

	1978 \$NZ	1977 \$NZ
Current liabilities and provisions—		
Depositors' balances:		
Ordinary accounts	86,522,954	75,893,658
Home lay-by accounts	431,591	397,207
6 month investment accounts .. .	3,710,704	2,420,558
1 year investment accounts .. .	13,445,325	11,108,553
2 year investment accounts .. .	5,260,081	4,873,156
3 year investment accounts .. .	16,866,391	9,480,817
	<u>126,237,046</u>	<u>104,173,949</u>
Provision for Taxation—		
Current	470,014	70,978
Deferred (note 1b)	758,309	818,663
	<u>1,228,323</u>	<u>889,641</u>
Provision for dividend	120,000	120,000
Other liabilities including interest accrued	2,022,586	1,571,929
	<u>2,142,586</u>	<u>2,581,270</u>
	<u>\$132,937,714</u>	<u>\$109,520,277</u>

Deposits at the National Bank of New Zealand Ltd.	13,340,818	7,322,665
Investments (note 1c)		
N.Z. Government stock	24,632,636	16,663,258
3½% N.Z. Government special stock, at cost	42,700,000	43,050,000
7% N.Z. Government special stock, at cost		1,800,000
Local authorities securities, at cost	3,230,158	2,834,019
	<u>70,562,792</u>	<u>64,347,277</u>
Mortgages and other loans at cost	47,833,650	36,770,676
Income accrued	1,200,452	1,079,609
	<u>\$132,937,714</u>	<u>\$109,520,277</u>

On behalf of the Board:

S. T. RUSSELL, Chairman.
M. D. SEARANCKE, Secretary.

PROFIT AND LOSS ACCOUNT FOR YEAR ENDING 31 OCTOBER 1978

	1978 \$NZ	1977 \$NZ
Interest to depositors	4,530,866	3,700,597
Management and operating expenses	2,690,623	2,260,060
Directors fees		
Total expenses	<u>7,221,489</u>	<u>5,960,657</u>
Provision for taxation	560,496	302,608
Net profit after taxation	685,051	369,855
	<u>\$8,467,036</u>	<u>\$6,633,120</u>
Income from Investments—		
New Zealand Government stock and local authority securities	3,163,382	2,952,693
Other investments	5,250,457	3,632,371
	<u>8,413,839</u>	<u>6,585,064</u>
Other income	53,197	48,056
	<u>\$8,467,036</u>	<u>\$6,633,120</u>

PROFIT AND LOSS APPROPRIATION ACCOUNT

Transfer to New Zealand Government stock	156,386	156,700
Revaluation reserve Less tax adjustment	(70,373)	70,515
	<u>86,013</u>	<u>86,185</u>
Transfer to general reserve	400,000	200,000
Provision for dividend	120,000	120,000
Balance carried forward	229,438	123,964
	<u>\$835,451</u>	<u>\$530,149</u>
Balance as previously reported	123,964	
Less prior period adjustment (note 1c)	(131,059)	149,003
Net profit for period	685,051	369,855
Transfer from New Zealand Government stock		
Revaluation reserve on account of stock matured or sold during period	286,354	20,529
Less tax adjustment	(128,859)	9,238
	<u>157,495</u>	<u>11,291</u>
	<u>\$835,451</u>	<u>\$530,149</u>

NOTES TO THE ACCOUNTS

1. Statement of Accounting Policies

(a) *General*—The general accounting principles recognised as appropriate for the measurement and reporting of results and financial position under the historical cost method have been followed.

The following specified accounting policies have been consistently applied with the exception of the change of accounting policy relating to the realised gains and losses on New Zealand Government Stock as described in note 1c.

(b) *Tax Allocation*—The charge for taxation in the profit and loss account is the amount of the estimated tax liability at current company taxation rates in respect of the net profit reported for the year. Timing differences arising from income receivable which has been accrued but not received in the current period and unrealised appreciation on investments (see note 3) are accounted for in the deferred taxation account.

(c) *New Zealand Government and Local Authority Securities*—These are all redeemable at par at fixed dates. Whilst in the ordinary course of business some realisation of the bank's investment in these securities may take place at prices below book values, it is the opinion of the directors that existing reserves are sufficient to cover any losses that are likely to arise on sales undertaken in the normal course of business.

The book values of securities purchased at a discount or a premium are adjusted through New Zealand Government stock revaluation reserve so as to obtain their redemption values by maturity dates (see note 3 below).

The difference between book values and proceeds on realisation of New Zealand Government stock is taken to profit and loss account in the year incurred. Previously these were taken to the Profit and Loss Account in equal annual instalments over a period of 5 years commencing with the year in which it arises.

2. As at 31 October 1978 the redemption value of New Zealand Government and local authority securities was \$71,022,437, book value was \$70,562,794, and market value (exclusive of accrued interest) was \$68,907,797.

3. *New Zealand Government Stock Revaluation Reserves*—Arising from adjustment of book value of securities purchased at a discount or a premium and still held.

	\$	\$
Balance (including taxation payable thereon) 31 October 1977		739,642
Add net appreciation for year	156,386	
Less appreciation on maturities and sales	286,354	—129,968
		<u>609,674</u>
Less deferred tax liability	274,353	335,321
Realised losses yet to be taken to Profit and Loss Account—		
Balance at 31 October 1977 of net losses for the years ended that date		131,059
Less effect of change in accounting policy—		
Transferred to Profit and Loss Appropriation Account	131,059	
Per Balance Sheet		<u>\$335,321</u>

AUDITORS' REPORT TO THE MEMBERS OF NATIONAL BANK OF NEW ZEALAND SAVINGS BANK LTD.

We have obtained all the information and explanations that we have required. In our opinion proper books of account have been kept by the company so far as appears from our examination of those books.

In our opinion, according to the best of our information and the explanations given to us and as shown by the said books the balance sheet and the profit and loss account, together with the notes thereto, are properly drawn up so as to give respectively a true and fair view of the state of the company's affairs as at 31 October 1978 and the results of its business for the year ended on that date.

According to such information and explanations the accounts, the balance sheet and the profit and loss account give the information required by the Companies Act 1955 in the manner so required.

HUTCHISON HULL & CO., Chartered Accountants.

1 December 1978.
Wellington, New Zealand.

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