

EASTERN AND CENTRAL TRUSTEEBANK

PROFIT STATEMENT FOR YEAR ENDED 31 MARCH 1985

	1985	1984
	\$	\$
<i>Income</i>		
<i>Interest</i>		
New Zealand Government and Local Authority Stock .. .. .	7,637,450	6,108,603
Lending—Mortgages, loans and overdrafts .. .. .	13,568,548	12,679,935
Money Market—Term deposits, etc. .. .. .	2,828,360	1,649,117
	24,034,358	20,437,655
Investment amortisation (see Note 1b (v)) .. .. .	139,765	155,088
Commissions, rents, fees, etc. .. .. .	934,212	560,416
Total Income .. .. .		25,108,335
<i>Less: Expenses</i>		
Interest on depositors' funds .. .. .	15,447,969	12,355,694
Administration expenses (see Note 4) .. .. .	7,479,611	6,600,588
Loss on sale of assets and investments .. .. .	201,199	469,649
Total Expenses .. .. .		23,128,779
Net Profit: Before taxation .. .. .		1,979,556
<i>Less: Taxation</i>		
Current .. .. .	324,753	813,636
Deferred .. .. .	539,572	(47,343)
		864,325
Tax paid profit for year .. .. .		1,115,231
Add: Unclaimed donations .. .. .		50
		1,115,281
<i>Less Appropriations</i>		
Provision for donations .. .. .	90,000	80,000
Special reserve term and personal loans .. .. .	7,993	31,045
Balance: Transferred to General Reserve .. .. .		\$1,017,288
		\$849,959

NOTES TO THE ACCOUNTS

1. Statement of Accounting Policies:

(a) General Accounting Principles—

- (i) The measurement base adopted is that of historical cost modified by the revaluation of certain assets. Reliance is placed on the fact that the bank is a going concern.
- (ii) Accrual accounting is used to match expenses and revenues.

(b) Particular Accounting Principles—The following particular accounting principles which materially affect the measurement of profit and financial position have been applied:

- (i) *Interest Income*—Interest is recognised on an accrual basis. Personal Loan interest excludes unearned interest, and has been apportioned according to the Rule of 78 method.
- (ii) *Fixed Assets*—Fixed assets are valued at cost less accumulated depreciation with the exception of land and buildings which have been revalued to 90 percent of Professional Valuations.

Depreciation is provided on a straight line basis at rates that will write off the cost or valuation of the assets, less their estimated residual values, over their estimated useful lives. Land is not depreciated. The useful lives of the major classes of assets have been estimated as follows:

Buildings .. .. .	40–50 years
Furniture and fittings .. .. .	7–10 years
Office equipment .. .. .	5–10 years
Motor vehicles .. .. .	3 years to estimated residual value.

- (iii) *Taxation*—The charge for Income Tax is the amount of the tax liability in respect of the accounting profit for the year and includes both current and deferred tax.

Deferred Taxation arises from timing differences between accounting and taxation recognition of income and expenditure. These differences relate to depreciation and investment income.

- (iv) *Current Assets*—Debtors are valued at expected realisable value. Stock on Hand as shown in the Balance Sheet represents bulk stationery supplies valued at cost less a provision for obsolescence.

- (v) *Investments*—Investments are shown at cost with the exception of Government and Local Authority Stocks. Government and Local Authority securities are regarded as long term investments and are redeemable on maturity at their face value. These securities are valued at cost, adjusted by the amortisation of the discount or premium on purchase spread over the term of the stock. The discount or premium is calculated after adjusting for interest accrued in the purchase price. In accordance with this policy the amortisation credited to revenue for this financial year amounts to \$139,765 (1984, \$155,088).

- (c) *Changes in Accounting Policies*—There have been no changes in accounting policies that would have a material effect on the determination of profit for the year.

2. Investments:

	1985	1984
	Nominal Value \$	Book Value \$
N.Z. Government Stock .. .. .	75,094,039	74,694,170
Local Authority Stock .. .. .	454,501	454,501
	\$75,548,540	\$75,148,671
	Nominal Value \$	Book Value \$
	64,295,979	63,867,982
	221,762	221,762
	\$64,517,741	\$64,089,744

Estimated market value of Government Securities as at 31 March 1985, \$63,177,449. (March 1984, \$64,369,254).

The realisable value of fixed interest securities fluctuates with movement in market yields. It is customary for such fluctuations to be disregarded in the reporting of the results of the long term institutional investor as stocks are generally held until dates of maturity.

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 requirements to hold New Zealand Government Securities pursuant to the same Act was removed on 11 February 1985.