

## OTAGO SAVINGS BANK

## BALANCE SHEET AS AT 31 MARCH 1981

Depositors' accounts—		
Ordinary accounts .. ..	52,208,354	
Thrift accounts .. ..	685,019	
Special purpose accounts ..	8,435,261	
Home lay-by accounts .. ..	14,904	
Home and farm ownership accounts	4,304,915	
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	65,648,453	
Investment accounts, term deposits and housing bonds .. ..	81,558,803	
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Total liability to depositors ..		147,207,256
National savings accounts ..	74,508	
Add interest suspense accounts ..	1,328	
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		75,836
Other liabilities		
Interest accrued on investment accounts and term deposits ..	4,279,234	
Interest accrued on other depositors funds .. ..	588	
Sundry creditors .. ..	180,756	
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Total other liabilities .. ..		4,460,578
Provision for donations .. ..		100,000
Provision for deferred taxation ..		931,448
Reserve fund (note 5) .. ..		4,574,668
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		\$157,349,786
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Current assets		
Cash on hand and at bank .. ..	172,630	
Fixed deposits .. ..	9,638,000	
Interest accrued on investments ..	3,112,318	
Taxation overpaid .. ..	197,278	
Sundry debtors .. ..	59,468	
Personal advances .. ..	381,259	
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Total current assets .. ..		13,560,953
Investments		
N.Z. Government stock (note 2) ..	52,552,097	
Local authority securities (note 2)	10,627,248	
Mortgages .. ..	73,773,193	
Personal loans (less interest yet to mature) .. ..	3,784,157	
Shares in allied computer processors limited at cost .. ..	13,750	
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		140,750,445
National savings securities		
N.Z. government stock at cost ..	74,508	
Cash on hand and at bank .. ..	1,328	
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Total national savings securities		75,836
Fixed assets (note 3) .. ..		2,962,552
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		\$157,349,786
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D. C. McDONALD, President.

A. L. FLEURY, General Manager.

## AUDITORS' REPORT TO THE TRUSTEES OF THE OTAGO SAVINGS BANK

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

In our opinion, the financial statements give, using the historical cost method, a true and fair view of the financial position of the Bank at 31 March 1981, and the results of its operations and the source and application of funds for the year ending on that date.

GILFILLAN MORRIS and CO.

HUTCHISON HULL and CO.

Chartered Accountants

Dunedin, 5 May 1981.

The notes and statement of source and application of funds on pages 3 to 6 form part of these financial statements.

## OTAGO SAVINGS BANK

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1981

Interest on Investments—	
From New Zealand Government stock .. ..	4,162,356
From local authorities stock .. ..	987,939
From mortgages .. ..	7,655,697
From other sources .. ..	1,926,418
Income from other sources .. ..	430,880
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	\$15,163,290
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## Interest to depositors—

On open accounts .. ..	1,468,128
Closed accounts, matured investment accounts and term deposits .. ..	4,143,161
Accrued on investment accounts and term deposits .. ..	4,279,234
Accrued on other depositors' funds .. ..	588
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	9,891,111
Administrative expenses .. ..	4,202,189
Trustees' Honoraria .. ..	25,000
Depreciation .. ..	137,612
Provision for taxation (note 4) .. ..	365,122
Net profit carried down .. ..	542,256
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	\$15,163,290
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## PROFIT AND LOSS APPROPRIATION ACCOUNT

Net profit brought down .. ..	542,256
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	\$542,256
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Provision for donations .. ..	100,000
Transfer to reserve .. ..	442,256
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	\$542,256
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The notes and statement of source and application of funds on pages 3 to 6 form part of these financial statements.

## NOTES TO THE ACCOUNTS YEAR ENDING 31 MARCH 1981

## 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:

## Recognition of income—

Income shown in the profit and loss account is earned in the current year and includes the amortisation of premiums and discounts on the purchase of Government and local authority stock. 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".

## Expenditure—

*Interest credited to depositors*—Interest on savings and current accounts represents interest credited at 31 March and the interest paid on closed accounts during the year. Investment accounts which are credited with interest during the year have had an appropriate adjustment made for the interest accrued to 31 March.

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

*Depreciation*—Fixed assets, other than freehold land, are 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 percent to 2.5 percent
Office Furniture and Equipment ..	10 percent to 15 percent

*Taxation*—Taxation charged against profits for the year is the estimated expense for the year. Tax allocation accounting has been adopted by the Bank for significant timing differences in respect of accrued investment income, depreciation, capital profits and losses and amortisations on Government and local authority stock purchases and sales.

## Valuation of assets—

*Current assets and investments*—All current assets and investments are shown at cost with the exception of Government and local authority stock. On the basis that this stock will normally be held to maturity, from the 1 April 1980 it has been valued at cost adjusted by the amortisation of the discount or premium on purchase, calculated on a yield basis, over the term of the stock. The discount or premium is calculated after adjusting for interest accrued in the purchase price. Prior to 1 April 1980, Government and local authority stock was recorded at face value.

In certain instances, low yielding Government stock has been realised for tax purposes in switch arrangements and the stock so purchased is shown at the cost of the original holding.

## Changes in Accounting Policies—

The policy in respect of the valuation of Government and local authority stock and the recognition of income therefrom was changed this year. In prior years the difference between the face value and cost at the date of purchase was transferred to the reserve fund. The effect of this change this year is not significant.