

## NOTES TO THE ACCOUNTS

1. *Statement of accounting policies*—The general accounting principles as recommended by the New Zealand Society of Accountants for the measurement and reporting of results and financial position on an historical cost basis have been followed in the preparation of these financial statements.

The following particular accounting policies which significantly affect the measurement of the bank's profit and financial position have been applied on a basis consistent with the previous years.

*Depreciation*—Depreciable fixed assets 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 rates in use are:

Buildings, 1 percent and 2½ percent.

Office equipment, fixtures and fittings, 10 percent and 20 percent.

Computer equipment, 12½ percent.

2. *Investment accounts and term deposits*—

	1979	1980
Under and including—	\$	\$
1 year .. .. .	8,834,924	14,663,939
1–2 years .. .. .	4,298,570	6,079,393
2–3 years .. .. .	9,439,410	8,828,364
3–5 years .. .. .	405,790	1,516,870
	<u>\$22,978,694</u>	<u>\$31,088,566</u>

3. *Taxation*—The charge for income tax is the amount of tax liability in respect of the accounting profit for the year.

The liability for deferred taxation arises from items of income and expenditure being included in taxation calculations in periods different from those in which they are dealt with in the financial accounts. The significant timing differences relate to depreciation and accrued income.

	\$
Total tax provided in account .. .. .	292,000
Provisional tax paid .. .. .	(295,476)
Deferred tax .. .. .	(170,920)
Tax receivable 31 March 1980 .. .. .	<u>\$174,396</u>
Deferred tax 1 April 1979 .. .. .	394,114
Deferred tax current year—	
Accrued interest .. .. .	129,582
Depreciation .. .. .	9,730
Other deferrals .. .. .	31,607
	<u>\$565,033</u>

4. *Fixed deposits*—Coupon maturity dates cover the period May, 1980 to September, 1980. As these investments can be realised as liquidity conditions dictate they have been treated as current assets.

5. *New Zealand Government stock and transferable certificates of deposit*—New Zealand Government stock and transferable certificates of deposit are recorded at par value less discount which is amortised over the term of the investment on a straight line basis. The cost price as at 31 March was as follows—

	1979	1980
	\$	\$
Transferable certificates of deposit .. .. .	830,123	830,123
New Zealand Government stock .. .. .	22,557,842	25,860,831

New Zealand Government stock is held pursuant to the ratio requirements of the Trustee Savings Bank Act 1948 and subsequent amendments, and under normal circumstances is held to the coupon maturity date. As at 31 March 1980, the estimated market value of the New Zealand Government stock portfolio was \$20,658,200 and the transferable certificates of deposit portfolio was \$892,400. (1979, \$19,087,570; \$821,616).

6. *Personal loans*—Interest on loans is added to the principal sum at the date of the advance. The interest revenue is recognised on the basis of the "Rule of 78" method.

7. *Northern Trustee Computerbank Ltd.*—The ordinary share investment has been shown using the equity accounting basis—

	31/3/79	31/3/80
	\$	\$
100 000 ordinary shares paid to 80c .. .. .	80,000	80,000
Accumulated profits (losses) to previous year .. .. .	6,672	38,418
Share of profit current year .. .. .	31,746	35,668
	<u>118,418</u>	<u>154,086</u>
Debentures (at cost) .. .. .	33,000	33,000
	<u>\$151,418</u>	<u>\$187,086</u>

8. *Valuation of assets*—Fixed assets are recorded at cost. Buildings include work in progress on the T.S.B. Centre Complex at Devon Street East. The latest Government valuation of land and buildings plus additions at cost are—

Land .. .. .	344,800
Buildings .. .. .	2,977,923
	<u>\$3,322,723</u>

9. *Contingent liabilities and capital commitments*—

*Contingent liabilities*—Subsidy on home loan account. Un-called Capital Northern Trustee Computerbank Ltd. \$20,000 (1979, \$20,000).

*Capital commitments*—Buildings \$126,125 (1979, \$483,256).

## AUDIT REPORT TO THE TRUSTEES

We have examined the balance sheet of Taranaki Savings Bank as at 31 March 1980, and the related profit and loss account and statement of source and application of funds, together with the notes thereto for the year ended 31 March 1980. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet, profit and loss account, statement of source and application of funds, together with the notes thereto, present fairly the financial position of Taranaki Savings Bank at 31 March 1980 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.

HUTCHINSON, HULL and CO.  
Chartered Accountants

New Plymouth, 8 May 1980.

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## SOUTHLAND SAVINGS BANK

## NOTES TO THE ACCOUNTS

*Statement of accounting policies*—The general accounting principles recommended by the New Zealand Society of Accountants for the measurement and reporting of results based on historic costs have been adopted in the preparation of the financial statements.

The particular accounting principles which the bank considers appropriate for the measurement of profit and financial position are detailed below.

1. *Depreciation*—Calculation has been made on basis of Inland Revenue Department rates. First year depreciation has been claimed where applicable. Straight line basis for calculation of depreciation has not been adopted as it is considered that the difference in the amount of depreciation would not be material. The principal annual rates used are:

Building 1 percent to 2 percent on cost.

Furniture, fittings, and equipment 10 percent to 20 percent on D.V.

2. *New Zealand Government stock*—In accordance with established policy New Zealand Government stock has been shown at face value. Prior to 1 April 1975 certain parcels of New Zealand Government stock were purchased at a discount.

3. *Taxation*—Provision for taxation charged against profit in profit and loss account is the estimate of liability relating to the results for year.

Provision has also been made for taxation on timing differences and a transfer from reserve has been made to cover this actual but future liability.

4. *Investment fluctuation account*—During the year trustees sold certain investment securities and re-invested the proceeds in higher yielding investment securities to provide an ultimate gain. In accordance with past practice adjustment on the sale of investments have been made through investment fluctuation account.

	1980	\$
<i>Government stock reconciliation</i> —		
Cost price .. .. .	35,219,413	
Add capital gain on purchase .. .. .	70,017	
	<u>\$35,289,430</u>	

*National Savings Securities*—

New Zealand Government stock purchased at par.