

FUNDS STATEMENT FOR YEAR ENDED 31 MARCH 1983

Source of funds—	1983	1982
From operations—	\$	\$
Tax paid profits	648,118	692,449
Add back items not requiring funds—		
Depreciation	129,516	125,766
Taxation	539,389	566,549
Other	(56,645)	(53,447)
Total funds from operations	1,260,378	1,331,317
From other sources—		
Depositors' balances increase	8,860,004	15,430,612
Repayment of investment principal on—		
Mortgages and personal loans	7,526,202	8,969,058
Local authority stock	389,197	887,861
Government stock	20	25,200
Sale proceeds of fixed assets net of purchases	..	225,947
Term loan net increase	243,140	378,297
Decrease in cash resources	..	2,906,132
	<u>\$18,278,941</u>	<u>\$30,154,424</u>
Use of funds—		
Investments—		
Government stock	4,426,207	5,914,698
Local authority stock	..	300,000
Mortgages and personal loans	10,134,995	23,857,286
	14,561,202	30,071,984
Repayment of mortgage principal	..	82,440
Payment of taxation	818,296	..
Fixed asset purchases net of disposal proceeds	207,607	..
Increase in cash resources	2,691,836	..
	<u>\$18,278,941</u>	<u>\$30,154,424</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 years 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.

	1983	1982
	\$	\$
New Zealand Government Stock—		
Cost price plus amortisation	35,873,078	31,401,553
Nominal value	36,058,823	31,558,843
Market value	32,595,647	28,578,682
Local Authority Stock—		
Cost and nominal value	..	389,197
Market value	..	338,810

3. Fixed assets:

	1983			1982		
	Cost	Accumulated Depreciation	Book Value	Cost	Accumulated Depreciation	Book Value
	\$	\$	\$	\$	\$	\$
Land	78,771	—	78,771	78,771	—	78,771
Buildings	85,851	16,285	69,566	85,851	13,028	72,823
	164,622	16,285	148,337	164,622	13,028	151,594
Improvements to leasehold premises	289,314	144,412	144,902	180,898	112,951	67,947
Furniture, fittings and equipment	687,107	430,126	256,981	598,221	344,442	253,779
	<u>\$1,141,043</u>	<u>\$590,823</u>	<u>\$550,220</u>	<u>\$943,741</u>	<u>\$470,421</u>	<u>\$473,320</u>

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

	1983	1982
	\$	\$
4. Current taxation payable:		
Taxation on profit	539,389	566,549
Taxation on extraordinary item (note 7)	..	8,719
	539,389	575,268
Less:		
Timing differences transferred to deferred taxation	57,376	222,545
	482,013	352,723
Less:		
Provisional tax paid	465,573	..
	<u>\$16,440</u>	<u>\$352,723</u>

	1983	1982
	\$	\$
5. Deferred taxation payable:		
Deferred taxation last year	708,918	486,373
Add:		
Timing differences transferred (note 4)	57,376	222,545
Deferred taxation this year	<u>\$766,294</u>	<u>\$708,918</u>
6. Term investment accounts:		
Repayable within—		
1 year	51,439,558	39,349,839
1-2 years	3,043,000	3,999,847
2-3 years	5,211,300	1,451,613
3-5 years	47,000	..
	<u>\$59,740,858</u>	<u>\$44,801,299</u>

Rates of interest payable range from 8.5 percent to 15.5 percent per annum.

7. Extraordinary item:

	1983	1982
	\$	\$
Realised reserves upon sale of Willis Street property—		
Capital	..	127,511
Revenue	59,774	..
Less: Taxation payable	8,719	..
	..	51,055
	<u>Nil</u>	<u>\$178,566</u>

	1983	1982
	\$	\$
8. Financing commitments:		
Mortgages approved but not uplifted	1,705,100	858,700
Capital commitments in respect of—		
Data processing	1,043,200	665,500
Premises	689,000	..

AUDITORS' REPORT

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 1983, and the results of its business and the changes in financial position for the year ended on that date.

HUTCHISON HULL & CO., Chartered Accountants.

28 April 1983, Wellington, New Zealand.