group resulting from change in provision for doubtful debts policy (refer note 1(e)).

° Adjusted to exclude effect of 30 September 1986 share exchange with New Zealand group minorities.

# 9 months profit.

\*\* 1986 gearing ratio based on new Reserve Bank of Australia's capital adequacy guidelines under which general provisions for doubtful debts and revaluation amounts for premises are included in shareholders' funds for gearing purposes.

# FINANCIAL STATEMENTS

*For the year ended 30 September 1986*

Australia and New Zealand Banking Group Limited

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## Statutory Directors' Report

The following information is provided in conformity with Section 270 of the Companies (Victoria) Code.

### Directors

The Board includes two directors with executive responsibilities within ANZ Group who have extensive banking experience. The thirteen non-executive directors have a diversity of community and business experience.

Set out on page 2 are statements which provide particulars of the qualifications, broad experience and special responsibilities of each director.

### Activities

The principal activities of the companies in the Group during the year were trading and savings banking, hire purchase and general finance, life assurance, property development, mortgage and instalment lending, leasing, international and investment banking, investment and portfolio management and advisory services, nominee and custodian services, travel services, and executor and trustee services.

At 30 September, 1986 the Company and its subsidiaries had 1657 points of representation, as set out on pages 23 to 25.

### Profit

Consolidated operating profit after tax for the year excluding extraordinary items was \$315.422 million. Consolidated operating profit after tax and extraordinary items was \$164.762 million. More details are contained in the chairman's report on pages 7 to 10.

### Dividends

The directors propose payment of a final dividend of 16 cents per share, amounting to \$72.100 million to be paid on 29 January, 1987 and this will be recommended at the annual general meeting.

Since the end of the previous year a final dividend of 16 cents per share amounting to \$53.720 million was paid on 30 January, 1986 and an interim dividend of 15 cents per share amounting to \$60.988 million was paid on 1 July 1986.

The final dividend paid on 30 January 1986 was detailed in the directors' report dated 2 December 1985. Neither the interim dividend paid on 1 July 1986 nor the current dividend recommendation have been mentioned in previous directors' reports.

### Review of Operations

A review of the operations of the Group during the financial year and the results of those operations is contained in the chairman's report and review of operations on pages 7 to 22.

### State of Affairs

There was no significant change in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report, the directors' review or in the Group accounts.

### Events Since The End of the Financial Year

No item, transaction or event of a material and unusual nature has arisen since 30 September 1986

and the date of this report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

### Future Developments

Likely developments in the operations of the Group in subsequent financial years are contained in the review of operations on pages 11 to 22.

In the opinion of the directors disclosure of any further information would be prejudicial to the Group's interests.

### Shareholdings

The directors' shareholding interests, beneficial and non-beneficial, in the share capital of the Company and related corporations are detailed on page 60.

The directors are not aware of any single beneficial interest of ten per cent or more in the share capital of the Company.

### Directors' Interests in Contracts

Since 1 January, 1984 no director has declared any interest in a contract or proposed contract with the Company in accordance with Section 228(1) of the Companies (Victoria) Code. The following Directors have declared pursuant to Section 228(4) of the Code that they are to be regarded as interested in any contract that may be made with the Company by virtue of their directorships or memberships of the companies and organisations listed:—

#### Sir William Vines

Australia and New Zealand Banking Group Limited (Group)  
Dalgety Australia Holdings Limited (Group)  
Dalgety Farmers Limited  
Vines Holdings Pty. Limited

#### Mr. W. J. Bailey

Australia and New Zealand Banking Group Limited (Group)  
Dalgety Farmers Limited  
Enterprise Australia Limited

#### Mr. M. D. Bridgland

ICI Australia Limited  
Jennings Industries Limited (Group)

#### Sir Roderick Carnegie

Cats & Co. Pty. Ltd.  
Commonwealth Scientific & Industrial Research Organisation  
CRA Limited (Group)  
Comalco Limited  
Kildrummie Pastoral Company Pty. Ltd.  
Kildrummie Pty. Ltd.  
R. H. Carnegie & Co. Pty. Ltd.  
The Rio Tinto-Zinc Corporation p.l.c.

#### Mr. J. C. Dahlsen

Advertiser Newspapers Limited  
Corrs Pavey Whiting & Byrne  
Dahlsen Properties Pty. Limited  
Herald Development Limited (Group)



# Statutory Directors' Report

J. C. Dahlsen (Acceptance) Pty. Limited  
J. C. Dahlsen Pty. Limited (Group)  
J. C. Dahlsen (Investment) Pty. Limited  
Johndahl Nominees Pty. Ltd.  
KTD (Nominees) Pty. Limited  
Nuco Pty. Ltd.  
Queensland Press Limited (Group)  
Retail Shopping International (Australia) Pty. Ltd.  
Sandridge City Development Company Pty. Ltd.  
Techcom Australia Pty. Ltd.  
Television Broadcasters Ltd.  
The Devilbend Quarry Trust Fund  
The J. C. Dahlsen Trust Fund  
The Herald and Weekly Times Limited (Group)  
The Myer Investments Pty. Ltd. (Group)

## Mr. D. C. L. Gibbs

Australia and New Zealand Banking Group Limited (Group)  
C. T. Bowring Reinsurance Australia Pty. Ltd.  
Djefah Pty. Ltd.  
Folkestone Ltd. (Group)  
Hollstone Pty. Ltd.  
John Swire & Sons Pty. Ltd.  
Marsh & McLennan Pty. Ltd. (Group)  
Parbury Henty Holdings Ltd. (Group)  
Redfurn Pty. Ltd.  
Toolang Pty. Ltd.  
Victoria State Opera Co. Ltd.

## Mr. J. B. Gough

Amtcor Limited  
ICI Australia Limited  
The Broken Hill Proprietary Co. Limited  
Pacific Dunlop Limited

## Mr. C. J. Harper

Australia and New Zealand Banking Group Limited (Group)  
Humes Limited (Group)  
Hyster Australia Pty. Ltd. (Group)  
IBM Australia Limited  
Legal and General Assurance Holdings (Australia) Limited (Group)  
North Broken Hill Holdings Limited (Group)  
R. E. Ross Nominees Pty. Limited (Group)  
Vickers Holdings Limited (Group)  
Wiggins Teape Pty. Ltd.

## Mr. W. J. Holcroft

Australia and New Zealand Banking Group Limited (Group)  
The Australian Wildlife Fund Limited  
Bathurst Brick Co. Limited  
Caltex Australia Limited  
Camplin Broadcasters Pty. Limited (Group)  
Camplin Holdings Pty. Ltd.  
Gelnethy Pty. Ltd.  
Gelnethy Pastoral Company  
Morrow Australia Limited  
Nucleus Limited  
The Commonwealth Industrial Gases Limited

## Professor Dame Leonie Kramer

Educational Standards Pty. Ltd.  
Western Mining Corporation Holdings Limited (Group)

## Sir Laurence Muir

ACI International Limited (Group)  
ACI Superannuation Fund Pty. Ltd.  
Alcoa of Australia Limited  
Alcoa Superannuation Fund Pty. Ltd.  
Australia and New Zealand Banking Group Limited (Group)  
Australian Biomedical Corporation Limited  
Canberra Development Board  
Elder Austral Chartering Pty. Ltd.  
General Motors Australia Advisory Council  
Hiteck Ltd.  
L'Air Liquide World Advisory Committee  
Liquid Air Australia Limited  
National Commercial Union Limited  
Parliament House Construction Authority  
Sarich Technologies Trust  
The Herald and Weekly Times Limited  
University Paton Ltd.  
Wormald International Limited

## Mr. R. A. D. Nicolson

Australia and New Zealand Banking Group Limited (Group)

## Mr. L. M. Papps

Answer Services Holdings Limited  
Australia and New Zealand Banking Group Limited (Group)  
Asea Electric (NZ) Limited  
Asea Tolley Electric Company Limited  
Atlas Copco (NZ) Limited  
Bell Gully Buddle Weir  
Bonds (NZ) Limited  
Ciba-Geigy New Zealand Limited  
Codelfa-Cogefax (NZ) Limited  
Codelfa Construction Limited  
Commercial Union General Insurance Co. Limited  
Emco Group Limited  
Lentheric Morny Cyclax Limited  
Meadowsfreight New Zealand Limited  
Metropolitan Life Assurance Company of NZ Limited  
NZ Forest Products Limited  
N.Z. Window Glass Limited  
P. C. Henderson (NZ) Limited  
Pilkington Bros. (NZ) Ltd.  
RADA Corporation Ltd.  
S.K.F. New Zealand Limited  
Standard Optical Company of Australasia Limited  
Steel and Tube Holdings Limited  
UEB Industries Limited

## Mr. A. J. O. Ritchie

Australia and New Zealand Banking Group Limited (Group)  
European Investment Bank  
Ottoman Bank London Committee  
Union Discount Co. of London p.l.c.

## Dr. B. W. Scott

ACI International Limited (Group)  
Australia and New Zealand Banking Group Limited (Group)  
Coopers & Lybrand W. D. Scott  
Crows Nest Printing Pty. Ltd.

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## Statutory Directors' Report

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Imagineering Technology Ltd.  
James N. Kirby Foundation Limited  
Jon & Associates Pty. Ltd. (Group)  
Liquid Air Australia Limited  
Management Frontiers Pty. Ltd.  
Television Makers Pty. Ltd.  
Trade Development Council  
W. D. Scott International Development Consultants  
Pty. Ltd.

### Share Options

No company in the Group has granted to a person any options to have issued to that person shares in any company in the Group.

### Directors' Benefits

No director has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received, or due and receivable by directors shown in the group accounts or the fixed salaries of directors who are full-time employees of the company or its subsidiaries), by reason of a contract made by the Company, or a related corporation, with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest with the exception of (i) retirement benefits pursuant to agreements of the type referred to in Article 79 (b) which have been entered into since the end of the previous financial year between the Company and Sir Roderick Carnegie and Mr J. B. Gough, and (ii) benefits that may be deemed to have arisen because of legal fees paid to Corrs Pavey Whiting Byrne of which Mr. J. C. Dahlsen was a partner until 31st October, 1986 and is now a consultant, and to Bell Gully Buddle Weir, in which Mr. L. M. Papps is a partner and insurance business placed through Marsh & McLennan Pty Limited, of which Mr. D. C. L. Gibbs is a director, and management service fees that have been paid to Jon & Associates Pty. Ltd. and Management Frontiers Pty. Ltd. of which companies Dr. B. W. Scott is a director, and (iii) benefits that may have arisen as a consequence of the subscription by Mr. W. J. Bailey for scheme shares under the ANZ Bank Senior Officers' Share Purchase Scheme and (iv) benefits that may arise pursuant to an agreement relating to the preservation of retirement benefits which has been entered into since the end of the previous financial year between Mr. W. J. Bailey and the Company.

### Accounts

In accordance with section 271 of the Companies (Victoria) Code and regulation 58 of the Companies Regulations, all amounts shown in this report and the accompanying accounts have been rounded off to the nearest thousand dollars unless otherwise specifically stated.

Signed at Melbourne for and on behalf of the board of directors in accordance with a resolution of the directors this 1st day of December, 1986.



Chairman



Group Managing Director

**Profit and loss statement** for the year ended 30 September 1986

Holding Company		Note	Consolidated		
1985 \$'000	1986 \$'000		1986 \$'000	1985 \$'000	
2,636,675	3,516,530	Gross Income — Discount and interest earned, net exchange, commission and other items	2	6,646,361	5,323,888
2,328,883	3,264,682	Less: Expenses of management and interest paid	2	6,065,949	4,716,815
307,792	251,848	Operating profit before income tax	2	580,412	607,073
102,643	70,922	Less: Income tax expense	4	245,944	270,952
205,149	180,926	Operating profit after tax		334,468	336,121
—	—	Less: Interests of minority shareholders		19,046	15,919
205,149	180,926	<b>Operating profit including abnormal item (1985#) — applicable to shareholders of Australia and New Zealand Banking Group Limited</b>	2	315,422	320,202
(22,260)	43,781	Extraordinary items	3	(151,451)	9,937
—	—	Plus (Less) Interests of minority shareholders in extraordinary items		791	(31)
182,889	224,707	<b>Operating profit and extraordinary items — applicable to shareholders of Australia and New Zealand Banking Group Limited</b>		164,762	330,108
65,552	130,306	Retained profits at beginning of year. (After adjustment of exchange rate fluctuations 1986 \$1,053 (1985 \$3,910))		427,706	255,979
248,441	355,013	Total available for appropriation		592,468	586,087
		Less: Appropriations:			
		Transfers to/(from) reserves	7		
35,000	62,771	— General		105,136	55,259
(20,598)	—	— Asset revaluation		—	(1,495)
—	—	— Capital		689	1,937
50,013	60,988	Dividends — interim		60,988	50,013
53,720	72,100	— proposed final*		72,100	53,720
130,306	159,154	<b>Retained profits at end of year</b>		353,555	426,653

#Note: Abnormal item 1986 – Nil, 1985 – \$18,004 Consolidated, \$10,067 Holding Company.

\*Note: The proposed final dividend includes an amount of \$6.368 million in respect of shares issued in exchange for shares in ANZ Banking Group (New Zealand) Limited in terms of an offer made on 13 August 1986 to the minority shareholders in the New Zealand subsidiary to acquire their shares.

**Balance Sheet** as at 30 September 1986

Holding Company				Consolidated	
1985	1986		Note	1986	1985
\$'000	\$'000			\$'000	\$'000
		<b>Authorised capital:</b>			
450,000	600,000	600,000,000 ordinary shares at \$1 each		600,000	450,000
		<b>Shareholders' funds</b>			
336,038	449,830	Issued and paid up capital	6	449,830	336,038
992,256	1,463,283	Reserves	7	1,927,697	1,396,768
130,306	159,154	Retained profits		353,555	426,653
1,458,600	2,072,267	<b>Share capital and reserves applicable to shareholders of Australia and New Zealand Banking Group Limited</b>		2,731,082	2,159,459
—	—	<b>Minority shareholders' interest in subsidiary companies</b>		4,422	55,057
		<b>Customers' accounts, etc.</b>			
658,598	1,048,118	Long term bond and bearer note issues		2,068,811	1,301,502
11,001,686	14,121,422	Deposits		30,473,556	23,777,750
—	—	Borrowings by borrowing corporation subsidiaries		3,811,026	3,471,251
3,860,283	6,192,886	Bank and other acceptances of customers (see contra)		7,278,697	4,696,396
3,405,540	5,989,494	<b>Due to other banks</b>		7,633,358	5,304,852
724,091	786,567	<b>Bills payable and other liabilities</b>		1,899,512	1,483,619
1,371,197	2,664,588	<b>Amounts due to subsidiary companies</b>		—	—
		<b>Provisions</b>			
53,720	72,100	Proposed dividend		72,100	53,720
12,843	48,691	Provision for income tax		133,427	50,709
200,955	217,927	Other provisions	10	524,612	427,789
22,747,513	33,214,060			56,630,603	42,782,104

The notes appearing on pages 36-53 are an integral part of these accounts  
Contingent liabilities are detailed at Note 22.



## Notes to the Accounts

### 1 Bases of Accounting

These financial statements have been prepared in accordance with historical cost concepts except where otherwise indicated. The accounts comply with Australian accounting standards and approved accounting standards so far as they are applicable to a banking group.

#### (a) Principles of consolidation

The Group consolidation includes all companies in which the Group holds more than half of the issued ordinary share capital. A listing of these subsidiaries is contained in note 26. All inter-company balances and transactions have been eliminated.

