

Waikato Savings Bank—continued—

(A) REVENUE AND EXPENSE RECOGNITION—

- (a) Personal loan interest has been recognised on the sum of digits basis.
- (b) Losses associated with dealings in securities have been deferred on a pro rata basis to the years during which the revenue from the corresponding deals will be recognised during the normal course of business.
- (c) The charge for income tax is the amount of tax liability in respect of the accounting profit for the current year. Timing differences between accounting and taxation records are included under the heading "provision for deferred taxation", with the exception of timing differences which, on the basis of reasonable probability, are expected to continue in the future.

(B) INVESTMENTS—

- (a) The Bank's one-third shareholding in the Northern Trustee Computerbank Ltd., as at the company's 31 May 1980 balance date has been treated on an equity accounting basis.
- (b) New Zealand Government securities have been valued on a purchase yield basis.
- (c) Other investments have been recorded at cost plus interest accrued to balance date.

(C) FIXED ASSETS AND DEPRECIATION—

Land is recorded at the higher of original cost or the 1976 Government valuation. All other assets are recorded at cost less depreciation to date. The cost of lease goodwill has been spread evenly over the terms of the leases. Straight-line depreciation as recommended by the New Zealand Society of Accountants Statement of Standard Accounting Practice No. 3, has not otherwise been applied and maximum rates of depreciation as approved by the Commissioner of Inland Revenue have been used. This is not considered to have a significant effect on the financial statements for the year ended 31 March 1981.

(D) CHANGES—

There have been no changes in accounting principles used that would significantly affect profit or financial position.

	1981 \$000	1980 \$000
2. Total Income—		
Government and local authority securities	4,526	3,223
Mortgages, personal loans, etc.	7,639	6,112
Associated company	8	6
Other income	2,215	1,042
	<u>\$14,388</u>	<u>\$10,383</u>

3. Expenses—

Audit fee	15	10
Depreciation	381	259
Rentals	160	159
Hire purchase interest	20	36
Deposit interest	8,591	5,807
Trustees fees	15	8
Other expenses	4,250	3,388
	<u>\$13,432</u>	<u>\$9,667</u>

4. Loss on Trading Securities—

Amortization of loss on trading Government stock	(75)	(59)
Other trading profits	20	26
	<u>(55)</u>	<u>(33)</u>

5. There is no charge for taxation in the profit statement because the accounting profit is wholly covered by timing differences in respect of accrued interest on securities which have arisen during the year and which are expected to continue in the foreseeable future and which are therefore treated as permanent differences. The cumulative taxation effect of such differences for which deferred taxation has not been provided amounted to \$771,567 to 31 March 1981.

6. Reserve Fund Changes—

Prior year depreciation adjustment	—	(26)
Loss on sale of securities	75	(345)
Provision for future loss written back	21	21
	<u>96</u>	<u>(350)</u>

7. Creditors—

Hire purchase balances	94	225
Other	634	359
	<u>728</u>	<u>584</u>

8. Provisions—

Deferred taxation	358	357
Donations	70	50
	<u>428</u>	<u>407</u>

9. Reserves—

Land and buildings revaluation	140	140
Unallocated loss on sale of securities	(270)	(345)
Northern Trustee Computerbank Limited	89	75
General	3,065	2,190
	<u>\$3,024</u>	<u>\$2,060</u>

10. New Zealand Government Securities—

Statutory ratio requirements are based on nominal value of government securities held and current practice generally is to hold such securities to maturity		
Valuation at purchase yields	50,440	41,375
Nominal value	49,163	40,663
Market value	42,539	31,373

11. Local Authority Securities—

Total advances	9,728	9,393
Less Sales and matured advances	8,503	7,306
	<u>\$1,225</u>	<u>\$2,087</u>
Nominal value debentures held	754	1,087
Registered stock held	471	1,000
	<u>\$1,225</u>	<u>\$2,087</u>
Market value of registered stock	521	750

12. Personal Loans, Overdraft, Visa Advances—

Gross advances	5,884	2,499
Less unearned interest	1,211	301
	<u>\$4,673</u>	<u>\$2,198</u>

13. Associated Company—

Northern Trustee Computerbank Limited		
Shares	33	33
Share of profits	89	75
Debentures	80	80
	<u>\$202</u>	<u>\$188</u>

14. Fixed Asset—

Land (at 1976 valuation)	310	310
Land (at cost)	33	65
Land—leasehold	41	41
	<u>384</u>	<u>416</u>
Buildings at cost	2,213	2,025
less accumulated depreciation	57	35
	<u>2,156</u>	<u>1,990</u>
Other fixed assets at cost	2,787	2,043
less accumulated depreciation	1,284	1,009
	<u>1,503</u>	<u>1,034</u>
	<u>\$4,043</u>	<u>\$3,440</u>

15. Loan Commitments—

	3,860	2,364
16. Contingent Liabilities—		
Mortgage advances	60	—
Other	—	92