

**RESERVE BANK OF NEW ZEALAND**  
**PROFIT AND LOSS ACCOUNT**  
**FOR YEAR ENDED 31 MARCH 1978**

	1978	1977		1978	1977
	\$	\$		\$	\$
General charges including salaries, rent, cost of note issues, overseas debt charges and other expenses .. ..	76,704,821	66,529,341	Balance of profit after making provision for rebate on bills not yet due and for sundry liabilities and contingencies including loss on realisation of investments	101,247,438	83,478,131
Balance of profit for year .. ..	24,542,617	16,948,790		101,247,438	83,478,131
	<b>\$101,247,438</b>	<b>\$83,478,131</b>		<b>\$101,247,438</b>	<b>\$83,478,131</b>

**PROFIT AND LOSS APPROPRIATION ACCOUNT**

Payment to New Zealand Government in terms of section 40 of Reserve Bank of New Zealand Act 1964 .. ..	6,907,441			6,907,441	
Transfer to building reserve .. ..	5,000,000	2,000,000	Balance at beginning of year .. ..	24,542,617	16,948,790
Transfer to investments reserve .. ..	3,000,000	6,141,830	Balance from profit and loss account .. ..	24,542,617	16,948,790
Transfer to insurance reserve .. ..	3,087,314	..			
Transfer to general reserve .. ..	300,000	..			
Adjustment in respect of compensation received under sterling agreement (relating to prior year) .. ..	..	1,899,519			
Balance at end of year .. ..	13,155,303	6,907,441			
	<b>\$31,450,058</b>	<b>\$16,948,790</b>		<b>\$31,450,058</b>	<b>\$16,948,790</b>

**BALANCE SHEET AS AT 31 MARCH 1978**

Notes in circulation .. ..	439,604,574	401,012,987		699,210	704,991
Demand deposits:			Gold .. ..		
(a) State .. ..	164,995,389	181,635,014	Overseas assets:		
(b) Banks .. ..	20,200,289	60,637,037	(a) Current accounts and short term bills .. ..	272,749,597	239,204,270
(c) Marketing accounts .. ..	10,249,647	28,353,063	(b) Investments (see note 1(c)) .. ..	57,822,508	34,215,243
(d) Other .. ..	539,659,851	568,462,673	(c) Holdings of special drawing rights .. ..	48,265,724	21,175,956
	735,105,176	839,089,787		378,837,829	294,595,469
Time deposits .. ..	150,000,000	..	New Zealand coin .. ..	9,687,464	10,917,820
Liabilities in currencies other than New Zealand currency:			Discounts .. ..	495,300	6,753,407
(a) Demand .. ..	443,110	298,080	Advances:		
(b) Time .. ..	345,200,007	289,733,245	(a) To the State .. ..	398	501,113
	345,643,117	290,031,325	(b) To marketing accounts .. ..	470,395,038	439,795,611
Allocations of special drawing rights by I.M.F. .. ..	84,195,075	83,758,146	(c) Export credits .. ..	27,800,038	28,230,320
Other liabilities .. ..	46,204,212	31,799,621	(d) Other .. ..	487,219,815	3,770,161
Capital accounts:				985,415,289	472,297,205
(a) General reserve .. ..	8,000,000	7,700,000	Investments in New Zealand:		
(b) Other .. ..	38,988,965	28,011,751	(a) New Zealand Government securities .. ..	337,191,785	807,956,223
	46,988,965	35,711,751	(b) Other .. ..	14,580,770	..
Profit and loss appropriation account .. ..	13,155,303	6,907,441	(see note 1(c)) .. ..	351,772,555	807,956,223
	<b>\$1,860,896,422</b>	<b>\$1,688,311,058</b>	Other assets .. ..	133,988,775	95,083,943
				<b>\$1,860,896,422</b>	<b>\$1,688,311,058</b>

NOTES: 1. *Statement of Accounting Policies*—The particular accounting policies adopted by the Bank which significantly affect the measurement and reporting of its results and financial position on an historical cost basis are as follows:

(a) **Foreign Currency Translations:**

Overseas assets and liabilities at balance date are converted to New Zealand currency using the appropriate telegraphic transfer rates ruling at 31 March 1978.

(b) **Fixed Assets and Depreciation Policy:**

The Bank's buildings at Wellington and Christchurch are depreciated over their estimated economic life on a straight line basis at the rate of 1% per annum. The Bank's existing building at Auckland has been fully written off whilst preliminary expenditure on the new building is reflected at cost (see note 3). The cost of all land acquired has been written off in prior years. All other fixed assets are similarly treated in the year of acquisition.

(c) **Investments:**

Overseas investments are shown in the balance sheet at the New Zealand equivalent of foreign currency cost, NZ\$57.8 million (market value at balance date NZ\$56.1 million). New Zealand investments are shown at the lower of cost or market value (market value \$353.4 million).

(d) **Exchange Rate Fluctuations:**

The profit or loss arising from appreciation or depreciation of the Bank's net overseas assets due to movements in basic exchange rates is settled with Treasury in terms of section 26 of the Reserve Bank of New Zealand Act 1964. The loss in respect of the year ended 31 March 1978, subject to such settlement was NZ\$20,026,683.

2. *Contingent Liability*—In respect of an investment of 250,000 £stg. 1 shares in the Commonwealth Development Finance Co. Limited of which 50p per share is uncalled. New Zealand equivalent \$227,645.24.

3. *Capital Commitment*—Since 31 March 1978 a contract has been entered into for the construction of premises in Auckland. The contract price is \$9.5 million and construction is expected to take 3 years.

R. W. R. WHITE, Governor.

D. L. WILKS, Deputy Governor.

E. D. VALLANCE, Chief Accountant.

**REPORT OF THE AUDITORS TO THE RESERVE BANK OF NEW ZEALAND**

We have audited the accounts of the Reserve Bank of New Zealand for the year ended 31 March 1978 and have obtained all the information and explanations we have required.

In our opinion the above balance sheet and profit and loss account are properly drawn up so as to give respectively a true and fair view of the state of affairs of the Bank as at 31 March 1978, and of its results for the year then ended.

Wellington, New Zealand.

26 June 1978.

CLARKE, MENZIES & CO. } Chartered Accountants.  
HUTCHISON HULL & CO. }