Also included within the Group's consolidated accounts are the financial statements of the shareholders' interest in Greater Pacific Life Assurance Co. Ltd. (GPL) and the shareholders' proportion of the declared profits of GPL's statutory life funds, and the net movement in the present value of future surpluses actuarially assessed to emerge from these funds after having full regard to the entitlements of policyholders. Such net movement of \$8.677 million which has been credited to general reserve within the consolidated accounts is not fully available for distribution due to the requirements and restrictions of the Life Insurance Act and statutory accounting practices. The assets of these statutory funds, being subject to the provisions of the Life Insurance Act 1945 do not form part of the assets to which shareholders are entitled and therefore are excluded from consolidation.

Shares in subsidiary companies are valued on acquisition at the Group's interest in the fair market value of the net assets of the subsidiary company at the date of acquisition; any difference between the fair value of net assets and cost is written off through the profit and loss statement as an extraordinary item in the year of acquisition, together with, in the consolidated profit and loss account, the equivalent amount being attributable to goodwill on consolidation.

This policy has been applied in the current year consistently with treatment of such items in past years. Banks are subject to central bank prudential ratio requirements, in particular the ratio of shareholders' funds to assets (capital adequacy), accordingly, the directors consider it prudent and appropriate for a banking group not to carry as an asset any value attributable to goodwill. This policy in respect of goodwill on consolidation is a departure from the Australian accounting standard on goodwill which does not address specifically issues germane to particular industries, including banking.

Goodwill written off in the year to 30 September 1986 includes amounts relative to the acquisitions of Capel-Cure Myers, Greater Pacific Life Assurance Co. Ltd., banking operations in Vanuatu from Barclays Bank plc and the minority interest in ANZ Banking Group (New Zealand) Ltd. The consolidated results include profits of Capel-Cure Myers since 6 March 1986 and profits of Greater Pacific Life Assurance Co. Ltd. since 1 January 1986. Profits of ANZ Banking Group (New Zealand) Ltd. relative to the minority interest acquired will be consolidated from 1 October 1986, however the terms of the share exchange resulted in accepting shareholders in that company becoming entitled to the relevant amount of the final dividend for 1986 payable by Australia and New Zealand Banking Group Limited (refer note page 33).

#### (b) Translation of overseas currency

The accounts of overseas branches and subsidiaries and other foreign currency assets and liabilities held at balance date have been translated at the rates of exchange ruling at balance date. The net translation difference arising from the conversion of overseas branch capital positions and investment in overseas subsidiaries, after allowing for those positions covered by foreign exchange hedge contracts and related currency borrowings, has been dealt with by transfer to foreign currency translation reserve (Refer note 7).

Overseas branches and subsidiaries engaged in banking operations have loans and deposits and borrowings in currencies of the centres where they operate and in other major currencies. The Holding Company also has loans and deposits and borrowings in Australia in currencies other than Australian dollars. It is the Group's policy generally to maintain a matched position in foreign currencies and as a consequence there are no material foreign currency exposures.

#### (c) Leveraged lease transactions

Certain companies in the Group have entered into leveraged lease transactions as equity participants. The investment is recorded net of the non-recourse long term debt and is included in 'Investments' in the balance sheet. Income is taken to account over the period of the lease based on the outstanding investment balance.

#### (d) Amortisation of discounts and premiums on dated investments

Premiums and discounts on dated investments are amortised from the date of purchase to maturity on a straight line basis.

As the majority of redeemable quoted investments are normally held to or near to maturity, no provision is considered necessary for any difference

between the book amounts and the market values of such individual stocks quoted below book amounts at the balance date, neither have any transfers been made from reserves or out of the current year's profits to write them down, apart from the amortisation of the premium on stocks bought above par referred to above.

#### (e) Bad and doubtful debts

Specific provisions are maintained to cover identified doubtful accounts and general provisions are maintained to provide cover for possible future losses which are inherent in any portfolio of bank and finance company lending. Provisions for doubtful debts are deducted from loans and advances in the balance sheet. Operating subsidiaries within the Group maintain appropriate provisions for doubtful debts. During 1985 a change was made in the basis of providing for doubtful debts. The policy of determining the charge to profit and loss account based on average bad debts experience of the current and preceding four years was discontinued and the annual charge now reflects each year's requirements. This change resulted in an abnormal credit to profit and loss account of \$10.1 million Holding Company and \$18.0 million consolidated in 1985. Details of provisions are set out in note 8.

#### (f) Depreciation and amortisation

Expenditure on buildings is generally depreciated on a straight line basis. Expenditure on plant, fixtures and fittings is generally depreciated over estimated life on a straight line basis.

Expenditure on leasehold improvements is amortised on a straight line basis over the unexpired portion of the lease.

#### (g) Taxation

Tax effect procedures are applied under the liability method. General provisions for doubtful debts are treated as permanent differences. Withholding tax has been provided on overseas income which is expected to be remitted in the future. No provision has been made for withholding tax on earnings that are expected to be retained by overseas subsidiaries to finance their ongoing business.

#### (h) Pension funds

The Group has a number of pension funds established which provide defined benefits for employees and their dependants on retirement or death. These funds cover the majority of Group employees throughout the world.

The benefits under the funds are provided from contributions by employee members and the Group and income from fund assets invested. The members' contributions are at fixed rates while Group contributions are made at levels necessary to ensure that the funds are maintained with sufficient assets to meet their liabilities. The rate of Group contributions is determined by actuarial valuations which are carried out at regular intervals not exceeding three years. The assets of the funds are not included in these accounts.

#### (i) General finance subsidiaries

The gross income arising from the various forms of instalment credit transactions and other credit facilities entered into by subsidiaries is apportioned over the term of the contracts in direct relationship to the amount of the funds invested therein during the relevant accounting periods using an actuarial method. A 'financial method' is used for recording lease finance transactions and accordingly these are shown in the balance sheet as receivables rather than leased assets less depreciation.

#### (j) Associated companies

The Group's share of results of associated companies has not been included in the profit and loss account except insofar as dividends have been received.

Supplementary financial statements adopting the equity method to account for the Group's interest in associated companies have not been provided as such supplementary statements are not materially different from the Group's consolidated accounts.

#### (k) Trust Activities

The holding company and some of its subsidiaries act as trustee and or manager for a number of investment funds and trusts including retirement funds, mortgage funds, approved deposit funds, and equity and property unit trusts. The assets of these funds and trusts are not included in the accounts. Where the Holding Company or the subsidiaries as trustee incur liabilities in respect of these operations a right of indemnity exists against the assets of the applicable funds or trusts and as these assets are sufficient to cover liabilities, the liabilities are not included in the accounts. Commissions and fees earned in respect of the Group's trust activities are included in profit.

#### (l) Definitions

'Holding company' is Australia and New Zealand Banking Group Limited, and 'borrowing corporations' are Esanda Limited, Finance Corporation of Australia Limited, UDC Group Holdings Limited and ANZ Properties (Australia) Limited.

Australia and New Zealand Banking Group Limited and Australia and New Zealand Savings Bank Limited are banking companies as defined by the Companies (Victoria) Code. For the Group accounts the banking operations of ANZ Banking Group (New Zealand) Limited, ANZ Finance (Far East) Limited, Australia and New Zealand Banking Group (PNG) Limited, Australia and New Zealand Banking Group (Channel Islands) Limited, ANZ Bank Canada and Grindlays Bank plc have been included as banking companies.

	Consolidated		Holding Company	
	1986 \$'000	1985 \$'000	1986 \$'000	1985 \$'000
<b>2 Operating Profit</b>				
Operating profit before income tax was determined after inclusion of:				
<b>Income</b>				
(a) Interest received or receivable from:				
(i) Subsidiaries	—	—	100,331	47,819
(ii) Other persons	5,600,723	4,536,927	2,580,173	1,856,395
(b) Dividends received or receivable from:				
(i) Subsidiary companies				
— ANZ Banking Group (New Zealand) Limited	—	—	8,610	16,146
— ANZ Capital Markets Corporation Limited	—	—	—	2,681
— ANZ Executors & Trustees Company Limited	—	—	1,000	250
— ANZ Finance (Far East) Limited	—	—	—	2,347
— ANZ Holdings Limited	—	—	400	—
— ANZ Investments Limited	—	—	5,700	550
— Australia and New Zealand Banking Group (PNG) Limited	—	—	178	364
— Australia and New Zealand Savings Bank Limited	—	—	14,600	15,000
— Development Finance Corporation Limited	—	—	1,750	4,500
— ES&A Holdings Limited	—	—	300	153
— Esanda Finance Corporation Limited	—	—	17,200	18,700
— Melbourne Safe Deposit Pty. Limited	—	—	1,170	—
(ii) Other companies	32,149	12,975	16,004	5,374
(c) Other income	1,013,489	773,986	769,114	666,396
Total income	6,646,361	5,323,888	3,516,530	2,636,675
<b>Expenses</b>				
(a) Depreciation and amortisation of fixed assets	111,513	84,549	78,981	56,879
(b) Auditors' remuneration in respect of auditing the accounts or Group accounts				
— auditors of holding company	2,186	880	575	433
— other auditors	1,515	2,662	—	—
other services				
— auditors of holding company	1,962	410	1,048	352
— other auditors	1,939	1,055	642	333
The auditors did not receive any other benefits				
(c) Directors' emoluments (excluding fixed salaries) received or due and receivable by —				
directors engaged in full time employment of the holding company and related corporations				
— fees and other emoluments	801	1,864	20	1,605
other directors				
— fees and other emoluments	783	535	342	338
(d) Provision for long service leave	11,877	17,575	12,597	11,328
Provisions for doubtful debts (see note 8)	196,663	66,557	81,402	29,783
Provision for non-lending losses	2,960	4,708	2,298	4,041
Provisions — other	4,393	2,348	419	1,270
(e) Interest paid or payable to:				
(i) Subsidiaries	—	—	142,748	105,126
(ii) Other persons	4,202,935	3,301,330	1,944,949	1,276,277
(f) Rental expense in respect of operating leases	83,099	53,026	57,999	38,731
<b>Abnormal Item</b>				
Abnormal credit from changed basis of accounting for bad and doubtful debts	—	18,004	—	10,067

	Consolidated		Holding Company	
	1986 \$'000	1985 \$'000	1986 \$'000	1985 \$'000
<b>3 Extraordinary Items</b> (No income tax applicable)				
Write-off of goodwill arising from acquisition of minorities in ANZ Banking Group (New Zealand) Ltd and other acquisitions	(131,123)	—	—	—
Profit arising from restructure of Group companies	—	—	62,772	—
Benefit (loss) on restatement of deferred tax balances for change in future years' tax rate	(10,036)	—	1,805	—
Prior years' tax assessed in current year, in dispute with Australian Tax Office *	(17,298)	—	(17,298)	—
Surplus on sale of properties and other (net)	7,006	9,937	(3,498)	(1,662)
Loss on intercompany sale of property	—	—	—	(20,598)
	<b>(151,451)</b>	<b>9,937</b>	<b>43,781</b>	<b>(22,260)</b>

\* The holding company has a tax dispute outstanding with the Australian Taxation Office for the years 1980 to 1985 inclusive. The dispute relates to the allocation of interest between the Bank's domestic and offshore operations. During the year the Company received amended assessments, in respect of the years 1980-83, involving additional tax of \$17.298 million. It is the Company's view that this amount has been assessed on a basis that is totally inconsistent with longstanding administrative guidelines and practice settled with the Australian Taxation Office. However, as a matter of prudence, the additional tax of \$17.298 million has been paid and charged to profit as an extraordinary item on the basis that it is an expense brought into account in the period, which is attributable to events or transactions outside the ordinary operations of the business entity. Objections have been lodged for all amounts in dispute.

#### 4 Income tax expense

Reconciliation of income tax expenses charged in the accounts with prima facie tax payable on the pre-tax accounting profit.

Operating profit before income tax	580,412	607,073	251,848	307,792
Prima facie income tax at 46%	266,990	279,254	115,850	141,584
Add (or deduct) tax effect of permanent differences:				
Non-allowable depreciation and amortisation	2,314	2,034	1,122	771
Charge (credit) for general provision for doubtful debts	14,501	(1,938)	2,478	1,393
Under (over) provision of prior year	(1,569)	1,834	(1,927)	2,560
Adjustment for overseas tax (net)	(729)	3,171	(7,852)	(348)
Rebate on dividend income	(14,789)	(5,969)	(30,780)	(30,390)
Investment allowance	(5,928)	(10,387)	(5,750)	(9,622)
Other items (net)	(14,846)	2,953	(2,219)	(3,305)
Income tax expense	<b>245,944</b>	<b>270,952</b>	<b>70,922</b>	<b>102,643</b>

#### 5 Report by Segments

The following statements report the segment results before minority interests by geographical and industry segment.

The geographical segments are based on the Group's regional administrative centres, and assets, liabilities and profits included in these segments are based on the office of domicile. The asset segmentation therefore does not indicate country of risk.

Geographical	1986			1985		
	Gross Income \$'000	Profit Before Tax \$'000	Total Assets \$'000	Gross Income \$'000	Profit Before Tax \$'000	Total Assets \$'000
Australia and Pacific Islands	3,680,345	356,714	31,790,142	2,903,345	389,367	24,786,343
New Zealand	732,725	132,346	4,599,236	521,148	90,438	3,064,580
UK, Europe, Middle East						
Asia and Africa	1,453,725	50,539	13,167,004	1,308,147	64,905	10,598,041
North America	352,932	22,720	3,634,148	242,294	20,172	1,809,008
South East Asia, Japan and Republic of Korea, Hong Kong	426,634	18,093	3,440,073	348,954	21,605	2,524,132
Abnormal credit item including minorities		—			20,586	
	<b>6,646,361</b>	<b>580,412</b>	<b>56,630,603</b>	<b>5,323,888</b>	<b>607,073</b>	<b>42,782,104</b>
<b>Industry</b>						
Banking	5,499,764	441,078	49,172,741	4,555,988	454,546	37,909,644
Finance	819,127	107,485	5,132,155	632,713	107,870	4,014,067
Other	327,470	31,849	2,325,707	135,187	24,071	858,393
Abnormal credit item including minorities		—			20,586	
	<b>6,646,361</b>	<b>580,412</b>	<b>56,630,603</b>	<b>5,323,888</b>	<b>607,073</b>	<b>42,782,104</b>



Consolidated		Holding Company	
1986	1985	1986	1985
\$'000	\$'000	\$'000	\$'000

## 5 Report by Segments (continued)

### Exposure to foreign debt

Group exposure to countries subject to debt rescheduling arrangements are as under. The amounts quoted are A\$ conversions of predominantly US\$ denominated assets, and represent a total exposure of 3.0 per cent of total Group assets at 30.9.86 compared to 3.4 per cent at 30.9.85.

Of the total exposure over 90 per cent relates to lending to Governments, banks and Government entities, and no individual country exposure exceeds one per cent of Group assets. Where considered appropriate, provisions have been set aside against this exposure.

