

(c) *Taxation*: Taxation charged against net profit includes both current and deferred tax.

Deferred taxation arises from timing differences related to:

- (i) Interest accrued on investments.
- (ii) Depreciation charges.

The previous policy of providing for the ensuing year's provisional taxation has been discontinued. The resultant over provision for taxation made in prior years, has been transferred to the appropriation account.

(d) *Valuation of Investments*: Investments are recorded at cost. Both New Zealand Government and local authority securities are normally held to maturity and their value on redemption approximates cost.

OTAGO SAVINGS BANK

BALANCE SHEET AS AT 31 MARCH 1977

<i>Depositors' accounts</i>	\$	\$
Ordinary accounts	43,686,316	
Thrift accounts	1,222,504	
Special purpose accounts	5,614,621	
Home layby accounts	107,376	
Home and farm ownership accounts	821,280	
	<u>51,452,097</u>	
Investment accounts and housing bonds	17,187,860	
Total liability to depositors		68,639,957
<i>National Savings Accounts</i>	197,161	
Add interest suspense account	3,441	
		<u>200,602</u>
<i>Other liabilities</i>		
Interest accrued on investment accounts	641,401	
Interest accrued on other depositors' funds	17,438	
Owing to other trustee savings banks	33,672	
Staff provident fund	438,986	
Sundry creditors	74,369	
Total other liabilities		1,205,866
Provision for donations		70,000
Provision for taxation		362,729
Reserve fund		3,064,016
		<u>\$73,543,170</u>
<i>Current assets:</i>	\$	\$
Cash on hand and at bank	579,647	
Fixed deposits	2,300,000	
Interest accrued on investments	1,013,162	
Owing by other trustee savings banks	24,613	
Taxation overpaid	23,928	
Sundry debtors	26,349	
Total current assets		3,967,699
<i>Investments:</i>		
New Zealand Government stock at face value (See note (i) below)	31,267,659	
Local authority securities at cost	2,565,491	
Mortgages	33,269,624	
Personal loans (less interest yet to mature)	523,961	
Shares in Allied Computer Processors Limited at cost	13,750	
Total ordinary investments		67,640,485
<i>National savings securities:</i>		
New Zealand Government stock at cost	197,161	
Cash on hand and at bank	3,441	
Total national savings securities		200,602
<i>Fixed Assets</i>		
	Cost	Depreciation to date Book value
Land and buildings	2,052,198	553,847 1,498,351
Vehicles, equipment, furniture, etc.	575,875	339,842 236,033
Total Fixed Assets		<u>1,734,384</u>
		<u>\$73,543,170</u>

NOTE (i): New Zealand Government stock at cost price: \$31,246,087.

T. K. S. SIDEY, President.
A. L. FLEURY, General Manager.

AUDITORS' REPORT

We report that we have examined the books and accounts of the Otago Savings Bank for the year ended 31 March 1977 and have received all the information and explanations we have required.

In our opinion, the accompanying balance sheet and profit and loss account, together with the notes thereon, present fairly the financial position of the bank at 31 March 1977 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GILFILLAN & CO.
HUTCHISON, HULL & CO. } Chartered Accountants.

Dunedin.

29 April 1977.

OTAGO SAVINGS BANK

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31 MARCH 1977

<i>Interest to Depositors</i>	\$
On open accounts	1,233,856
Closed accounts and matured investment accounts	476,269
Accrued on investment accounts	641,401
Accrued on other depositors funds	17,438
Home lay-by accounts—suspensory free deposits	711
	<u>2,369,675</u>
Administrative expenses	1,698,042
Trustees' honoraria	6,749
Depreciation	58,775
Provision for taxation	174,159
Net profit carried down	446,192
	<u>\$4,753,592</u>
<i>Interest on investments</i>	\$
From New Zealand Government stock	1,783,624
From local authorities stock	151,614
From mortgages	2,328,467
From other sources	294,631
<i>Income from other sources</i>	195,256
	<u>\$4,753,592</u>

PROFIT AND LOSS APPROPRIATION ACCOUNT

Provision for donations	70,000
Transfer to reserve	376,192
	<u>\$446,192</u>
Net profit brought down	446,192
	<u>\$446,192</u>

NOTES TO THE ACCOUNTS

NOTE 1: ACCOUNTING POLICIES

The accounting policies which the bank considers appropriate for the measurement of its results and financial position under the historical cost convention are as follows:

A. *Recognition of Income*: Income shown in the Profit and Loss Account is earned in the current year. In the case of Personal Loans the policy is to add interest to the advance at the commencement of the loan, and to bring this interest into revenue during the appropriate financial years in accordance with the "Rule of 78".

B. *Expenditure*:

(1) *Interest credited to depositors*—Interest on open accounts at the 31st March represents the interest paid for the year. Accounts which are credited with interest during the year have had an appropriate adjustment made for the interest accrued to 31st March.

(2) *Other expenses*—Other expenses, including expenditure on computer programme development, are charged to the accounts in the year in which the expenditure is incurred.

(3) *Depreciation*—Fixed assets, other than freehold land, are generally depreciated on a straight line basis at rates estimated to write off the cost less residual value over the useful life of each class of asset. The principal annual rates in use are:

Buildings: 1% to 2½%.

Office furniture and equipment: 10% to 15%.