

STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED 31 MARCH 1986

<i>Funds were provided:</i>	\$	\$	\$
<i>From Operations</i>			
Tax paid profits			299,868
Adjustment for items not involving movement of funds:			
Depreciation	483,813		
Increase in deferred taxation	319,636		
Trusteebank Travel on consolidation	<u>8,974</u>		
<i>Less: Investment amortisation</i>		104,042	
Extraordinary items		73,560	
Prior year adjustments		164,707	
Provision for donations		<u>50,000</u>	
			<u>420,114</u>
Total funds from operations			719,982
From other sources			
Increases in depositors balances			10,663,561
Repayments of Principal			
- New Zealand Government and Local Authority Stock			7,848,413
- Mortgages			17,909,013
- Term and personal loans			7,075,046
			<u>44,216,015</u>
 <i>Funds were applied to:</i>			
<i>New Investments in—</i>			
—New Zealand Government and Local Authority Stock			5,581,080
—Mortgages			15,169,682
—Overdraft and Trusteebank Visa (net)			1,512,350
—Term and personal loans			6,058,703
Fixed assets additions (net)			1,419,177
Decrease in long term borrowing			85,068
Increase in working capital			14,389,955
			<u>\$44,216,015</u>

NOTES TO THE ACCOUNTS

1. *Statement of Accounting Policies:*(a) *Basis of Consolidation—*

The consolidated accounts include the accounts of the Trusteebank and its wholly owned subsidiary, Eastern and Central Trusteebank Travel Limited.

(b) *Changes in Accounting Policies—*

There has been one change in accounting policy which has had a material affect on the determination of profit for the year and on the accumulated reserves.

From 1. 4.85 Stationery Stock has been treated as an expense in the year purchased. The effects of this change have been a reduction in profit this year of \$53,487.00 and a prior year adjustment to Reserves of \$149,313.00 (decrease).

(c) *General Accounting Policies—*

(i) The measurement base adopted in the preparation of these financial statements is that of historical cost modified by the revaluation of land and buildings. Reliance is placed on the fact that the Bank is a going concern.

(ii) Accrual accounting is used to match expenses and revenue.

(d) *Particular Accounting Policies—*

(i) *Interest Income*—Interest is recognised on an accrual basis. Personal loan income excludes unearned interest, and has been apportioned according to the Rule of 78 method.

(ii) *Depreciation*—The cost or revalued amount of fixed assets (excluding land) less estimated residual value is allocated over their economic lives on a straight line basis. The range of economic lives of the major classes of assets is:

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

(iii) *Current Assets*—Sundry debtors are valued at expected realisable value.

(iv) *Investments*—Investments are shown at cost with the exception of Government and Local Authority securities.

Government and Local Authority securities are normally held at maturity and redeemed at their face value.

Due provision is made for the difference between cost and face value by the amortisation of the discount or premium on purchase, over the term of the security on a straight line basis.

In accordance with this policy the amortisation credited to revenue for this financial year amounts to \$104,042. (1985: \$139,765).

2. *Investments:*

The realisable value of fixed market securities fluctuates with movements 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.

	1986		1985	
	Nominal Value \$	Book Value \$	Nominal Value \$	Book Value \$
N.Z. Government Stock	71,987,539	72,039,673	75,094,039	74,694,170
Local Authority Stock	945,707	945,707	454,501	454,501
	<u>\$72,933,246</u>	<u>\$72,985,380</u>	<u>\$75,548,540</u>	<u>\$75,148,671</u>

Estimated market value of N.Z. Government Stock at 31 March 1986, \$59,918,481. (March 1985, \$63,177,449).