South and Central America	1,365,000	1,185,000
Eastern European Bloc	150,000	124,000
Africa and Middle East	128,000	108,000
Asia	56,000	46,000
	<u>1,699,000</u>	<u>1,463,000</u>

## 6 Share Capital

### Issued Capital

449,460,132 (1985 335,750,710) ordinary shares of \$1 each fully paid	449,460	335,751
3,700,800 (1985 2,877,000) ordinary shares of \$1 each paid to 10 cents per share	370	287
	<u>449,830</u>	<u>336,038</u>

## 7 Reserve Funds

### Consolidated \$'000

	Share Premium Reserve	Asset Revaluation Reserve	Foreign Currency Translation Reserve	General Reserve	Capital Reserves	Total Reserves
<b>Balance at 30 September 1984</b>	225,362	303,124	—	664,778	32,682	1,225,946
Adjustment for exchange rate fluctuations	—	1,092	—	(2,148)	(2,436)	(3,492)
Transfers (to) from profit and loss account	—	(1,495)	—	55,259	1,937	55,701
Premium on issue of shares	8,293	—	—	—	—	8,293
Revaluation of properties	—	39,074	—	—	—	39,074
Capitalisation issue	—	(30,492)	—	—	—	(30,492)
Currency translation adjustments	—	—	102,833	—	—	102,833
Other	—	(97)	—	(40)	(958)	(1,095)
<b>Balance at 30 September 1985</b>	233,655	311,206	102,833	717,849	31,225	1,396,768
Adjustment for exchange rate fluctuations	—	3,625	—	(10,224)	(1,452)	(8,051)
Transfers (to) from profit and loss account	—	—	—	105,136	689	105,825
Premium on issue of shares	336,218	—	—	—	—	336,218
Revaluation of properties	—	21,424	—	—	—	21,424
Currency translation adjustments	—	—	74,994	—	—	74,994
Other	—	(651)	—	(29)	1,199	519
<b>Balance at 30 September 1986</b>	569,873	335,604	177,827	812,732	31,661	1,927,697

### Holding Company \$'000

	Share Premium Reserve	Asset Revaluation Reserve	Foreign Currency Translation Reserve	General Reserve	Total Reserves
<b>Balance at 30 September 1984</b>	225,362	55,235	—	361,482	642,079
Premium on issue of shares	8,293	—	—	—	8,293
Transfer (to) from profit and loss account	—	(20,598)	—	35,000	14,402
Revaluation of shares in subsidiary companies	—	256,777	—	—	256,777
Capitalisation issue	—	(30,492)	—	—	(30,492)
Currency translation adjustments	—	—	101,197	—	101,197
<b>Balance at 30 September 1985</b>	233,655	260,922	101,197	396,482	992,256
Premium on issue of shares	336,218	—	—	—	336,218
Transfer (to) from profit and loss account	—	—	—	62,771	62,771
Currency translation adjustments	—	—	72,038	—	72,038
<b>Balance at 30 September 1986</b>	569,873	260,922	173,235	459,253	1,463,283

**8 Provisions for Doubtful Debts**

	Consolidated \$'000				Holding Company \$'000			
	Specific Provision		General Provision		Specific Provision		General Provision	
	1986	1985	1986	1985	1986	1985	1986	1985
<b>Balance at 30 September 1985</b>	<b>317,887</b>	<b>277,265</b>	<b>301,343</b>	<b>264,346</b>	<b>52,750</b>	<b>62,428</b>	<b>127,390</b>	<b>122,696</b>
Adjustment for exchange rate fluctuations	52,225	52,161	31,034	39,591	1,099	13,712	6,329	1,665
Transfer to profit and loss account (refer note 1(e))	—	—	—	(20,586)†	—	—	—	(10,067)
Bad debts written off	(99,913)	(76,108)	—	—	(41,797)	(42,278)	—	—
Recoveries	12,179	8,311	—	—	3,792	1,269	—	—
Charge to profit and loss account	165,139	50,185	31,524	16,372	76,015	16,687	5,387	13,096
Provisions at acquisition date of companies acquired	—	6,073	39	1,620	—	—	—	—
Transfer between Provisions	70,441	—	(70,552)	—	—	—	1,085	—
Transfer within Group	—	—	—	—	(200)	932	433	—
<b>Balance at 30 September 1986</b>	<b>517,958</b>	<b>317,887</b>	<b>293,388</b>	<b>301,343</b>	<b>91,659</b>	<b>52,750</b>	<b>140,624</b>	<b>127,390</b>

†Includes minorities of \$2,582

**9 Non-Accrual Loans of Non-banking Companies**

Amounts of debts of non-banking companies on which interest or credit charges have not been brought to account in 1986 totalled \$17.387 million (1985 \$9.792 million).

Amount of interest due to non-banking companies in respect of the above debts, that has not been brought to account in 1986 totalled \$3.798 million (1985 \$1.854 million).

Consolidated		Holding Company	
1986	1985	1986	1985
\$'000	\$'000	\$'000	\$'000

**10 Other Provisions**

Provision for long service leave	132,754	119,264	113,009	99,954
Provision for deferred income tax	324,245	247,961	88,911	87,170
Provision for non-lending losses	17,262	13,706	10,630	8,437
Provisions — other	50,351	46,858	5,377	5,394
	<b>524,612</b>	<b>427,789</b>	<b>217,927</b>	<b>200,955</b>

**11 Loans, Advances, Bills Discounted and Outstandings Under Hire Purchase and Other Agreements less Provisions for Doubtful Debts and Unearned Income, etc.**

Gross loans, advances, bills discounted and outstandings under hire purchase and other agreements	33,120,256	27,293,186	14,536,389	11,362,757
Less: Provisions for doubtful debts	811,346	619,230	232,283	180,140
Provision for contingencies	5,885	6,023	—	—
Income yet to mature	1,642,311	1,353,942	365,914	278,795
Net loans, advances, bills discounted and outstandings under hire purchase and other agreements	<b>30,660,714</b>	<b>25,313,991</b>	<b>13,938,192</b>	<b>10,903,822</b>

**12 Development Ventures**

Included in all other assets

Development ventures comprise:

(i) Land held for development		
— acquisitions at cost	29,632	24,125
— acquisitions at independent valuation	235	8,085
— acquisitions at directors' September 1986 Valuation	5,750	—
— development expenses capitalised	10,065	4,522
— other amounts capitalised	260	97
	<b>45,942</b>	<b>36,829</b>
less: liabilities		
— unsecured (including provision for expenditure on sold land) payable within 12 months	992	2,297
	<b>44,950</b>	<b>34,532</b>
add: debtors	2,118	3,285
	<b>47,068</b>	<b>37,817</b>
less:		
— provision for diminution in value of ventures	8,837	8,661
— provision for future development costs	20	536
	<b>38,211</b>	<b>28,620</b>

	Consolidated		Holding Company	
	1986 \$'000	1985 \$'000	1986 \$'000	1985 \$'000
<b>12 Development Ventures (continued)</b>				
(ii) Loans to real estate projects, secured on real estate				
— loans to associated development companies	1,707	2,196		
— loans to others	27,414	22,361		
	<u>29,121</u>	<u>24,557</u>		
	<u>67,332</u>	<u>53,177</u>		
<b>13 Premises and Equipment</b>				
(a) Freehold and leasehold land and buildings				
— at directors' valuation 1979	1,401	1,331	—	—
— at directors' valuation 1980	23,955	18,063	—	—
— at directors' valuation 1982	933	1,605	—	—
— at directors' valuation 1983	931	931	—	—
— at directors' valuation 1984	234,733	271,072	21,850	22,321
— at independent valuation 1984	329,476	330,209	2,346	1,635
— at independent valuation 1985	47,617	47,617	—	—
— at directors' valuation September 1986	74,996	—	—	—
— at cost	118,141	68,554	22,262	15,183
	<u>832,183</u>	<u>739,382</u>	<u>46,458</u>	<u>39,139</u>
Deduct: Provision for depreciation	17,352	15,802	639	306
	<u>814,831</u>	<u>723,580</u>	<u>45,819</u>	<u>38,833</u>
(b) Plant, fixtures and fittings, office machines and other equipment at cost	621,909	490,875	464,160	343,302
Deduct: Provision for depreciation	248,456	208,233	194,224	135,659
	<u>373,453</u>	<u>282,642</u>	<u>269,936</u>	<u>207,643</u>
(c) Leasehold improvements at cost	55,854	56,032	20,563	16,058
Deduct: Provision for amortisation	21,575	15,752	8,615	5,842
	<u>34,279</u>	<u>40,280</u>	<u>11,948</u>	<u>10,216</u>
Total premises and equipment	<u>1,222,563</u>	<u>1,046,502</u>	<u>327,703</u>	<u>256,692</u>
Officers' valuation carried out in the current year indicates that the market value of the investment in premises of the company and its subsidiaries is not less than \$119.6 million in excess of the values shown in the balance sheet on an existing use basis.				
<b>14 Capital Expenditure Commitments</b>				
Contracts for outstanding capital expenditure not provided for in these accounts	25,693	47,701	7,450	9,302
<b>15 Lease Rental Commitments</b>				
Future rentals in respect of operating leases not provided for in these accounts comprise:				
Land and buildings				
Within one year	57,778	46,949	37,192	31,882
Between one and two years	52,292	47,085	33,084	26,715
Between two and five years	125,311	114,301	72,920	67,423
After five years	824,529	730,969	410,215	443,726
	<u>1,059,910</u>	<u>939,304</u>	<u>553,411</u>	<u>569,746</u>
Furniture, office machines and other equipment				
Within one year	2,920	3,289	1,191	1,383
Between one and two years	2,598	2,385	898	867
Between two and five years	3,078	2,488	1,310	709
After five years	476	426	477	246
	<u>9,072</u>	<u>8,588</u>	<u>3,876</u>	<u>3,205</u>
	<u>1,068,982</u>	<u>947,892</u>	<u>557,287</u>	<u>572,951</u>
<b>16 Liabilities Payable by Borrowing Corporation Subsidiaries</b>				
Within one year	2,592,555	1,986,195		
Between one and two years	1,016,434	964,397		
Between two and five years	745,503	716,981		
After five years	17,177	16,171		
	<u>4,371,669</u>	<u>3,683,744</u>		

	Consolidated		Holding Company	
	1986 \$'000	1985 \$'000	1986 \$'000	1985 \$'000
<b>17 Debts Receivable by Borrowing Corporation Subsidiaries Net of Income Yet to Mature</b>				
Within one year	1,832,979	1,560,175		
Between one and two years	982,334	825,343		
Between two and five years	1,334,026	1,235,001		
After five years	175,735	138,859		
	<b>4,325,074</b>	<b>3,759,378</b>		

**18 Investments**

Quoted investments are mainly redeemable at fixed dates within ten years and are stated in the balance sheets at cost adjusted for amortised premiums and discounts. The book amounts and valuations at middle market prices of these investments are given below.

**Book value**

## Quoted in Australia:

Australian Government securities	1,658,437	1,832,824	1,248,819	1,281,168
Australian Local and Semi Government authorities	78,579	81,166	—	—
Other securities	2,653	2,278	—	354

## Quoted in other countries:

Government & Local Authority securities	1,352,068	858,606	83,105	—
Other securities	488,780	244,176	133,090	—

**Total book value of quoted investments**

	<b>3,580,517</b>	<b>3,019,050</b>	<b>1,465,014</b>	<b>1,281,522</b>
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## Unquoted investments:

Australian Government and Local and Semi Government authorities	497,345	536,014	—	—
Australian Treasury notes	712,100	237,000	438,100	199,800
Treasury bills	234,572	295,806	16,388	9,858
Other securities including equity in leveraged leasing	961,685	714,691	425,397	373,085

**Total book value**

	<b>5,986,219</b>	<b>4,802,561</b>	<b>2,344,899</b>	<b>1,864,265</b>
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**Market value**

## Quoted in Australia:

Australian Government securities	1,615,360	1,797,258	1,218,102	1,258,946
Australian Local and Semi Government authorities	74,330	76,602	—	—
Other securities	2,624	2,284	—	354

## Quoted in other countries:

Government & Local Authority securities	1,349,510	827,918	86,669	—
Other securities	489,459	245,147	132,114	—

**Total market value of quoted investments**

	<b>3,531,283</b>	<b>2,949,209</b>	<b>1,436,885</b>	<b>1,259,300</b>
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**19 Shares in Subsidiary Companies**

Quoted — at directors' valuation 1979

(Market value 1985 \$303,504)

Unquoted — at cost

— at directors' valuation 1981

— at directors' valuation 1985

— at directors' valuation 1986

— 45,455

807,264 486,512

143,085 143,085

369,473 369,473

274,165 —

**1,593,987 1,044,525****20 Shares in Associated and Other Companies**

Quoted — at cost (Market value 1986 \$32,964 — 1985 \$10,320)

Unquoted — at cost less amounts written off

19,906 5,944 — —

44,228 53,069 7,809 7,700

**64,134 59,013 7,809 7,700**

	Consolidated		Holding Company	
	1986 \$'000	1985 \$'000	1986 \$'000	1985 \$'000

## 21 Future Income Tax Benefits

Included in all other assets	212,155	151,189	127,350	92,377
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Possible future income tax benefits in certain subsidiary companies arising from tax losses and timing differences have not been recognised as assets because recovery is not assured beyond all reasonable doubt. These possible benefits which could amount to \$8.496 million (1985 — \$28.272 million), will only be obtained if:

- (i) the relevant companies derive future assessable income of a nature and of amount sufficient to enable the benefit of the taxation deductions to be realised;
- (ii) the relevant companies continue to comply with the conditions for deductibility imposed by the law; and
- (iii) there are no changes in taxation legislation adversely affecting the relevant companies in realising the benefit of the taxation deductions.

## 22 Contingent Liabilities

Commercial bills endorsed	142,602	261,025	66,336	55,724
Liabilities under letters of credit	1,722,251	1,341,442	1,205,847	897,638
Guarantees, warranties and indemnities	5,052,431	3,991,824	2,110,193	1,148,421
Other	22,867	6,069	15,712	4,957
	<b>6,940,151</b>	<b>5,600,360</b>	<b>3,398,088</b>	<b>2,106,740</b>

Australia and New Zealand Banking Group Limited has —

- (i) Guaranteed the depositors' balances with Australia and New Zealand Savings Bank Limited.
- (ii) Guaranteed payment of certificates of deposit, bearer deposit notes and bankers' acceptances issued by ANZ Bank Canada.
- (iii) Agreed to provide funds to ANZ Properties (Australia) Limited, to meet its liabilities as they fall due, should the subsidiary have insufficient funds for that purpose.
- (iv) In accordance with section 22 of the Hong Kong Deposit Taking Company Ordinance given a letter of comfort to the Commissioner of Banking in Hong Kong in respect of the operations of ANZ Finance (Far East) Limited.
- (v) Guaranteed payment on maturity of the principal and accrued interest of commercial paper notes issued by ANZ (Delaware) Inc.
- (vi) Guaranteed the debts of certain Australian wholly-owned subsidiaries specified in Note 26 in terms of the National Companies and Securities Commission class order dated 22 April 1986 relieving wholly-owned subsidiaries from compliance with certain sections of the Companies Code relating to accounts.

ANZ Banking Group (New Zealand) Limited has guaranteed the depositors' balances with ANZ Savings Bank (New Zealand) Limited.

## 23 Off-Balance Sheet Financial Instruments

The Group is an active market participant in off balance sheet financial instruments which primarily are forward exchange contracts, interest rate and currency swaps, forward rate agreements and options traded in money centres throughout the world.

These instruments are used by the Group to:—

- manage exposures arising from its foreign exchange and interest rate trading activities.
- provide financial services as an intermediary to enable customers to modify, transfer or reduce their interest rate or foreign exchange risks.
- enable positions to be adopted which take advantage of profitable trading opportunities.

Assessment of the credit risk associated with these activities is included in the evaluation of the exposure of the Group to customers and it is not envisaged that any irrecoverable liability will arise from these types of transactions.

## 24 Comparative Figures for 1985

Where necessary these figures have been adjusted to conform with changes in presentation made in 1986.

## 25 Subsequent Event

On 30 October 1986 the Holding Company issued US\$300 million of perpetual capital floating rate notes. Funds from this issue, which are not included in the accounts, will form part of the Holding Company's capital base for gearing purposes in terms of the Reserve Bank of Australia's capital adequacy guidelines and will be used to finance the Bank's operations.

