

AUDITORS' REPORT

TO THE BOARD OF TRUSTEES

We the undersigned, being the auditors of the South Canterbury Savings Bank appointed in terms of section 29 (3) of the Trustee Savings Banks Act 1948, report that: We have examined the balance sheet and accompanying financial statements and notes to the accounts for the year ended 31 March 1981. Our examination was made in accordance with the general principles of auditing and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In accordance with an accounting policy of the bank, depreciation on fixed assets has been calculated to reduce each asset to its estimated residual value by the end of its probable useful life. The rates used are those approved by the Commissioner of Inland Revenue. It is considered that the amount charged in the profit and loss account does not differ materially from that which would result from calculating depreciation had the straight line method been adopted.

We have obtained all the information and explanations that we have required and in our opinion proper books of account have been kept by the bank and the accompanying balance sheet together with the profit and loss account and the notes attached thereto give a true and fair view of the financial position of the bank as at 31 March 1981 and the results of its operations for the year then ended.

Timaru, 23 May 1981.

HUBBARD, CHURCHER & CO., Chartered Accountants.

Notes Forming Part of the Annual Accounts for Year Ended 31 March 1981

STATEMENT OF ACCOUNTING POLICIES

The general accounting principles as recommended by the New Zealand Society of Accountants for the measurement and reporting of profit on an historical cost basis have been followed by the bank with the exception that depreciation is not calculated on the straight line basis.

The following particular accounting policies which materially affect the measurement and reporting of profit and the bank's financial position have been consistently applied:

1. Revenue Recognition—

- Interest received from investments includes interest accrued to 31 March 1981.
- Personal loans have been adjusted for interest yet to mature as shown in the balance sheet. The bank's policy is to add interest to the full advance at the commencement of the loan. This amount is brought into revenue during the appropriate financial years by applying the "rule of 78".
- Interest paid and accrued on depositors' investment accounts has been calculated at the full rate payable on the assumption that all deposits will reach maturity.

2. Fixed Assets and Depreciation—

- The fixed assets, other than the computer equipment, have been depreciated at ordinary depreciation rates as approved by the Inland Revenue Department. Computer equipment has been depreciated at the first year rate of 25 percent of cost price and thereafter at 20 percent of the diminishing value each year. All assets still in use are included in the books and it is calculated that the depreciation rates being used will write off the items over the period of their useful lives. In accordance with the bank's established policy no additional depreciation as provided for in the rates set by the Inland Revenue Department on the purchase of assets (other than the computer equipment) have been claimed for taxation purposes.

(b)—

Fixed Assets	1981			1980		
	Cost	Accumulated Depreciation	Book Value	Cost	Accumulated Depreciation	Book Value
	\$	\$	\$	\$	\$	\$
Land	53,023	—	53,023	31,863	—	31,863
Buildings	282,939	26,705	256,234	192,503	21,460	171,043
	335,962	26,705	309,257	224,366	21,460	202,906
Leasehold premises	22,214	11,274	10,940	19,273	6,656	12,617
Office equipment and furniture	511,168	234,639	276,529	404,980	179,903	225,077
Motor vehicles	45,166	7,173	37,993
	<u>\$914,510</u>	<u>\$279,791</u>	<u>\$634,719</u>	<u>\$648,619</u>	<u>\$208,019</u>	<u>\$440,600</u>

3. Investments—The New Zealand Government stock and local authority securities are shown at face value and are generally held to maturity. The premium redemption due on maturity of Government stock purchased under par is shown as a reserve to be brought into income either upon maturity or sale of the stock concerned. Similarly the premium paid during the year on the purchase of Government stock which is shown in the balance sheet will be written off as a loss on maturity or earlier sale of the particular stock.

4. Mortgages—Mortgage applications approved but for which the funds have not been uplifted at 31 March 1981 amount to \$1,611,305.

5. Property—The bank owns property in Timaru, Temuka, Fairlie, Methven and Waimate, and leases premises in Ashburton, Geraldine, Tinwald, Pleasant Point, Methven and Timaru. The leases have been negotiated to provide long-term tenancy options.

6. Charges and Administration Expenses—Included in the above are:

	1981	1980
Audit Fee—Normal Duties ..	11,680	10,000
Other Services ..	6,000	..
	<u>17,680</u>	<u>10,000</u>
Rent of Leasehold Premises ..	28,117	25,404

7. Taxation—The amount provided for income tax is the amount of the calculated tax liability in respect of the accounting profit shown for the year by the profit and loss account. Due to the reduced income shown for the year taxation has been overpaid and a refund is due calculated as follows:

Balance of taxation provision account 31/3/80 ..	81,130
Taxation paid during the year:	
September first instalment 1981 provisional tax ..	61,650
March second instalment 1981 provisional tax ..	123,242
1980 terminal tax	81,130
	<u>204,372</u>
	266,022
	(184,892)
Provision for taxation on 1981 net profit at 45 percent of \$224,387	100,974
Balance at 31/3/81—taxation overpaid	<u>\$83,918</u>