

Use of funds—			
Investments—			
Government stock ..	5,914,698	4,000,519	
Local authority stock	300,000	200,000	
Mortgage and personal loans ..	23,857,286	12,000,369	
		30,071,984	16,200,888
Repayment of mortgage principal ..	82,440	16,000	
Fixed asset purchases net of disposal proceeds ..		81,305	
Increase in cash resources		2,576,178	
		<u>\$30,154,424</u>	<u>\$18,874,371</u>

NOTES TO THE ACCOUNTS

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 affect the measurement of profit and the financial position have been consistently applied.

(a) *Government stock*—Discounts and premiums on certain Government stocks are amortised 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.

2. *Investments*—Government stocks are recorded at cost adjusted by the discount or premium amortised to date. Stocks are generally held until maturity date and 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.

		1982	1981
		\$	\$
New Zealand Government stock—			
Cost price plus amortisation ..	31,401,553	25,474,542	
Nominal value	31,558,843	25,619,890	
Market value	28,578,682	22,388,467	

Local authority stock—			
Cost	389,197	977,058	
Nominal value	389,197	977,058	
Market value	338,810	904,963	

3. Fixed assets—						
	1982		1981			
	Cost	Accum. Depn.	Book Value	Cost	Accum. Depn.	Book Value
	\$	\$	\$	\$	\$	\$
Land	78,771		78,771	174,695		174,695
Buildings	85,851	13,028	72,823	254,441	69,545	184,896
	164,622	13,028	151,594	429,136	69,545	359,591
Improvements to leasehold premises ..	180,898	112,951	67,947	128,129	86,756	41,373
Furniture, fittings, and equipment	598,221	344,442	253,779	504,075	270,727	233,348
	<u>\$943,741</u>	<u>\$470,421</u>	<u>\$473,320</u>	<u>\$1,061,340</u>	<u>\$427,028</u>	<u>\$634,312</u>

The current Government valuation of land and buildings is \$165,000.

4. Current taxation payable—	1982	1981
	\$	\$
Taxation of profit	566,549	237,029
Taxation on extraordinary item (note 7)	8,719	..
	575,268	237,029
Less: Timing differences transferred to deferred taxation	222,545	237,029
	<u>\$352,723</u>	<u>Nil</u>

5. Deferred taxation payable—	1982	1981
	\$	\$
Deferred taxation last year	486,373	249,344
Add: Timing differences transferred (note 4)	222,545	237,029
Deferred taxation this year	<u>\$708,918</u>	<u>\$486,373</u>

6. Term investment accounts—	1982	1981
	\$	\$
Repayable within—		
1 year	37,045,835	25,904,840
1—2 years	3,999,847	7,682,937
2—3 years	1,451,613	602,977
	<u>\$42,497,295</u>	<u>\$34,190,754</u>

Rates of interest payable range from 10 percent to 14.5 percent per annum.

7. Extraordinary item—	1982	1981
	\$	\$
Realised reserves upon sale of Willis Street property		
Capital	127,511	..
Revenue	59,774	
Less: taxation payable	8,719	
	51,055	..
	<u>\$178,566</u>	<u>Nil</u>

8. Financing commitments—	1982	1981
	\$	\$
Mortgages approved but not uplifted	858,700	2,487,000
Capital commitments in respect of data processing developments ..	665,500	..

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