## Notes to the Accounts continued

## 26 Subsidiary Companies and Group Interests

	Incorporated in	Principal areas of operations	Issued capital	Contribution to group result \$'000	
				1986	1985
<i>Australia &amp; New Zealand Banking Group Limited</i>	Australia	International		130,019	144,458
<b>Subsidiaries</b>					
§ Adelaide Nominees Limited	England	England	100 shares of £1	—	—
° ANZ Adelaide Group Limited	Australia	Australia	31,504,687 shares of \$1	63	10
ANZ Adelaide Property Limited (in liquidation)	Australia	Australia	750,000 shares of \$2	—	12
ANZ Bank Canada	Canada	Canada	107,500 shares of CA\$100	36	166
<i>ANZ Capital Markets Corporation Limited</i>	Australia	Australia	7,812,500 shares of \$1	4,621	3,291
ANZ Cap Corporate Services Limited	Australia	Australia	5 shares of \$1	—	—
ANZ Cap Leasing Nominees Pty Limited	Australia	Australia	2 shares of \$1	140	47
ANZ Cap Leasing Nominees (Vic) Pty Limited	Australia	Australia	2 shares of \$1	1	—
ANZ Cap Leasing Services Limited	Australia	Australia	5 shares of \$1	101	240
ANZ Cap Leasing (Vic) Pty Limited	Australia	Australia	2 shares of \$1	4	283
ANZ Cap Management Limited	Australia	Australia	50,000 shares of \$1	2	4
ANZ Cap Nominees Limited	Australia	Australia	5 shares of \$1	2	3
ANZ Cap Securities Limited	Australia	Australia	2,000,000 shares of \$1	8	2
ANZ Capital Markets Corporation (NZ) Limited	New Zealand		10 shares of NZ\$1	—	—
§ Australia International Limited	Vanuatu	International	200,000 shares of £.50	40	464
° ANZ Custodians Limited	Australia	Australia	7 shares of \$1	—	—
ANZ (Delaware) Inc	USA	USA	10,000 shares of US\$1	—	—
° ANZ Discounts Limited	Australia	Australia	5 shares of \$2	—	—
<i>ANZ Executors &amp; Trustee Company Limited</i>	Australia	Australia	3,000,002 shares of \$1 fully paid	2,892	815
			2,499,998 shares of \$1 paid to 40¢	—	—
ANZ Executors Nominees Limited	Australia	Australia	5,000 shares of \$2	—	2
ANZ Executors Nominees (NSW) Limited	Australia	Australia	5,000 shares of \$2	—	—
ANZ Executors & Trustee Company (Canberra) Limited	Australia	Australia	20,000 shares of \$2	160	(19)
ANZ Executors & Trustee Company (South Australia) Limited	Australia	Australia	750,000 shares of \$1	(140)	(20)
* Nedals Finance No. One Pty Limited	Australia	Australia	5,000 shares of \$1	—	—
ANZ Finance (Far East) Limited	Australia	Hong Kong/Aust	17,000,000 shares of \$1 fully paid	6,434	7,835
			3,000,000 shares of \$1 paid to 10¢	—	—
§ ANZ Finance (Jersey) Limited	Jersey		10 shares of £1	—	—
ANZ Funds Pty Limited	Australia	Australia	100 shares of \$2	—	—
			678,123,231 redeemable pref. shares of \$1	—	—
° ANZ Holdings Limited	Australia	Australia	23,100,000 shares of \$1	34	37
§ ANZ Holdings (New Zealand) Limited	New Zealand	New Zealand	200 shares of NZ\$1	—	—
			867,521,719 redeemable pref. shares of NZ\$1	—	—
§ AIC Charge Card Services Limited	New Zealand	New Zealand	102,000 shares of NZ\$1	(109)	—
§ ANZ Banking Group (New Zealand) Limited	New Zealand	New Zealand	234,574,038 shares of NZ\$0.50 fully paid	48,669	39,134
§ ANZ (New Zealand) Finance N.V.	Netherland/Antilles	Curacao	6,000 shares of US\$1	—	—
§ ANZ Pensions (New Zealand) Limited	New Zealand	New Zealand	100 shares of NZ\$1	—	—
§ ANZ Properties (New Zealand) Limited	New Zealand	New Zealand	10,000 shares of NZ\$1	18	11
§ ANZ Savings Bank (New Zealand) Limited	New Zealand	New Zealand	250,000 shares of NZ\$2	1,594	1,611
§ Commercial Developments Limited	New Zealand	New Zealand	2,000 shares of NZ\$1	5	6
§ Credit for Industry (NZ) Limited	New Zealand		10,000 shares of NZ\$2	—	—
			240,000 shares of NZ\$2 paid to NZ\$1	—	—
§ Endeavour Investments (New Zealand) Limited	New Zealand	New Zealand	4,000,000 shares of NZ\$1	—	—
§ Financial Services Limited	New Zealand		10,000 shares of NZ\$2	—	—
§ Lambton Investment Company Limited	New Zealand	New Zealand	204,292 shares of NZ\$1	68	23
§ Leverage Lease Nominees Limited	New Zealand	New Zealand	1,000 shares of NZ\$1	—	—
§ Mercantile Discounts Limited	New Zealand	New Zealand	34,500 shares of NZ\$2	—	—
§ Mercantile Securities (Hong Kong) Limited	Hong Kong	Hong Kong	5,000 shares of HK\$2	561	203
§ The Traders' Finance Corporation Limited	New Zealand		150,000 shares of NZ\$2	—	—
§ UDC Developments Limited	New Zealand	New Zealand	20,000 shares of NZ\$1	1	19
§ UDC Endeavour Building Society	New Zealand	New Zealand	400,000 shares of NZ\$1	28	10
§ UDC Finance Limited	New Zealand	New Zealand	300,000 shares of NZ\$1	(491)	476
§ UDC Group Holdings Limited	New Zealand	New Zealand	18,360,000 shares of NZ\$1 fully paid	20	14
			31,640,000 shares of NZ\$1 uncalled	—	—
§ UDC Mercantile Securities Limited	New Zealand	New Zealand	5,000,000 shares of NZ\$2	3,992	3,365
§ UDC Nominees Limited	New Zealand	New Zealand	1,000 shares of NZ\$1	—	—
§ UDC Properties Limited	New Zealand	New Zealand	65,000 shares of NZ\$2	35	18
§ United Dominions Corporation Limited	New Zealand	New Zealand	29,000 shares of NZ\$0.50	—	—
§ United Finance Corporation Limited	New Zealand		48,850 shares of NZ\$2	—	—
§ ANZ Holdings (UK) plc	England	England	66,534,575 shares of 25p	101	(158)
§ Anvid Limited	England	England	2 shares of £1	18	—
§ ANZ Asia Pacific Holdings Limited	England	England	2 shares of £1	—	—
§ ANZ Asia Pacific Management Services Limited	England	England	2 shares of US\$10	—	—
§ ANZ Bank (Vanuatu) Limited	Vanuatu	Vanuatu	50,000 shares of \$1	1,231	—
			950,000 pref. shares of \$1	—	—
§ ANZ Finance Corporation Limited	England	England	100 shares of £1	(3,835)	—

§ Audited by overseas Peat, Marwick, Mitchell & Co firms \* Audited by firms other than Peat, Marwick, Mitchell & Co

° Debts of these subsidiaries guaranteed by the Holding Company in terms of the National Companies and Securities Commission

Class Order dated 22 April 1986 relieving wholly owned subsidiaries from compliance with certain sections of the Companies Code relating to accounts.

Holding company's beneficial interest and investment				Held by	Nature of business
%	\$'000	%	\$'000		
1986		1985			
100	#	100	#	ANZ Banking Group	Nominee services
100	66,116	100	66,116	ANZ Banking Group	Property owning company
100	—	100	—	ANZ Adelaide Group	Non-operative
100	13,378	100	—	ANZ Banking Group	Banking
100	26,548	100	26,548	ANZ Banking Group	Merchant bank
100	—	100	—	ANZ Capital Markets	Corporate services
100	—	100	—	ANZ Capital Markets	Lease finance
100	—	100	—	ANZ Capital Markets	Lease finance
100	—	100	—	ANZ Capital Markets	Lease finance
100	—	100	—	ANZ Capital Markets	Lease finance
100	—	100	—	ANZ Capital Markets	Manager of superannuation trust funds
100	—	100	—	ANZ Capital Markets	Nominee services
100	—	100	—	ANZ Capital Markets	Securities dealer
100	—	—	—	ANZ Capital Markets	Non-operative
100	—	—	—	ANZ Capital Markets	Merchant Bank
100	#	100	#	ANZ Banking Group	Custodian and Nominee services
100	17	100	14	ANZ Banking Group	Finance activities
100	—	100	—	ANZ Investments	Negotiation of foreign currency loans
100	4,000	100	4,000	ANZ Banking Group	Executor and trustee services
100	—	100	—	ANZ Executors & Trustee	Trustee, nominee and agency business
100	—	100	—	ANZ Executors & Trustee	Trustee, nominee and agency business
100	—	100	—	ANZ Executors & Trustee	Trustee, nominee and agency business
100	—	100	—	ANZ Executors & Trustee	Trustee, nominee and agency business
100	—	—	—	ANZ Executors & Trustee	Principal in production arrangement for a natural resources project
100	16,239	100	16,239	ANZ Banking Group and ES&A Holdings	Finance activities
100	#	100	#	ANZ Banking Group	Non-operative
100	274,164	100	—	ANZ Banking Group	Holding company
100	54,759	100	54,759	ANZ Banking Group	Property owning company
100	—	—	—	ANZ Funds	Holding company
51	—	—	—	ANZ Banking Group(NZ)	Administration of charge card services
100	—	75	45,455	ANZ Holdings (New Zealand)	Full range of banking services
100	—	75	—	ANZ Banking Group (NZ)	Finance activities
100	—	100	—	ANZ Banking Group (NZ)	Trustee of staff pension funds
100	—	75	—	ANZ Banking Group (NZ)	Property owning company
100	—	75	—	ANZ Banking Group (NZ)	Savings Bank
100	—	75	—	Lambton Investments	Investment company
100	—	75	—	UDC Finance	Non-operative
100	—	75	—	ANZ Banking Group (NZ)	Majority shareholder of UDC Group Holdings Ltd
100	—	75	—	UDC Finance	Non-operative
100	—	75	—	UDC Group Holdings	Finances consumer goods
100	—	75	—	UDC Finance	Nominee services
100	—	75	—	UDC Finance	Commercial bill discounter
100	—	75	—	UDC Mercantile Securities	Finance activities
100	—	75	—	UDC Finance	Non-operative
100	—	75	—	UDC Finance	Property development and management
100	—	—	—	UDC Group Holdings	Building society
100	—	75	—	UDC Group Holdings	General finance facilities
100	—	75	—	Endeavour Investments (NZ) and ANZ Banking Group (NZ)	Holders of subsidiary and other company shares
100	—	75	—	UDC Finance	Merchant bank
100	—	75	—	UDC Finance	Nominee services
100	—	75	—	UDC Finance	Property owning company
100	—	75	—	UDC Finance	Holders of associated company shares
100	—	75	—	UDC Finance	Non-operative
100	249,962	100	215,504	ANZ Banking Group	Banking and related services
100	—	100	—	Grindlays Bank	Property finance nominee
100	—	100	—	ANZ Merchant Bank Limited	Nominee company
100	—	100	—	Grindlays Asia Pacific Holdings	Management services
100	—	100	—	Grindlays Asia Pacific	Banking
				Melanesia International	
100	—	—	—	ANZ Holdings (UK)	Holding company

# Amounts under \$500

† Profit for ANZ Capital Markets Corporation and its subsidiaries is for the eight month period ended 30/9/85.

Notes to the Accounts continued

Subsidiary Companies and Group Interests continued	Incorporated in	Principal areas of operations	Issued capital	Contribution to group result \$'000	
				1986	1985
§ ANZ Humberclyde Limited	England	England	500,000 shares of £1	3,292	972
§ ANZ Industrial Finance Limited	England	United Kingdom	22,238,616 shares of 25p	1,889	1,298
§ ANZ Leasing Limited	England	England	100 shares of £1	144	729
§ ANZ Merchant Bank Limited	England	England	20,000,000 shares of £1	(2,272)	(6,081)
§ ANZ Merchant Bank Nominees Limited	England	England	100 shares of £1	—	—
§ ANZ Securities Asia Limited	Hong Kong	Hong Kong	100,000 shares of US\$10	11	—
			2 shares of US\$1	—	—
§ Atlas Hire Purchase Limited	England	England	100 shares of £1	—	—
§ Avrenim Catering Services Limited	England	England	100 shares of £1	—	—
§ Avrenim Leasing Limited	England	England	100 shares of £1	—	—
§ Benfar Limited	England	England	100 shares of £1	—	—
§ Brandts City Leasing Limited	England	England	1,000 shares of 10p	—	—
§ Brandts France SA	France	France	2,500 bearer shares of F.Fr100	—	—
§ Brandts Industrial Assets Limited	England	England	2 shares of £1	—	—
§ Brandts Nominees Limited	England	England	100 shares of £1	—	—
§ Brandts Second Nominees Limited	England	England	100 shares of £1	—	—
§ Brandts Timber Group Limited	England	England	200,000 shares of £1	—	—
§ Brandts Woodpulp International Limited	England	England	15,000 shares of £1	—	(57)
§ Capel-Cure Carden Limited	England	England	2 shares of £1	—	—
§ Capel-Cure Myers	England	England	998,257 'N' shares of £1	408	—
			174,300 'V' shares of £1	—	—
§ Capel-Cure Myers Nominees Limited	England	England	2,000 shares of £1	—	—
§ Capel-Cure Myers (London) Limited	England	England	2 shares of £1	—	—
§ Capel-Cure Myers (Scotland) Limited	England	England	2 shares of £1	—	—
§ Caphouse Nominees Limited	England	England	100 shares of £1	—	—
§ CCM Financial Services Limited	England	England	100 shares of £1	—	—
§ Clive Street Nominees Private Limited	India	India	100 shares of RS11	—	—
§ Electronic Banking Systems Limited	Jersey	Jersey	30,000 shares of £1	—	127
§ ES&A Properties (UK) Limited	England	England	125,000 shares of £1	32	28
§ Ferore No. 1 Pty Limited	Australia		20,003 shares of \$2	—	—
§ Gillespie Bros & Company Limited	England	England	1,000,000 shares of £1	—	—
§ Gillespie Bros (Holdings) Limited	England		842,000 shares of £1	—	—
§ Gillespie (Trade Finance) Pty Limited	Australia	Australia	12 shares of \$1	—	—
§ Grindlay Brandts Executor & Trustee Company Limited	England	England	250,000 shares of £1 (40p paid)	—	—
§ Grindlay Vanguard Management Limited	England	England	25,000 shares of £1	—	—
§ Grindinvest SA	France	France	2,490 bearer shares of F.Fr100	—	—
* Grindlay Brandts AG	Switzerland	Switzerland	10,000 shares of Sw Fr. 1,000	243	225
§ Grindlay Brandts (Australia) Limited	Australia	Australia	91,000 shares of \$1 fully paid	(5)	—
§ Grindlays Brandts Industrial Finance Limited	England	England	100 shares of £1	—	—
§ Grindlays Brandts Securities Australia Limited	Australia		5 shares of \$1	—	—
§ Grindlays Asia Limited Hong Kong	Hong Kong	Hong Kong	10,000,000 shares of HK\$1	—	2,666
§ Grindlays Asia Pacific Holdings Limited	Hong Kong	Hong Kong	1,000 shares of HK\$100	(6,148)	—
§ Grindlays Asia Pacific Management Limited	Hong Kong	Hong Kong	2 shares of US\$10	—	—
§ Grindlays Australia Limited	Australia	Australia	4,750,000 shares of \$1	672	3,547
§ Grindlays Bank International (Kenya) Limited	Kenya	Kenya	500,000 shares of K.Sh.20	1,217	204
* Grindlays Bank International (Uganda) Limited	Uganda	Uganda	100,000 shares of U.Sh.20	1,064	356
§ Grindlays Bank International (Zambia) Limited	Zambia	Zambia	6,800,000 shares of Kw.1	2,036	806
§ Grindlays Bank Nominees (Jersey) Limited	Jersey	Jersey	100 shares of £1	—	—
§ Grindlays Bank plc	England	International	800,000 shares of £1	12,104	23,000
			60,000,000 deferred shares of £1	—	—
§ Grindlays Bank SA	France	France	950,000 shares of F.Fr.100	2,075	(3,284)
§ Grindlays Bank (Jersey) Limited	Jersey	Jersey	2,000,000 shares of £1	7,782	5,814
* Grindlays Bank (Uganda) Limited	Uganda	Uganda	1,000,000 shares of U.Shs.20	1,167	293
* Grindlays Bank (Zaire) SZARL	Zaire	Zaire	250,000 shares of Z\$1	1,777	686
§ Grindlays Brandts Export Finance Limited	England	England	250,000 shares of £1	59	158
§ Grindlays Business Expansion Fund Management Ltd.	England		2 shares of £1	—	—
§ Grindlays Capel-Cure (Holdings) Limited	England	England	2 shares of £1	(1,508)	(140)
§ Grindlays Capel-Cure (Services) Limited	England		2 shares of £1	—	—
§ Grindlays Company Limited Hong Kong	Hong Kong	EEC Markets	10,000 shares of HK\$1	—	—
* Grindlays Equipment Finance Limited	England	England	100 shares of £1	422	(1,403)
* Grindlays Eurofinance BV	Holland	Holland	500 shares of D.Fl.1,000	50	642
§ Grindlays Executor & Trust Company (Private) Limited	Zimbabwe	Zimbabwe	2 shares of Z\$1	—	—
* Grindlays Export Finance AG	Switzerland	Switzerland	50 shares of SW Fr 1,000	—	—
§ Grindlays Finance Corporation Limited	England	England	2,000,000 shares of GBP1	(9,561)	(13,126)
§ Grindlays Futures Limited	Scotland	London	4,000,000 shares of 25p	—	(777)
§ Grindlays Holdings Finance Corporation Limited	England	England	100 shares of £1	—	—
§ Grindlays Industrial & Commercial Finance Limited	Zimbabwe	Zimbabwe	1,100,000 shares of Z\$1	456	260
§ Grindlays Industrial Holdings Limited	England	England	1,845,000 shares of £1	(2,771)	1,098
			20,500 deferred shares of £1	—	—
* Grindlays Industrial Leasing Limited	England	England	100 shares of £1	422	403
§ Grindlays International Finance (Kenya) Limited	Kenya	Kenya	250,000 shares of K.Sh.20	—	—
§ Grindlays International Limited	Hong Kong	Bahrain	200,000 shares of HK\$100	(6,749)	312
§ Grindlays International (Antilles) NV	Netherlands/Antilles	International	80,000 shares of US\$1	—	—

