

<i>Current Liabilities:</i>			
Interest accrued to depositors	15,880	13,295	
Provision for current taxation		691	
Provision for donations	650	650	
Sundry creditors	1,512	1,088	
		18,042	15,724
<i>Term Liabilities:</i>			
Provision for deferred taxation	5,888	3,687	
Housing Corporation of New Zealand	5,295	4,088	
		11,183	7,775
Reserve Fund		62,592	53,946
		<u>\$1,241,190</u>	<u>\$1,106,689</u>
<i>Current Assets:</i>			
Cash Resources	112,066	101,170	
Interest due and accrued on investments	20,273	11,100	
Sundry debtors	1,459	858	
Taxation refund due	397		
		134,195	113,128
<i>Investments:</i>			
New Zealand Government securities	450,274	405,620	
Local authorities securities	4,263	6,669	
Mortgages	539,695	482,862	
Term loans	50,092	40,354	
Personal loans	13,853	18,177	
Overdrafts	5,006	2,377	
Trusteebank Visa	9,682	6,336	
Interest in partnerships	7,355	6,716	
		1,080,220	969,111
Fixed assets:		26,775	24,450
		<u>\$1,241,190</u>	<u>\$1,106,689</u>

To be read in conjunction with the notes to the financial statements.

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31 MARCH 1985

	1985	1984
	\$000	\$000
<i>Income:</i>		
<i>Interest:</i>		
New Zealand Government securities	45,987	39,183
Local authorities securities	631	904
Mortgages	68,005	59,762
Other investments	27,838	18,449
	142,461	118,298
Rent, commissions, etc.	6,428	5,204
Profit on Sale—Local authorities securities	59	16
Total Income	148,948	123,518
<i>Less Expenditure:</i>		
Interest credited and accrued to depositors	94,062	76,437
Charges and administration expenses etc.	34,960	30,905
Loss on sale—New Zealand Government securities	876	1,368
Trustees fees and allowances	46	46
Depreciation	2,675	2,306
	132,619	111,062
Net profit before taxation	16,329	12,456
Less: Provision for taxation	7,033	5,103
Net profit for year	9,296	7,353
Balance of reserve fund 31 March 1984	53,946	47,243
	63,242	54,596
Less: Provision for donations	650	650
Balance of reserve fund 31 March 1985	<u>\$62,592</u>	<u>\$53,946</u>

To be read in conjunction with the notes to the financial statements.

L. J. CHRYSTALL, President.

L. E. EDMONDS, General Manager.

Auckland, 10 May 1985.

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 1985

<i>Funds were received from:</i>			
Operations:		\$000	\$000
Net profit after tax		9,296	
Less: Net provision for donations		650	
		8,646	
<i>Adjustments for items not involving movement of funds:</i>			
Deferred taxation		2,201	
Depreciation		2,675	
Loss on sale of assets/investments		839	
Total funds from operations			14,361
<i>Other sources:</i>			
Repayment of investments			290,978
Increase in depositors' balances			120,129
Increase in Housing Corporation of New Zealand			1,207
			<u>\$426,675</u>

These funds were applied to:

<i>Net capital expenditure:</i>			
Land and buildings			148
Other fixed assets			4,873
			5,021
New investments			402,905
Net increase in working capital			18,749
			<u>\$426,675</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1985

1. General Accounting Policies

(a) The measurement base adopted is that of historical cost. Reliance is placed on the fact that the Bank is a going concern.

(b) Accrual accounting is used to match expenses and revenues.

2. Particular Accounting Policies

Particular accounting policies used which significantly affect the measurement of the Bank's profit and its financial position, are set out below:

(a) Recognition of Income

Interest on investments is recognised as income for the period in which it is earned, rather than the period in which it is received. Interest charged on personal loans is apportioned over the term of the loan, using the "Rule of 78" method.

(b) Depreciation

Fixed assets are being depreciated on a straight line basis at rates which will write off the cost over their estimated useful lives to estimated residual values. The principal write off periods are:

Buildings	40–100 years
Computer and Office Calculating Equipment	5–10 years
Furniture and Fittings	10–15 years
Other Fixed Assets	3–15 years

(c) Taxation

Taxation charged against net profit is the estimated expense relating to the result of the year. It includes an amount for taxation, the payment of which is deferred to future periods, because taxation practice differs from accounting policies in the treatment of:

- (i) Interest accrued on investments
- (ii) Depreciation charges
- (iii) Interest accrued included in the purchase price of New Zealand Government securities.

(d) Current Assets and Investments

All current assets and investments are shown at cost. The cost is calculated after adjusting for interest accrued in the purchase price. Government and Local Authorities Securities are regarded as long term investments and are redeemable at maturity at their face value.

The realisable value of fixed interest securities fluctuates with movement in market yields and it is customary for such fluctuations to be disregarded in the recording of the results of the long term institutional investor.

3. Changes in Accounting Policies

There have been no material changes in accounting policies.

4. Government and Local Authorities Securities

	Government \$000	Local Authorities \$000
Face value at 31 March 1985	457,244	5,049
Less unamortised discounts	6,970	786
Book value	<u>\$450,274</u>	<u>\$4,263</u>

Original cost \$450,274,000. Estimated market value of Government Securities as at 31 March 1985 was \$370,587,000.

The Government Guarantee of Depositors' Funds including accrued interest in terms of section 44 of The Trustee Banks Act 1983 and subsequent amendments was in force at balance date and continues to remain in force. However the requirement to hold New Zealand Government Securities was removed on 11th February 1985.

The loss on New Zealand Government Securities recorded this year resulted from the sale of low yielding securities, the proceeds from which were re-invested in higher yielding securities.