

	\$	1981 \$	1980 \$
Current assets—			
Cash on hand and at bank	696,528		819,022
Deposits	6,942,845		4,550,000
Sundry debtors	260,317		166,315
Trusteebank visa advances	301,904		
Accrued income	1,052,235		752,580
		9,253,829	6,287,917
Investments—			
New Zealand Government stock (note 2)	25,474,542		21,451,813
Local authority stock (note 2)	977,058		780,091
Mortgages	35,125,216		28,533,080
Personal loans	690,559		730,726
		62,267,375	51,495,710
Fixed assets—			
Cost less depreciation (note 3)		634,312	658,965
		\$72,155,516	\$58,442,592

AUDITORS' REPORT TO THE TRUSTEES OF WELLINGTON 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 accompanying balance sheet, profit statement and funds statement 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 business and the changes in financial position for the year ended on that date.

HUTCHISON HULL & CO., Chartered Accountants.

Wellington, 4 May 1981.

PROFIT STATEMENT FOR YEAR ENDED 31 MARCH 1981

	\$	1981 \$	1980 \$
Income—			
Interest on Government stock		2,454,941	2,122,305
Interest on local authority stock		107,671	78,398
Interest on mortgage and personal loan lending		4,020,395	3,200,034
Interest on other investments		976,932	361,357
Other income		126,060	139,579
Total income		7,685,999	5,901,673
Less: Expenses—			
Interest to depositors	4,224,021		3,181,532
Audit	18,500		16,750
Equipment leasing	146,183		125,628
Mortgage interest	15,906		16,599
Trustees' honoraria	11,490		8,915
Administration	2,645,242		2,199,564
Depreciation	97,926		89,001
		7,159,268	5,637,989
Profit before taxation		526,731	263,684
Less: Taxation on profit		237,029	118,769
Tax paid profit for year		289,702	144,915
Retained profit brought forward		410,494	266,079
Add: Provision for donations reversed	500
		700,196	411,494
Less: Provision for deferred taxation	1,000
Retained profit		\$700,196	\$410,494

FUNDS STATEMENT FOR YEAR ENDED 31 MARCH 1981		\$	\$
Source of funds—			
From operations—			
Tax paid profits		289,702	
Add back items not requiring funds—			
Depreciation		97,926	
Taxation		237,029	
Other		4,324	
Total funds from operations			628,981
From other sources—			
Depositors' balances increase			12,606,012
Repayment of investment principal on—			
Mortgages and personal loans			5,470,898
Local authority stock			3,033
Term loan net increase			165,447
			\$18,874,371
Use of funds—			
Investments—			
Government stock		4,000,519	
Local authority stock		200,000	
Mortgage and personal loans		12,000,369	
			16,200,888
Repayment of mortgage principal			16,000
Fixed asset purchases net of disposal proceeds			81,305
Increase in cash resources			2,576,178
			\$18,874,371

NOTES TO THE ACCOUNTS

Note 1. Statement of accounting policies—The general accounting principles recommended by the New Zealand Society of Accountants for the measurement and reporting of profit and financial position on an historical cost method have been adopted in the preparation of these financial statements.

The following particular accounting policies which materially effect the measurement of profit and the financial position have been consistently applied.

(a) **Government Stock—**Discounts and premiums on certain Government stocks are discounted from the date of purchase so that stocks will attain their redemption values by maturity date. The current year's discount and premium amortisation is reflected in the profit statement.

(b) **Personal Loans—**The Bank's policy is to add interest to the advance at the commencement of the loan. The 'rule of 78' method of accounting for income is used to apportion the income between accounting periods. The effect of this method is that income earned over the term of the loan represents a level rate of return on the declining loan balance outstanding. The personal loan investment is net of unearned interest.

(c) **Depreciation—**Fixed assets are depreciated on the straight-line method at rates which will write off the cost over their estimated useful lives. The principal rates are:

Buildings	3 percent to 5 percent
Furniture and fittings	10 percent to 20 percent
Computer equipment	20 percent to 25 percent

(d) **Taxation—**The charge for income tax is the amount of the tax liability in respect of the accounting profit for the year and includes both current and deferred tax.

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 accrued interest income, discounts earned and premiums paid on Government stock and depreciation.

Note 2. Investments—Government stocks are recorded at cost adjusted by the discount or premium amortised to date. Stocks are generally held until maturity date, therefore differences in the following bases of valuation have little financial effect on the bank. Statutory ratio requirements are based on the nominal value of stocks. Local authority stocks are recorded at cost.

	1981 \$	1980 \$
New Zealand Government stock—		
Cost price plus amortisation	25,474,542	21,451,813
Nominal value	25,619,890	21,619,890
Market value	22,388,467	17,639,400