§ Audited by overseas Peat, Marwick, Mitchell & Co firms \* Audited by firms other than Peat, Marwick, Mitchell & Co



%	Holding company's beneficial interest and investment		Held by	Nature of business	
	\$'000	%			
	1986	1985			
100	—	100	—	Grindlays Finance Corporation	Holding company
100	—	100	—	Grindlays Finance Corporation	Hire purchase
100	—	100	—	Grindlays Finance Corporation	Lease finance
100	—	100	—	Grindlays Finance Corporation	Banking
100	—	—	—	ANZ Merchant Bank Limited	Holding company
100	—	—	—	ANZ Merchant Bank	Merchant banking
100	—	100	—	Grindlays Finance Corporation	Hire purchase finance
100	—	—	—	Grindlays Bank	Non-operative
100	—	—	—	Grindlays Bank	Lease finance
100	—	—	—	Capel-Cure Myers	Printing and printing services
100	—	100	—	Grindlays Finance Corporation	Lease finance
100	—	100	—	Grindlays Bank SA	Property trading company
100	—	100	—	Grindlays Finance Corporation	Lease finance
100	—	100	—	Grindlays Finance Corporation	Nominee company
100	—	100	—	Grindlays Finance Corporation	Nominee company
100	—	100	—	Grindlays Finance Corporation	Timber agents
100	—	100	—	Wm. Brandts (Timber)	Woodpulp agents
100	—	—	—	Capel-Cure Myers	Non-operative
100	—	—	—	Grindlays Capel-Cure Holdings	Stockbrokers
100	—	—	—	Capel-Cure Myers	Nominee company
100	—	—	—	Capel-Cure Myers	Non-operative
100	—	—	—	Capel-Cure Myers	Non-operative
100	—	100	—	Grindlays Merchant Bank	Nominee
100	—	—	—	Capel-Cure Myers	Stockbroking services
100	—	—	—	Grindlays Bank	Nominee company
70	—	70	—	Grindlays Bank (Jersey)	Grindlays group software enhancement
100	—	100	—	ANZ Holdings (UK)	Property owning company
100	—	100	—	Grindlays Securities Australia	Non-operative
100	—	—	—	Grindlays Finance Corporation	Confirming house
100	—	100	—	Grindlays Finance Corporation	Non-operative
100	—	—	—	Gillespie Bros	Non-operative
100	—	100	—	Grindlays Bank	Corporate trustee
100	—	100	—	Grindlays Bank (Jersey) Ltd	Management company
99.6	—	99.6	—	Grindlays Bank SA	Investment management company
100	—	100	—	Grindlays Industrial Holdings	Banking
100	—	100	—	Grindlays Industrial Holdings	Investment and holding company
100	—	100	—	Grindlays Finance Corporation	Hire purchase finance
100	—	100	—	Grindlays Brandts Australia	Non-operative
100	—	—	—	Grindlays Asian Pacific	Deposit taking institution
100	—	—	—	Grindlays Industrial Holdings	Deposit taking institution
100	—	—	—	Grindlays Asian Pacific	Management services
100	—	100	—	Grindlays Industrial Holdings	Merchant banking
60	—	60	—	Grindlays Industrial Holdings	Banking
100	—	100	—	Grindlays Bank	Banking
100	—	100	—	Grindlays Industrial Holdings	Banking
100	—	100	—	Grindlays Bank (Jersey)	Nominee company
100	—	100	—	ANZ Holdings (UK) and	Banking
	171,923		148,223	ANZ Banking Group	
100	—	100	—	Grindlays Industrial Holdings	Banking
100	—	100	—	Grindlays Industrial Holdings	Banking
51	—	51	—	Grindlays Bank	Banking
100	—	100	—	Grindlays Industrial Holdings	Banking
100	—	100	—	Grindlays Finance Corporation	Export financing
100	—	—	—	Grindlays Brandts	Non-operative
100	—	—	—	Grindlays Bank	Investment holding company
100	—	—	—	Grindlays Capel-Cure (Holdings)	Non-operative
100	—	100	—	Grindlays Brandts Export Finance	Export finance in EEC markets
100	—	100	—	Grindlays Finance Corporation	Lease finance
100	353	100	—	Grindlays Bank	Financing of companies
100	—	100	—	Grindlays Bank	Executor and trust company
100	—	100	—	Grindlays Brandts Export Finance	Export finance in EEC markets
100	—	100	—	Grindlays Bank	Holding company
100	—	100	—	Grindlays Finance Corporation	Financing futures dealing
100	—	—	—	ANZ Holdings (UK)	Holding company
100	—	100	—	Grindlays Bank	Hire purchase, lease and term loan facilities
100	—	100	—	Grindlays Finance Corporation	Holding company
100	—	100	—	Grindlays Finance Corporation	Lease finance
60	—	60	—	Grindlays Bank Int (Kenya)	Project finance
100	—	100	—	Grindlays Industrial Holdings	Offshore banking
100	—	100	—	Grindlays International (Nederland)	Holding company

Notes to the Accounts continued

Subsidiary Companies and Group Interests continued	Incorporated in	Principal areas of operations	Issued capital	Contribution to group result \$'000	
				1986	1985
§ Grindlays International (Bahamas) Limited	Bahamas		10,000 shares of US\$1	—	—
§ Grindlays International (Cayman) Limited	Cayman Islands		10,000 shares of US\$1	—	—
§ Grindlays International (Gibraltar) Limited	Gibraltar		2 shares of £1	—	—
§ Grindlays International (Nederland) BV	Netherlands	Netherlands	300,000 shares of Fl1	—	—
§ Grindlays International (Panama) Inc	Panama		100 bearer shares of US\$1	—	—
§ Grindlays Isle of Man Limited	Isle of Man	Isle of Man	100 shares of £1	—	—
§ Grindlays Leasing of Zambia Limited	Zambia	Zambia	1,000,000 shares of Kw.1	273	144
§ Grindlays Nominees (Kenya) Limited	Kenya	Kenya	100 shares of K.Sh.20	—	—
§ Grindlays Nominees (Private) Limited	Zimbabwe	Zimbabwe	5 shares of Z\$2	—	—
§ Grindlays Nominees (Zambia) Limited	Zambia	Zambia	3 shares of Kw.2	—	—
* Grindlays Participacoes e Servicos Limitada	Brazil		5,713,200 shares of Cr 1	(87)	156
§ Grindlays Properties Limited	England	England	100 shares of £1	653	—
§ Grindlays Secretarial Services Limited	Jersey	Jersey	100 shares of £1	—	—
§ Grindlays Securities Australia Limited	Australia	Australia	10,000,000 shares of \$1	—	—
§ Grindlays Securities Limited	England	London	270,000 shares of 20p	—	366
* Grindlays Services of Pakistan (Private) Limited	Pakistan	Pakistan	250,000 shares of Rs 10	—	—
* Grindlays Trust Co SA	Switzerland	Switzerland	100 registered shares	—	—
§ Grindlays Trust (Jersey) Limited	Jersey	Jersey	5,000 shares of £1	—	12
§ Grindlays (No. 1) Investments	England	England	100 shares of £1	—	—
§ Grindlays (No. 2) Investments	England	England	100 shares of £1	—	—
§ Grindlays (No. 3) Investments	England	England	100 shares of £1	—	—
§ Grindlays (No. 4) Investments	England	England	100 shares of £1	—	—
§ Grindlays (No. 5) Investments	England	England	100 shares of £1	(18)	—
§ Grindlays (No. 6) Investments	England	England	100 shares of £1	—	—
§ Grindlays (No. 7) Investments	England	England	100 shares of £1	—	—
§ Grindlays (No. 8) Investments	England	England	100 shares of £1	—	—
§ Grindlays (No. 9) Investments	England	England	100 shares of £1	—	—
§ Grindlays (No. 10) Investments	England	England	100 shares of £1	—	—
§ Hotel Regina SA	Switzerland		200 bearer shares of Sw Fr 1,000	—	—
§ Humberclyde Assets Limited	England	England	100 shares of £1	—	—
§ Humberclyde Finance Limited	England	England	100 shares of £1	—	—
§ Humberclyde Leasing Limited	England	England	1,000 shares of £1	—	—
§ Humberclyde Livestock Limited	England	England	100 shares of £1	—	—
§ Linton Nominee Limited	England	England	100 shares of £1	—	—
§ Minerva Nominees Scotland Limited	Scotland	Scotland	100 shares of £1	—	—
§ Minerva Leasing Limited	England	England	100 shares of £1	218	713
§ Minerva Nominees Limited	England	England	3 shares of £1	—	—
§ Minerva Nominees Scotland Limited	England	England	100 shares of £1	—	—
§ Multi Marketing Limited	England	England	10,000 shares of £1	—	6
§ Myer Nominees Limited	England	England	20 shares of £1	—	—
§ National and Grindlays Bank Limited	England		100,000 shares of £5	—	—
§ National and Grindlays Bank Trust Company Limited	England	England	100 shares of £1	—	—
§ National and Grindlays Nominees Limited	England	England	100 shares of £1	—	—
§ National Bank of India Limited	England		100 shares of £1	—	—
§ Pargola (Shipping) Limited	England		100 shares of £1	—	—
§ Parliament Street Nominees Limited	England	England	5 shares of £1	—	—
§ Polish Timber Products Limited	England	England	20,000 shares of £1	—	81
§ Richardson, Glover & Case Nominee Limited	England	England	100 shares of £1	—	—
§ Sam C. Thomson (Timber) Company Limited	Scotland	Scotland	1,000 shares of £1	—	(8)
§ SCI Immobilier Poincare	France	France	100 bearer shares of F.Fr10	—	—
§ SCI Immobilier Victor Hugo	France	France	100 bearer shares of F.Fr10	—	—
§ Snow Goose Compania Naviera SA	Panama	Panama	2 subscription transfer shares	—	—
§ Societe Immobiliere Quai du Mont Blanc 7	Switzerland	Switzerland	300 bearer shares of Sw Fr 1,000	30	95
§ Spey Developments Limited	England	England	800,000 shares of 25p	—	—
§ Spey Industrials Limited	England	England	100,000 shares of £1	2,196	—
§ Spey Investments Limited	Scotland	Scotland	500,100 shares of £1	(2,636)	—
§ Spey Nominees Limited	England	England	100 shares of £1	—	—
§ Spey Securities Limited	England		1,000 shares of £1	—	—
§ Swift 1978 Limited	England		1,000 shares of £1	—	—
§ Telecredit Limited	England		100 shares of £1	—	—
§ Union Property and Assets (Holdings) Limited	Scotland		40,100 shares of £1	—	—
§ Union Property and Assets Company Limited	Scotland		10,000 shares of £1	—	—
§ West Indian Development Company Limited	England		1,000 shares of 5p 1,000 pref £1	—	—
§ Wm. Brandts Sons & Co. Limited	England		100 shares of £1	—	—
§ Wm. Brandts (Hardwood) Limited	England	England	25,000 shares of £1	—	4
§ Wm. Brandts (Timber) Limited	England	England	200,000 shares of £1	71	(122)
§ Wm. Brandts (Wallply) Limited	England	England	50,000 shares of £1	—	136
° ANZ Investments Limited	Australia	International	150 shares of \$1	877	723
° ANZ Leasing Pty Limited	Australia	Australia	2 shares of \$1	—	—
° ANZ Leasing (ACT) Pty Limited	Australia	Australia	4 shares of \$2	—	—
° ANZ Leasing (NSW) Pty Limited	Australia	Australia	8 shares of \$1	—	—
° ANZ Leasing (NT) Pty Limited	Australia	Australia	2 shares of \$1	—	—

§ Audited by overseas Peat, Marwick, Mitchell & Co firms \* Not audited by Peat, Marwick, Mitchell & Co

° Debts of these subsidiaries guaranteed by the Holding Company in terms of the National Companies and Securities Commission

Class Order dated 22 April 1986 relieving wholly owned subsidiaries from compliance with certain sections of the Companies Code relating to accounts.

