

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: Accounting Policies

## General Accounting Policies

The following accounting policies have been adopted by the Bank in the preparation of the financial statements:

- (a) The historical cost basis is used, modified for the revaluation of land and buildings, and Government and Local Authority Stock.
- (b) Accrual accounting is used to match expenses and revenue.

## Particular Accounting Policies

## Recognition of Income

Income shown in the profit statement is earned in the current year and includes the amortisation of premiums and discounts on the purchase of Government and Local Authority Stock. In the case of personal loans interest is added to the advance at the commencement of the loan and brought into revenue during the appropriate financial years in accordance with the 'Rule of 78'.

## Expenditure

## Interest Credited to Depositors

Interest on savings and current accounts is credited at 31 March and paid on accounts closed during the year. Investment accounts which are credited with interest during the year have had an appropriate adjustment made for interest accrued to 31 March.

## Other Expenses

Other expenses, including expenditure on computer program development, are charged to the accounts in the year in which the expenditure is incurred.

## Depreciation

Fixed assets, other than freehold land, are depreciated on a straight line basis at rates estimated to write off the cost or revalued amount, less residual value, over the economic life of each class of asset.

The principal annual rates in use are:

Buildings—1 percent to 2 percent.

Computer equipment, office furniture and motor vehicles—10 percent to 15 percent.

## Taxation

Taxation charged against profits for the year is the estimated expense for the year. Tax allocation accounting has been adopted by the Bank for significant timing differences in respect of accrued investment income, depreciation, capital profits and losses, and amortisations of Government and Local Authority Stock.

## Valuation of Assets

## Current Assets and Investments

All current assets and investments are shown at cost with the exception of Government and Local Authority Stocks. Government and Local Authority Stocks are valued at cost adjusted by the amortisation of the discount or premium on purchase, calculated on a yield basis, over the term of the stock. The discount or premium is calculated after adjusting for interest accrued in the purchase price.

## Fixed Assets

Fixed assets are shown at cost less accumulated depreciation with the exception of revalued land and buildings which are shown at 90 percent of an independent valuation.

## Changes in Accounting Policies

There have been no changes in the accounting policies this year.

## NOTE 2: Property Revaluation Reserve

	1984	1983
	\$	\$
Balance at 1 April 1983	3,330,020	..
Less revaluation on property sold	32,640	..
	<u>3,297,380</u>	
Add revaluations during year (Note 4)	372,658	3,330,020
	<u>\$3,670,038</u>	<u>\$3,330,020</u>

## NOTE 3: Government and Local Authority Stock

	Government	Local Authority
Face value at 31 March 1984	78,983,020	209,759
Less unamortised premiums and discounts	4,485,227	1,611
	<u>\$74,497,793</u>	<u>\$208,148</u>
Original Cost	\$69,498,346	\$208,028

New Zealand Government Stock is held pursuant to the statutory requirements of the Trustee Banks Act 1983 and subsequent amendments and is based on the face value.

## NOTE 4: Fixed Assets

	90% of Independent Valuation \$	Cost \$	Depreciation to Date \$	Book Value 1984 \$
Land	1,237,005			1,237,005
Buildings	5,379,301	1,112,828	28,115	6,464,014
Computers, motor vehicles, office equipment and furniture		2,891,098	1,139,673	1,751,425
Totals 1984	<u>\$6,616,306</u>	<u>\$4,003,926</u>	<u>\$1,167,788</u>	<u>\$9,452,444</u>
Totals 1983	\$5,944,950	\$3,156,794	\$844,163	\$8,257,581

The cost of land and buildings includes \$1,033,220 (1983 \$533,744) in respect of the Bank's share of a property under development. This property is recorded at the purchase and development costs to date including capitalised interest.

The remaining freehold land and buildings were written up to 90 percent of market value obtained from a registered valuation as at 31 March 1984. Other capital work in progress and leasehold properties are shown at cost.

The latest Government valuations of land and buildings dated from 1 July 1981, plus subsequent additions at cost, amount to \$6,330,000.

Capital commitments outstanding at 31 March 1984 amount to \$217,000 (1983 \$600,000).

## NOTE 5: Taxation

There is no tax liability in respect of the current year. The charge for deferred taxation \$707,086 consists of taxation payable in future years on timing differences arising through the amortisation and sale of stock \$1,039,148 reduced by other items \$9,436 and the effect of available tax credits carried forward \$322,626.

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1984	1983
	\$	\$
<i>Funds were provided:</i>		
From depositors	24,242,956	13,051,387
From operations		
Profit after taxation	1,112,338	894,410
Depreciation	395,349	313,529
	<u>25,750,643</u>	<u>14,259,326</u>
Less grants paid	99,650	99,150
	<u>25,650,993</u>	<u>14,160,176</u>
Increase in other liabilities and taxation provisions	689,341	1,326,719
	<u>\$26,340,334</u>	<u>\$15,486,895</u>
<i>These Funds were invested in:</i>		
Mortgages, new advances	26,829,556	15,966,409
Less repayments	13,220,456	10,183,441
	<u>13,609,100</u>	<u>5,782,968</u>
Government stock and local authority stock	12,205,688	(2,080,635)
Personal loans and other investments	4,133,236	1,811,631
Total investments	<u>29,948,024</u>	<u>5,513,964</u>
Fixed assets	1,250,194	971,314
Current assets	(4,857,884)	9,001,617
	<u>\$26,340,334</u>	<u>\$15,486,895</u>

This statement forms part of the financial statements.

## AUDITORS' REPORT TO THE TRUSTEES OF THE OTAGO 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 examinations of those records.

In our opinion, the financial statements on pages 1 to 6 give, using the historical cost method modified by the revaluation of land and buildings, a true and fair view of the financial position of the Bank at 31 March 1984 and the results of its operations and the source and application of funds for the year ending on that date.

DELOITTE, HASKINS & SELLS and  
PEAT, MARWICK, MITCHELL & CO., Chartered Accountants.

Dunedin, 4 May 1984.

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