%	Holding company's beneficial interest and investment		Held by	Nature of business	
	\$'000	%			
	1986	1985			
100	—	100	—	Grindlays International (Cayman)	Non-operative
100	—	100	—	Grindlays International (Antilles)	Non-operative
100	—	100	—	Grindlays International (Cayman)	Non-operative
100	—	100	—	Grindlays Bank	Holding company
100	—	100	—	Grindlays International (Cayman)	Non-operative
100	—	100	—	Grindlays International (Cayman)	Non-operative
100	—	100	—	Grindlays Bank Int (Zambia)	Lease finance
60	—	60	—	Grindlays Bank Int (Kenya)	Nominee company
100	—	100	—	Grindlays Bank	Nominee company
100	—	100	—	Grindlays Bank Int (Zambia)	Nominee company
100	—	100	—	Grindlays Bank	Services to representative
100	—	—	—	Grindlays Holdings Finance Corp.	Holding company
100	—	100	—	Grindlays Bank (Jersey)	Company administration
100	—	100	—	Grindlays Australia	Securities and money market dealer
100	—	100	—	Grindlays Finance Corporation	Trading securities
100	—	100	—	Grindlays Bank	Nominee company
100	—	100	—	Grindlays Brandts AG	Trust managers
100	—	100	—	Grindlays Bank (Jersey)	Trust related matters
100	—	100	—	Grindlays Bank	Special deposit taker
100	—	100	—	Grindlays Bank	Special deposit taker
100	—	100	—	Grindlays Bank	Special deposit taker
100	—	100	—	Grindlays Bank	Special deposit taker
100	—	100	—	Grindlays Bank	Special deposit taker
100	—	100	—	Grindlays Bank	Special deposit taker
100	—	100	—	Grindlays Bank	Special deposit taker
100	—	100	—	Grindlays Bank	Special deposit taker
100	—	100	—	Grindlays Brandts Export Finance	Non-operative
100	—	100	—	Grindlays Finance Corporation	Full payout of lease finance
100	—	100	—	Grindlays Finance Corporation	Hire purchase finance
100	—	100	—	Grindlays Finance Corporation	Full payment lease finance
100	—	100	—	Grindlays Finance Corporation	Livestock lease finance
100	—	—	—	Capel-Cure Myers	Nominee company
100	—	100	—	Grindlays Finance Corporation	Nominee company
100	—	100	—	Grindlays Finance Corporation	Lease finance
100	—	100	—	Grindlays Bank	Nominee company
100	—	—	—	Grindlays Finance Corporation	Nominee company
100	—	100	—	Wm. Brandts (Timber)	Furniture & components, agents
100	—	—	—	Capel-Cure Myers	Nominee
100	—	100	—	Grindlays Industrial Holdings	Non-operative
100	—	100	—	Grindlays Bank	Nominee company
100	—	100	—	Grindlays Bank	Nominee company
100	—	100	—	Grindlays Bank	Non-operative
100	—	100	—	Grindlays Finance Corporation	Non-operative
100	—	100	—	Grindlays Bank	Nominee company
51	—	51	—	Wm. Brandts (Wallply)	Timber agents
100	—	—	—	Capel-Cure Myers	Nominee company
100	—	100	—	Wm. Brandts (Timber)	Timber agents
100	—	100	—	Grindlays Bank SA France	Holding company
100	—	100	—	Grindlays Bank SA	Holding company
100	—	100	—	Grindlays Finance Corporation	Shipping
100	—	100	—	Grindlay Brandts and Grindlays Bank	Property construction
100	—	100	—	Grindlays Industrial Holdings	Non-operative
100	—	100	—	Grindlays Industrial Holdings	Non-operative
100	—	100	—	Grindlays Industrial Holdings	Investment company
100	—	100	—	Grindlays Industrial Holdings	Nominee company
100	—	100	—	Grindlays Finance Corporation	Non-operative
100	—	100	—	Grindlays Finance Corporation	Non-operative
100	—	100	—	Grindlays Finance Corporation	Non-operative
100	—	100	—	Grindlays Finance Corporation	Non-operative
100	—	100	—	Grindlays Finance Corporation	Non-operative
100	—	100	—	Gillespie Bros	Non-operative
100	—	100	—	Grindlays Finance Corporation	Non-operative
100	—	100	—	Wm. Brandts (Timber)	Timber agents
100	—	100	—	Grindlays Finance Corporation	Timber agent
100	—	100	—	Wm. Brandts (Timber)	Sheet materials agents
100	—	100	#	ANZ Banking Group	Holder of subsidiary and other company shares
100	—	100	#	ANZ Banking Group	Nominee/agent in connection with packaging leveraged leases
100	—	100	#	ANZ Banking Group	Nominee/agent in connection with packaging leveraged leases
100	—	100	#	ANZ Banking Group	Co-ordination and arrangement of leveraged lease facilities
100	—	100	#	ANZ Banking Group	Co-ordination and arrangement of leveraged lease facilities

# Amounts under \$500

## Notes to the Accounts continued

Subsidiary Companies and Group Interests continued	Incorporated in	Principal areas of operations	Issued capital	Contribution to group result \$'000	
				1986	1985
° ANZ Leasing (Vic) Pty Limited	Australia	Australia	2 shares of \$1	—	—
° ANZ Nominees Limited	Australia	England/Aust/NZ	1,500 shares of £1	—	—
§ ANZ Nominees (Guernsey) Limited	Guernsey	Channel Islands	1,000 shares of £1	—	—
§ ANZ Overseas Finance Limited	England	England	100 shares of £1	14	(1)
° ANZ Pensions Pty Limited	Australia	Australia	5 shares of \$2	—	—
° ANZ Pensions (Adelaide) Limited	Australia	Australia	5,000 shares of \$2	—	—
§ ANZ Pensions (U.K.) Limited	England	England	250,000 shares of £1	—	—
ANZ Properties (Australia) Limited	Australia	Australia	5,000,000 shares of \$1	550	550
§ ANZ Trust Company (Guernsey) Limited	Guernsey	Channel Islands	5,000 shares of £1	—	—
§ Australia and New Zealand Banking Group (Channel Island) Ltd	Guernsey	Channel Islands	1,000,000 shares of £1	1,325	1,135
Australia and New Zealand Banking Group (PNG) Ltd	Papua New Guinea	Papua New Guinea	2,000,000 shares of K1	(300)	602
Australia and New Zealand Savings Bank Limited	Australia	Australia	7,500,000 shares of \$1	41,062	41,297
* Development Finance Corporation Limited	Australia	Australia	8,348,172 shares of \$1	559	347
* AFT Funds Management Limited	Australia	Australia	200,000 shares of \$1	139	158
* AFT Investors Services Limited	Australia	Australia	2,980,000 shares of \$2	52	121
* AFT Limited	Australia	Australia	500,000 shares of \$2	87	1,606
* AFT Personal Retirement Plans Limited	Australia	Australia	60,000 shares of \$1	21	18
* AFT Property Company Limited	Australia	Australia	50,000 shares of \$2	185	303
* AFT Property Management Pty Limited	Australia	Australia	10,000 shares of \$1	10	361
* AFT Property Services Pty Limited	Australia	Australia	10,000 shares of \$1	24	538
* AFT (Canberra) Limited	Australia	Australia	7 shares of \$2	—	—
* Allied Australian Investments Limited	Australia	Australia	520,000 shares of \$5	319	370
* Australian Fixed Trusts Limited	Australia	Australia	400,000 shares of \$2	—	—
* Australian Fixed Trusts (Queensland) Limited	Australia	Australia	50,000 shares of \$2	—	—
* Australian Fixed Trusts (Tasmania) Limited	Australia	Australia	25,000 shares of \$2	—	—
* Australian Fixed Trusts (Victoria) Limited	Australia	Australia	350,000 shares of \$2	—	—
* Australian Fixed Trusts (WA) Limited	Australia	Australia	50,000 shares of \$2	—	—
* Belobek Pty Limited	Australia	Australia	2 shares of \$1	38	53
* Delfin Acceptances Limited	Australia	Australia	4,150,000 shares of \$1	55	821
* Delfin Constructions Pty Limited	Australia	Australia	10,000 shares of \$1	—	—
* Delfin Corporate Services Limited	Australia	Australia	800,000 shares of \$1	(65)	9
* Delfin Financial Services Limited	Australia	Australia	10,000 shares of \$1	—	—
* Delfin Holdings Limited	Australia	Australia	4,984,275 shares of \$1	1,888	2,228
* Delfin Investment Services Limited	Australia	Australia	250,000 shares of \$2	42	81
* Delfin Management Services Pty Limited	Australia	Australia	200,000 shares of \$1	7	17
* Delfin Properties Pty Limited	Australia	Australia	180,008 shares of \$2	1	3
* Delfin Property Group Limited	Australia	Australia	1,930,000 shares of \$1	325	557
* Delfin Realty Pty Limited	Australia	Australia	2 shares of \$1	373	196
* Delfin Retirement Properties Pty Limited	Australia	Australia	10,000 shares of \$1	(6)	—
* Delfin Securities Pty Limited	Australia	Australia	10,000 shares of \$2	—	—
* Delfin Services Limited	Australia	Australia	1,500,000 shares of \$1	1	2
* Delfin Underwriting Limited	Australia	Australia	100,000 shares of \$2	25	24
* Delfin (NSW) Pty Limited	Australia	Australia	500,000 shares of \$1	20	29
* Development Nominees Pty Limited	Australia	Australia	4 shares of \$2	—	—
* Japan Australia Investment Company Limited	Australia	Australia	1,000,000 shares of \$1	—	14
Lakes Shore Hotel Pty Limited	Australia	Australia	1,000 shares of \$1	12	11
Olga Trading Pty Limited	Australia	Australia	2 shares of \$1	16	—
* Provident Nominees Pty Limited	Australia	Australia	2 shares of \$2	—	—
* Sandomir Pty Limited	Australia	Australia	2 shares of \$1	214	—
* South Australian Unit Trusts Limited	Australia	Australia	100,000 shares of \$2	—	—
West Lakes Limited	Australia	Australia	4,100,000 shares of 50¢	663	786
* Esanda Finance Corporation Limited	Australia	Australia	165,000,000 shares of \$1	31,632	37,590
* Ashmore Village Pty Limited	Australia	Australia	90 shares of \$1	—	—
* Delana Pty Limited	Australia	Australia	2 shares of \$1	275	67
* Endeavour Hills Pty Limited	Australia	Australia	3 shares of \$1	—	—
* Esanda (Finance) Australia Limited	Australia	Australia	5 shares of \$2	(61)	26
* Esanda (Wholesale) Pty Limited	Australia	Australia	50 shares of \$2	—	—
* FCA Finance Pty Limited	Australia	Australia	260,000 shares of \$2	2,204	2,600
* FCA Leasing Pty Limited	Australia	Australia	250,000 shares of \$2	3	1
* FCA (Wholesale) Pty Limited	Australia	Australia	100 shares of \$1	—	—
* Finance Corporation of Australia Limited	Australia	Australia	41,000,000 shares of \$1	16,232	12,546
			300,000 preference shares of \$1		
			25,000 preference shares of \$1 paid to 10¢		
* Ironbark Developments Pty Limited	Australia		90 shares of \$1	—	—
* Lefca Developments (Section 7) Pty Limited	Australia	Australia	100 shares of \$1	—	—
* Lefca Investments Pty Limited	Australia	Australia	2 shares of \$1	—	—
* Meadowlake Pty Limited	Australia	Australia	60 shares of \$1	—	—
§ Esanda Nominees Limited	England	England	100 shares of £1	—	—
° ES&A Holdings Limited	Australia	Australia	12,600,000 shares of \$1	11	12
° ES&A Nominees (Australia) Proprietary Limited	Australia	Australia	50 shares of \$2	—	—
° ES&A Properties (Australia) Limited	Australia	Australia	2,000,000 shares of \$1	12	12

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° Debts of these subsidiaries guaranteed by the Holding Company in terms of the National Companies and Securities Commission

Class Order dated 22 April 1986 relieving wholly owned subsidiaries from compliance with certain sections of the Companies Code relating to accounts.

Holding company's beneficial interest and investment				Held by	Nature of business
%	\$'000	%	\$'000		
	1986		1985		
100	—	100	#	ANZ Banking Group	Co-ordination and arrangement of leveraged lease facilities
100	2	100	2	ANZ Banking Group	Nominee services
100	2	100	2	ANZ Banking Group	Nominee services
100	—	100	#	ANZ Banking Group	Provision of foreign currency loans
100	—	100	#	ANZ Banking Group	Trustee of staff pension funds
100	10	100	10	ANZ Banking Group	Trustee of staff pension funds
100	573	100	494	ANZ Banking Group	Trustee of staff pension funds
100	—	100	—	ANZ Savings Bank	Property owning company
100	—	100	—	ANZ (Channel Islands)	Trustee
100	573	100	494	ANZ Banking Group	Full range of banking services
85	2,793	85	2,483	ANZ Banking Group	Full range of banking services
100	7,500	100	7,500	ANZ Banking Group	Savings Bank
100	64,120	100	64,120	ANZ Banking Group	Investment banking
100	—	100	—	AFT Investors Services	Marketing and operating a cash management trust
100	—	100	—	Development Finance Corporation	Management of unit trusts and other funds
100	—	100	—	AFT Investors Services	Marketing of property and equity unit trusts
100	—	100	—	AFT Investors Services	Managers o00027 trust based on retirements funds
100	—	100	—	AFT Investors Services	Management and marketing of property unit trusts
100	—	100	—	AFT Investors Services	Real estate management for property unit trust
100	—	100	—	AFT Investors Services	Real estate management for property unit trust
100	—	100	—	AFT Investors Services	Retirement fund trustees
100	—	100	—	Development Holdings	Investment in corporate securities
100	—	100	—	AFT Investors Services	Trustee for retirement and superannuation funds
100	—	100	—	AFT Investors Services	Trustee for retirement and superannuation funds
100	—	100	—	AFT Investors Services	Trustee for retirement funds
100	—	100	—	AFT Investors Services	Trustee for superannuation funds
100	—	100	—	AFT Investors Services	Trustee for retirement funds
100	—	100	—	Development Holdings	Investment in corporate securities
100	—	60	—	Development Finance Corporation	Merchant banking
100	—	100	—	Delfin Property Group	Construction of residential and commercial buildings
100	—	100	—	Delfin Services Limited	Investment banking
100	—	100	—	Development Finance Corporation	Leasing services
100	—	100	—	Development Finance Corporation	Industrial investment and holding company
100	—	100	—	Delfin Services Limited	Investment management
100	—	100	—	Delfin Property Group	Land and shopping centre management
100	—	100	—	Development Finance Corporation	Property owners
100	—	100	—	Development Holdings	Property development and investment banking
100	—	100	—	Delfin Property Group	Real estate agents
100	—	100	—	Delfin Property Group	Land investments
100	—	100	—	Development Finance Corporation	Trustee
100	—	100	—	Development Finance Corporation	Investment company
100	—	100	—	Delfin Services Limited	Underwriting services
100	—	100	—	Delfin Services Limited	Share trading
100	—	100	—	Delfin Services Limited	Nominee
100	—	100	—	Development Finance Corporation	Investment banking
100	—	100	—	West Lakes	Land investment
100	—	50	—	Development Finance Corporation	Management of oils and minerals
100	—	100	—	Delfin Services Limited	Nominee
100	—	100	—	Development Holdings	Investment in corporate securities
100	—	100	—	AFT Investors Services	Trustee for retirement funds
100	—	100	—	Delfin Property Group	Land development and investment
100	369,473	100	369,473	ANZ Banking Group	Hire purchase, lease, instalment and general finance facilities
100	—	100	—	FCA Finance	Agent and trustee
100	—	100	—	FCA Finance	Real estate developers
66.6	—	66.6	—	FCA Finance	Trustee
100	—	—	—	Esanda Finance Corporation	Lease finance facilities
100	—	100	—	Esanda Finance Corporation	Hire purchase, lease, instalment and general finance facilities
100	—	100	—	FCA	Real estate development and finance facilities
100	—	100	—	FCA	Lease finance
100	—	100	—	FCA	Motor vehicle finance
100	—	100	—	Esanda Finance Corporation	Real estate, leasing and general finance facilities
100	—	100	—	FCA Finance	Non-operative
100	—	100	—	FCA Finance	Beneficiary of land development partnership
100	—	100	—	FCA Finance	Trustee
100	—	100	—	FCA Finance	Real estate development
100	#	100	#	ANZ Banking Group	Nominee services
100	22,210	100	22,210	ANZ Banking Group	Property and investment owning company
100	#	100	#	ANZ Banking Group	Nominee services
100	—	100	—	ES&A Holdings	Property owning company

# Amounts under \$500

**Notes to the Accounts continued**

Subsidiary Companies and Group Interests continued	Incorporated in	Principal areas of operations	Issued capital	Contribution to group result \$'000	
				1986	1985
<i>Greater Pacific Life Assurance Company Limited</i>	Australia	Australia	250,000 shares of \$2	8,749†	—
Crescent Pacific Properties Limited	Australia	Australia	200 shares of 50¢	1†	—
Greater Pacific Casualty Limited	Australia	Australia	200,000 shares of \$1	8†	—
Greater Pacific Financial Services Limited	Australia	Australia	100 shares of \$1	203†	—
Greater Pacific Nominees Pty Limited	Australia	Australia	10,000 shares of \$1	1†	—
§Melanesia International Trust Company Limited	Vanuatu	International	931,469 shares of 50p	216	167
McCaughan Dyson Futures Limited	Australia	Australia	635,000 shares of \$1	47	52
°Melbourne Safe Deposit Pty Limited	Australia	Australia	29,000 shares of \$1	33	2
ANZ Managed Investments Limited	Australia	Australia	209,010 shares of \$1	1,599	957
ANZ Managed Investments (NSW) Limited	Australia		10,000 shares of \$1	—	—
ANZ Managed Investments (QLD) Limited (in liquidation)	Australia		16 shares of \$1	—	—
Neapean International Travel Pty Limited	Australia	Australia	30,000 shares of \$1	15	—
°No 3 Hoyle Ave Limited	Australia	Australia	16 shares of \$1	—	—
Weelya Pty Limited	Australia	Australia	2 shares of \$1	—	—
°Yarraga Pty Limited	Australia	Australia	2 shares of \$1	—	—
§Zan Investments Limited	Singapore	Singapore	31,544 redeemable pref shares of SG\$1	(2)	—
Companies sold or liquidated				—	(8,677)
Adjustment on Consolidation				380	(813)
				315,422	320,202

§ Audited by overseas Peat, Marwick, Mitchell & Co firms \* Audited by firms other than Peat, Marwick, Mitchell & Co

° Debts of these subsidiaries guaranteed by the Holding Company in terms of the National Companies and Securities Commission

Class Order dated 22 April 1986 relieving wholly owned subsidiaries from compliance with certain sections of the Companies Code relating to accounts.

	Incorporated in	Principal areas of operations	Issued capital	Group Interest
<b>Associated Companies</b> (Share or voting interests between 20% and 50%)				
AFT-Woolworths Realty Pty Limited	Australia	Australia	100,000 shares of \$1	50%
Amalgamated Finance Limited	New Zealand	New Zealand	10,000 shares of NZ \$2	50%
Asian International Merchant Bankers Berhad	Malaysia	Malaysia	5,000,000 shares of M\$1	27.5%
Australian Holdings Limited	England	England	10,000 shares of £1	25%
Australian Resources Development Bank Limited	Australia	Australia	11,088 shares of \$1,000	25%
Balfour Brandts Forest Products Limited	England	England	50,000 shares of £1	45%
Beneficial Acceptance Limited	Vanuatu	Vanuatu	2 shares of \$1	50%
Cambridge Capital Limited	England	England	599,750 shares of £.50	41.7%
Chandlers Rental Pty Limited	Australia	Australia	180,000 shares of \$1	50%
Chandlers (Australia) Limited	Australia	Australia	3,030,000 shares of \$1	49%
Charge Card Services Limited	Australia	Australia	80,010 shares of \$1	20%
Commercial Discount Co. Limited	Singapore	Singapore	10,000,000 shares of \$1	20%
Computation Unit Trust	Australia	Australia	388,278 units	25.7%
CRC Unit Trust	Australia	Australia	6,900,000 units	50%
CRM Unit Trust	Australia	Australia	500,000 units	50%
Daiwa ANZ International Limited	Australia	Australia	10,000,000 shares of NZ\$1 paid to 50¢	50%
Development Capital of Australia	Australia	Australia	10,000 shares of \$1	49.77%
Databank Systems Limited	New Zealand	New Zealand	200,000 shares of NZ \$1	20%
Distaga Pty Limited	Australia	Australia	2 shares of \$1	50%
Fairlight Instruments Pty Limited	Australia	Australia	956,271 shares of \$1	31.16%
Fifty Seven Willis Street Limited	New Zealand	New Zealand	6,560,100 shares of NZ \$1	15.40%
Grindlays Bahrain Bank	Bahrain	Bahrain	3,000,000 shares of BD1	40%
Grindlays Henderson Management Limited	Jersey	Jersey	25,000 shares of £1	50%
Grindlays Merchant Bank of Nigeria Limited	Nigeria	Nigeria	3,000,000 shares of ₦ 1	40%
Harare Board of Executors (Private) Limited	Zimbabwe	Zimbabwe	600 shares of Z\$1	33.33%
Jaybro Investments Pty Limited	Australia	Australia	840,000 shares of \$1	35.7%
K. A. McKechnie Enterprises Pty Limited	Australia	Middle East	100 shares of \$1	24%
LYC-AFT Securities Limited	Singapore	International	500,000 shares of \$1	50%
Malcha Properties Limited	India	India	1,000 shares of RS100	50%
McCaughan Dyson Holdings Limited	Australia	Australia	5,002,000 shares of \$1	50%
Merchant Bank (Ghana) Limited	Ghana	Ghana	2,000,000 shares of Credi 1	30%
Metropolitan Life Assurance Company of N.Z. Limited	New Zealand	New Zealand	8,018,019 shares of NZ\$1	50%
Milac Pty Limited	Australia	Australia	2 shares of \$1	50%
Nabiac Farm Pty Limited	Australia	Australia	1,150,000 shares of \$1	30%
Nepal Grindlay Bank Limited	Nepal	Nepal	300,000 shares of N. Rs 100	50%
New Zealand Bankcard Associates Limited	New Zealand	New Zealand	30,000 shares of NZ \$1	33.3%
Overland Agencies Pty Limited	Australia	Australia	16,000 shares of \$2	50%
Pacific Corporate Services Pty Limited	Australia	South Pacific	149,800 shares of \$1	42.3%
Reading & West	England	England	1,00 shares of £1	40%
Rosignol Development Corporation	Panama	Panama	1,000 shares of US\$1	50%
South Pacific Investment Corp. Limited	Australia	South Pacific	3,750,000 shares of \$1 paid to 20¢	20%
Television Australia-Satellite Systems Limited	Australia	Australia	1,146,191 shares of \$1	21.2%
Von Seidel Grindlays Trust Company Limited	Zimbabwe	Zimbabwe	60,000 shares of Z\$1	35%
Von Seidel Nominee Company	Zimbabwe	Zimbabwe	300 shares of Z\$1	35%

%	Holding company's beneficial interest and investment		%	\$'000	Held by	Nature of business
	\$'000	\$'000				
	1986	1985				
100	48,288	—	—	—	ANZ Banking Group	Life assurance
100	—	100	—	—	Greater Pacific Life	Investment company
100	—	100	—	—	Greater Pacific Life	Marketing and administration of disability insurance
100	—	100	—	—	Greater Pacific Life	Marketing and administration of insurance bonds
100	—	100	—	—	Greater Pacific Life	Nominee company
54	—	50	—	—	ANZ Investments	Trustee, corporate and financial services
100	850	100	850	—	ANZ Banking Group	Futures trader
100	29	100	29	—	ANZ Banking Group	Holding company for subsidiary company shares
100	—	100	—	—	Melbourne Safe Deposit	Unit trust managers
100	—	100	—	—	ANZ Managed Investments	Non-operative
100	—	100	—	—	ANZ Managed Investments	Non-operative
100	105	—	—	—	ANZ Banking Group	Travel services
100	#	100	—	—	ANZ Banking Group	Property leasing
100	—	—	—	—	ANZ Properties (Australia)	Property owning company
100	#	100	#	—	ANZ Banking Group	Trustee of staff pension fund
100	200,000	—	—	—	ANZ Banking Group	Banking
	1,593,987		1,044,525			

Amounts under \$500  
Profit for Greater Pacific Life Assurance Company Limited and its subsidiaries is for the nine months period ended 30 September 1986

Held by	Nature of business
AFT	Marketing and management of property unit trust
UDC Group Holdings	Dealer financing
Grindlays Industrial Holdings	Banking
Grindlays Bank	Non-operative
ANZ Banking Group	Financing development of Australia's natural resources
Wm. Brandt (Timber)	Timber and sheet material agent
ANZ Bank (Vanuatu)	Holding company
Grindlay Brandt	Corporate finance advice
Development Holdings	Hire purchase financing and television rental
Development Holdings	Electrical retailing
ANZ Banking Group	Service company for administration and provision of bank charge cards
Development Finance Corporation	Singapore money market official dealer
Belobek	Marketing of computer software
Sandomir	Manufacturing of continuous stationery
Sandomir	Marketing of continuous stationery
ANZ Banking group	Stockbroker
Development holdings	Investment banking
ANZ Banking Group (NZ)	Nationwide computer network
Sandomir	Trustee of unit trust manufacturing and distributing computer products
Development Holdings	Computer musical instrument manufacturer
ANZ Banking Group (NZ)	Property owning company
Grindlays Bank	Banking
Grindlays Bank (Jersey)	Investment management
ANZ Holdings (UK)	Banking
Grindlays Bank	Management of trusts and deceased estates
Development Holdings	Polythene products manufacturer
Development Holdings	Financial and trade consultant services
AFT	Marketing and management of unit trusts
Grindlays Bank	Property management
ANZ Banking Group	Stockbroking holding company
Grindlays Industrial Holdings	Banking
ANZ Banking Group (NZ)	Insurance
Sandomir	Trustee of unit trust marketing computer products
Delfin Management Services	Rural property owners and farming
Grindlays Bank	Banking
ANZ Banking Group (NZ)	Servicing company for administration of charge card services
Development Holdings	Corporate advice
Development Finance Corporation	Investment banking
ANZ Merchant Bank	Capital management
Grindlay Brandts AG	Tanker chartering & name protection
Development Holdings	Investment banking
Development Holdings	Development of satellite TV broadcasting systems
Grindlays Bank	Investment and trust company
Grindlays Bank	Nominee company

## Consolidated Statement of Source and Application of Funds for the year ended 30 September 1986

<b>Source of Funds</b>	<b>1986 \$'000</b>	<b>1985 \$'000</b>
Inflow of funds from operations	6,646,361	5,838,308
Less outflow of funds from operations	<u>5,935,205</u>	<u>5,122,055</u>
Funds derived from operations	711,156	716,253
New share issues including premium on issue	461,216	10,981
Increases in liabilities:		
Deposits, bonds and note issues	7,463,115	5,446,878
Bills payable and all other liabilities	2,821,332	—
Borrowings by subsidiaries	<u>339,775</u>	<u>793,230</u>
	<u>11,796,594</u>	<u>6,967,342</u>
 <b>Application of Funds</b>		
Payment of dividends	114,708	99,981
Payment of income tax	131,415	183,554
Goodwill arising on acquisition of New Zealand group minorities and other acquisitions	131,123	—
Increases in assets:		
Premises, equipment and other fixed assets (net)	259,144	267,902
Liquid assets	3,530,057	428,561
Investments	1,183,658	717,286
Regulatory deposits with central and other banks	238,333	49,877
Loans, advances and net receivables	5,346,723	4,488,960
All other assets	791,366	102,260
Reduction in liabilities:		
Bills payable and all other liabilities	—	628,961
Reduction in minorities on New Zealand group becoming wholly owned	70,067	—
	<u>11,796,594</u>	<u>6,967,342</u>



## Directors' Statement

### Statement by the Directors

In the opinion of the directors of Australia and New Zealand Banking Group Limited the accompanying accounts of the Company and its subsidiaries are properly drawn up in accordance with the provisions of the Companies (Victoria) Code in the manner authorised for a prescribed corporation being a banking corporation and on this basis:

- (i) the accompanying profit and loss statements are drawn up so as to give a true and fair view of the profit of the Company and its subsidiaries for the year ended 30 September, 1986.
- (ii) the accompanying balance sheets are drawn up so as to give a true and fair view of the state of affairs of the Company and its subsidiaries as at 30 September 1986.
- (iii) are in accordance with applicable approved accounting standards.

It is also the opinion of the directors that at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due and be able to meet any obligations or liabilities that may arise from any guarantees or undertakings given to certain subsidiaries specified in Note 26 in terms of a National Companies and Securities Commission class order dated 22 April 1986.

Dated at Melbourne this 1st day of December, 1986.

Signed in accordance with a resolution of the directors.

**W. J. Vines** *Chairman*

**W. J. Bailey** *Group Managing Director*

## Auditors' Report

### To the Members of Australia and New Zealand Banking Group Limited

We have audited the accounts set out on pages 33 to 55 in accordance with Australian Auditing Standards.

In our opinion:

the accounts are properly drawn up in accordance with the provisions of the Companies (Victoria) Code in the manner authorised for a prescribed corporation being a banking corporation and on this basis:

- (i) so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 1986 and the profit of the Company and the Group for the year ended on that date so far as they concern members of the Company and the other matters required by Section 269 of that Code to be dealt with in the accounts and in group accounts; and
- (ii) are in accordance with applicable approved accounting standards and with Australian accounting standards apart from the disclosure in note 1 (a) with which departure we agree for the reasons therein stated.

Note 26 to the accounts on pages 44 to 53 discloses the subsidiaries of which we have acted as auditors, distinguishing those which are the subject of a class order by the National Companies and Securities Commission granting relief from the requirement of the relevant Companies Codes that their accounts be audited. The names of the subsidiaries of which we have not acted as auditors are also identified in note 26. We have examined their accounts and the auditor's reports thereon.

**Peat, Marwick, Mitchell & Co.**  
Chartered Accountants

**R. C. Dunn**, *Partner*

Melbourne  
1st December, 1986

**Balance Sheet** as at 30 September, 1986

<b>Shareholders' funds</b>	1986 \$'000	1985 \$'000	<b>Assets</b>	1986 \$'000	1985 \$'000
Authorised capital: 14,000,000 ordinary shares of \$1 each	14,000	14,000	Cash	25	195
Issued capital: 7,500,000 ordinary shares of \$1 each, fully paid	7,500	7,500	Deposits with Australia and New Zealand Banking Group Limited	—	1,322
General reserve	118,045	118,045	Australian public securities (a) Commonwealth of Australia		
Foreign currency translation reserve	39	—	— Treasury notes	274,000	37,200
Retained profits	89,999	64,723	— other	407,593	541,865
	215,583	190,268	(b) Local & Semi Government Other public securities	554,304	616,346
<b>Liabilities</b>				17,861	16,332
Deposits	4,363,551	3,789,254	Balances due by other banks	1,300	1,300
Deposits in Australia by Australia and New Zealand Banking Group	12,898	—	Loans less provisions for doubtful debts	3,411,795	2,847,270
Provision for income tax	6,291	18,603	Shares in subsidiary	5,000	5,000
Bills payable and other liabilities	164,893	133,176	Other securities	56,073	29,878
	4,763,216	4,131,301	Other assets	35,265	34,593
				4,763,216	4,131,301

**Profit and Loss Account** for the year ended 30 September, 1986

Expenses of management and interest paid	473,666	422,700	Discount and interest earned, commission and other items	548,899	499,136
Income tax expense	34,171	35,139			
Operating profit for year	41,062	41,297			
	548,899	499,136		548,899	499,136
Dividend	14,600	15,000	Balance brought forward	64,723	38,426
Balance carried forward	89,999	64,723	Operating profit for year	41,062	41,297
			Extraordinary item	(1,186)	
	104,599	79,723		104,599	79,723

\* Abridged format for information purposes only.

## Balance Sheet as at 30 September, 1986

Shareholders' funds	1986 \$'000	1985 \$'000	Assets	1986 \$'000	1985 \$'000
Authorised capital: 250,000,000 ordinary shares of \$1 each	250,000	250,000	Deposits at call and short term investments	12,800	15,798
Issued capital: 165,000,000 ordinary shares of \$1 each, fully paid	165,000	165,000	Receivables, less provisions and less income yet to mature \$1,180,638 (1985 \$989,978)	3,861,017	3,426,038
Capital reserve	146	146	Premises and equipment	52,561	52,263
Asset revaluation reserve	40,514	40,514	Development ventures	59,621	44,384
General reserve	72,000	72,000	Other assets	1,490	1,441
Retained profits	118,090	91,813			
	395,750	369,473			
<b>Liabilities</b>					
Debenture stock Maturing within one year \$1,071,816 (1985 \$598,853)	2,157,746	1,987,857			
Unsecured notes and deposits Maturing within one year \$678,617 (1985 \$751,017)	1,144,260	997,789			
Provision for income tax	—	2,972			
Other liabilities	289,733	181,833			
	3,987,489	3,539,924		3,987,489	3,539,924

## Profit and Loss Account for the year ended 30 September, 1986

Expenses of management and interest paid	573,006	448,094	Interest earned commission and other items	663,835	546,740
Income tax expense	40,544	44,827			
Operating profit for year (1985 including intra-Group dividend of \$989)	50,285	53,819			
	663,835	546,740		663,835	546,740
Dividend	17,200	18,700	Balance brought forward	91,813	54,773
Balance carried forward	118,090	91,813	Transfer from reserve	—	1,521
			Operating profit for year	50,285	53,819
			Extraordinary item	(6,808)	400
	135,290	110,513		135,290	110,513

\* Abridged format for information purposes only.

## Balance Sheet as at 30 September, 1986

Shareholders' funds	1986 NZ\$'000	1985 NZ\$'000	Assets	1986 NZ\$'000	1985 NZ\$'000
Authorised capital: 400,000,000 ordinary shares of NZ50¢ each	200,000	200,000	Cash and short term funds	143,218	49,355
Issued capital	117,278	93,442	New Zealand Government, local authority securities and other investments	1,259,935	929,316
Reserves	199,932	126,443	Cheques in course of collection and balances with other banks	302,288	11,488
Retained profits	46,504	32,302	Loans and advances	3,614,294	2,640,643
	363,714	252,187	Bills receivable and remittances in transit	123,471	79,259
<b>Liabilities</b>			Acceptances of customers	380,464	124,556
Deposits and borrowings	4,575,404	3,256,973	Premises and equipment	141,675	99,048
Proposed final dividend	—	16,358	Investment in associated companies	18,753	15,817
Provision for taxation	50,982	(9,776)	Loans to associated companies	519	3,320
Due to other banks	141,166	61,599	All other assets	66,317	37,124
Bank acceptances	380,464	124,556			
Bills payable, other provisions and other liabilities	539,204	288,029			
	6,050,934	3,989,926		6,050,934	3,989,926

## Profit and Loss Account for the year ended 30 September, 1986

Expenses of management and interest paid	769,998	541,455	Discount and interest earned, commission and other items	939,716	672,763
Income tax expense	81,943	53,120	Interest of minorities	178	
Operating profit for year	87,953	78,188			
	939,894	672,763		939,894	672,763
Transfer to reserves	60,738	35,386	Balance brought forward	32,323	17,005
Dividend — interim	14,028	11,147	Operating profit for year	87,953	78,188
— proposed final	—	16,358	Extraordinary items	994	—
Balance carried forward	46,504	32,302			
	121,270	95,193		121,270	95,193

\* Abridged format for information purposes only

## Balance Sheet as at 30 September, 1986

	1986 £'000	1985 £'000		1986 £'000	1985 £'000
<b>Shareholders' funds</b>			<b>Assets</b>		
<b>Authorised capital:</b>			<b>Cash and short term funds</b>	1,208,227	801,936
70,000,000 ordinary shares of 25p each	17,500	17,500	Term deposits with banks and public bodies	96,881	118,724
Issued capital	16,651	16,651	Investments	442,800	366,139
Reserves	162,166	174,344	Loans and advances	2,748,127	2,757,112
	178,817	190,995	Shares in associated companies	4,738	5,199
Minority shareholders interest	1,323	1,254	Premises and equipment	96,043	90,144
Loan capital	141,614	174,260	Acceptances of customers	359,389	437,992
<b>Liabilities</b>					
Current deposits and other accounts	4,264,810	3,766,442			
Bank acceptances	359,389	437,992			
Provision for taxation	10,252	6,303			
	4,956,205	4,577,246		4,956,205	4,577,246

## Profit and Loss Account for the year ended 30 September, 1986

Expenses of management and interest paid	505,843	571,967	Interest earned, commission and other items	519,964	594,746
Income tax expense	10,895	16,630			
Interest of minorities	402	244			
Operating profit for year	2,824	5,905			
	519,964	594,746		519,964	594,746
Transfer to reserves	—	4,326	Balance brought forward	21,223	20,296
Balance carried forward	15,538	22,232	Operating profit for year	2,824	5,905
			Extraordinary items	(8,509)	357
	15,538	26,558		15,538	26,558

\* Abridged format for information purposes only with items adjusted where appropriate to restate to an ANZ Group basis.

## Analysis of Shareholdings

### Twenty Largest Shareholders

As at 7 November, 1986, the twenty largest shareholders held 203,346,845 shares, which is equal to 44.9 per cent of the total issued capital of 453,160,932 shares of \$1 each. They were:

Shareholders:	No. of Shares	%
National Nominees Limited	47,562,912	10.5
ANZ Nominees Limited	29,614,495	6.5
Australian Mutual Provident Society	20,654,043	4.6
Jomet Pty. Limited	11,415,827	2.5
C.T.B. Nominees Limited	11,137,625	2.5
The National Mutual Life Association of Australasia Limited	10,824,194	2.4
ISMG Nominees Pty. Limited	8,010,126	1.8
State Superannuation Board	7,999,282	1.8
Bank of New South Wales Nominees Pty. Limited	7,796,072	1.7
Chase Nominees Limited	7,685,586	1.7
The Colonial Mutual Life Assurance Society Limited	6,974,248	1.5
MLC Life Limited	5,372,382	1.2
Pearl Assurance Public Limited Company	4,977,325	1.1
Citicorp Nominees Pty. Ltd.	4,478,449	1.0
Indosuez Nominees Pty. Limited	4,365,755	1.0
Government Insurance Office of New South Wales	4,061,512	0.9
ANZ Executors Nominees (NSW) Limited	2,941,595	0.6
Tarraleigh Pty. Limited	2,657,781	0.6
NRMA Investment (Pty.) Limited	2,468,663	0.5
Barclay's Australia Custodian Services Limited	2,348,973	0.5
	<b>203,346,845</b>	<b>44.9</b>

**Voting Rights of Shareholders** The articles provide for: — on a show of hands: 1 vote  
— on a poll: 1 vote for each fully-paid share held  
1 vote for every 10 partly-paid shares issued pursuant to the Company's Senior Officers' Share Purchase Scheme

### \*Directors' Shareholding Interests

	Beneficial		Non-beneficial As at 1st December, 1986
	As at 1st December, 1986	As at 1st December, 1986	
	Fully- Paid Shares	Partly- Paid Shares#	
Sir William Vines	13,799	—	—
W. J. Bailey	11,461	50,000	—
M. D. Bridgland	10,980	—	—
Sir Roderick Carnegie	2,000	—	3,300
J. C. Dahlsen	6,000	—	—
D. C. L. Gibbs	20,005	—	—
J. B. Gough	1,000	—	—
C. J. Harper	1,197	—	—
W. J. Holcroft	14,529	—	—
Dame Leonie Kramer	—	—	—
Sir Laurence Muir	20,069	—	—
R. A. D. Nicolson	12,517	40,000	—
L. M. Papps	13,475	—	58,640
A. J. O. Ritchie	—	—	—
B. W. Scott	1,000	—	—
	<b>128,032</b>	<b>90,000</b>	<b>61,940</b>

# Ordinary shares of \$1 each, paid as to 10 cents only, issued pursuant to the Company's Senior Officers' Share Purchase Scheme.

### Average Size of Shareholdings

As at 7 November, 1986 the average size of shareholdings was 7,614 (1985, 6,615).

### Distribution of Shareholdings

Range	Number of holders	% of holders	Number of shares 000's	% of shares
1 to 1,000 shares	26,178	44.0	13,610	3.0
1,001 to 5,000 shares	27,025	45.4	60,264	13.3
5,001 to 10,000 shares	3,792	6.4	26,627	5.9
Over 10,000 shares	2,523	4.2	352,660	77.8
	<b>59,518</b>	<b>100.0</b>	<b>453,161</b>	<b>100.0</b>
<b>Category of shareholder</b>				
Men	22,013	37.0	48,095	10.6
Women	24,118	40.5	47,395	10.5
Joint accounts (Individuals)	5,748	9.7	14,130	3.1
Banks and insurance companies	890	1.5	80,939	17.9
Trustee companies	317	0.5	9,996	2.2
Pension funds	87	0.1	15,232	3.4
Nominee companies	1,121	1.9	151,521	33.4
Other	5,224	8.8	85,853	18.9
	<b>59,518</b>	<b>100.0</b>	<b>453,161</b>	<b>100.0</b>

### Holders of non-marketable parcels

As at 7 November, 1986, shareholdings of less than a marketable parcel (1 share to 99 shares) totalled 1,492 (1985, 1,282), which is equal to 2.5% of the total number of shareholdings.

# SENIOR MANAGEMENT

(as at 1 December 1986)

**W. J. Bailey**  
Group Managing  
Director and Chief  
Executive Officer

**R. A. D. Nicolson**  
Group Deputy  
Managing Director  
and Chief Operating  
Officer

## Group Headquarters

### Sector Directors

**R. K. W. Bennett**  
Director  
Australian Retail  
Banking

**D. T. Craig**  
Director  
Americas and Pacific  
Basin

**B. B. Dickinson**  
Senior General  
Manager ANZ &  
Managing Director,  
Grindlays Bank

**F. A. McDonald**  
Director  
Corporate Services

**D. Nicolson**  
Director  
Australian  
Commercial  
Services

**P. J. Rizzo**  
Director  
Global Treasury

**B. Weeks**  
Managing Director  
ANZ Banking  
Group (New  
Zealand) Limited

### Group Executive

**D. N. Butcher**  
General Manager  
Community  
Relations

**L. C. Graham**  
Group Secretary

**C. A. Griss**  
Group Executive  
Finance

**D. P. Mercer**  
Group Executive  
Strategic Planning &  
Economics

**A. R. D. Peatfield**  
Group Executive  
Personnel &  
Administration

**J. W. Pitt**  
Group Executive  
Management  
Information Services

**B. J. Waldron**  
Group Executive  
Audit

## Australian Retail Banking

**R. K. W. Bennett**  
Director

**D. W. Gall**  
General Manager  
Electronic Network  
Services

**A. N. Findlay**  
General Manager  
Data Processing  
Operations

**A. T. L. Maitland**  
General Manager  
Retail Banking

**J. F. Ries**  
General Manager  
Branch Banking  
Operations

**B. J. Dawson**  
General Manager,  
Branch Banking  
Queensland

**C. R. Pleydell**  
General Manager,  
Branch Banking  
South Australia &  
Northern Territory

**R. C. Tuxford**  
General Manager,  
Branch Banking  
New South Wales

**J. D. Tyquin**  
General Manager,  
Branch Banking  
Tasmania

**A. K. R. Watson**  
General Manager,  
Branch Banking  
Western Australia

**B. D. Christensen**  
Acting General  
Manager, Branch  
Banking  
Victoria

## Australian Commercial Services

**D. Nicolson**  
Director

**T. H. Giles**  
Managing Director  
Australian Fixed  
Trusts Limited

**T. C. Jenkins**  
Managing Director  
Greater Pacific Life  
Assurance Company  
Limited

**E. C. J. Johnson**  
General Manager  
Commercial  
Banking & Overseas  
Services

**B. P. Ranford**  
Managing Director  
ANZ Executors and  
Trustee Company  
Limited

**L. G. Twidale**  
Managing Director  
Esanda Finance  
Corporation Limited

**D. R. Watson**  
General Manager  
Investment and  
Trust Services

## Corporate Services

**F. A. McDonald**  
Director

**J. R. McConnell**  
General Manager  
Corporate Banking

**B. P. Martin**  
General Manager  
ANZ Property  
Management &  
Managing Director,  
Delfin Property  
Group Limited

**I. A. Pollard**  
Managing Director  
Development  
Finance Corporation  
Limited

**B. H. Walters**  
Managing Director  
ANZ Capital  
Markets  
Corporation Limited

## Global Treasury

**P. J. Rizzo**  
Director

**R. C. Thomas**  
General Manager  
Treasury  
(London-based)

**M. I. Calderwood**  
General Manager  
New Zealand  
Treasury

**R. N. Challis**  
General Manager  
Australian Treasury

**P. J. O. Hawkins**  
Regional General  
Manager  
Pacific Treasury

**M. J. Tong**  
Regional General  
Manager  
UK/Europe  
Treasury

**J. B. Van Aken**  
Regional General  
Manager  
North American  
Treasury

## UK/Europe/Middle East/Africa and South Asia

**B. B. Dickinson**  
Senior General  
Manager ANZ  
& Managing  
Director,  
Grindlays Bank

**A. Dayal**  
General Manager  
Banking

**R. Isherwood**  
General Manager  
United Kingdom

**Hon D. C. Poole**  
Managing Director  
& Chief Executive  
Officer  
ANZ Merchant Bank  
Limited

**D. B. Valentine**  
General Manager  
Europe

**G. W. Cunningham**  
Regional Director  
South Asia

**G. G. Howard**  
Regional Director  
Africa

**T. C. W. Ingram**  
Regional Director  
Middle East

**F. Bray**  
Director, Credit  
London

## Americas and Pacific Basin

**D. T. Craig**  
Director

**W. G. Barnes**  
Chief Manager  
Pacific Islands

**P. D. Hand**  
Regional General  
Manager  
Pacific Basin

**R. P. Sewell**  
Executive Vice  
President  
Americas

**A. D. Vale**  
Managing Director  
ANZ Banking  
Group (PNG)  
Limited

## New Zealand

**B. Weeks**  
Managing Director  
ANZ Banking  
Group (New  
Zealand) Limited

**R. E. Baker**  
Managing Director  
UDC Group  
Holdings

**R. I. G. Harding**  
General Manager  
Corporate &  
Commercial  
Banking

**A. G. Kirkland**  
General Manager  
Banking Network

**T. D. Sullivan**  
General Manager  
Retail Banking

