

RESERVE BANK OF NEW ZEALAND—continued

		BALANCE SHEET AS AT 31 MARCH 1981				
		1981	1980	1981	1980	
		\$ 000	\$ 000	\$ 000	\$ 000	
Notes in circulation	558,244	513,425	Gold	699	699
Demand deposits—				Overseas assets:		
(a) State	314,558		265,060	(a) Current accounts and short term bills	104,323	203,409
(b) Banks	735		8,353	(b) Investments (see note 1(b))	9,954	9,653
(c) Marketing accounts	38,182		95,692	(c) Holdings of special drawing rights	41,684	37,368
(d) Other	240,659		370,226			
		594,134	739,331			
Time deposits		207,000		155,961	250,430
Liabilities in currencies other than New Zealand currency:				New Zealand coin	14,089	10,055
(a) Demand	87,066		430	Discounts	16,570	5,611
(b) Time	364,671		447,531	Advances—		
		451,737	447,961	(a) To the State	1,568	253
				(b) To marketing accounts	663,469	645,965
Allocation of special drawing rights by I.M.F.	189,599	155,444	(c) Export credits	38,937	39,597
Other liabilities	58,118	61,902	(d) Other	516,873	594,834
Reserves:						
(a) General reserve	40,940		12,000	Investments in New Zealand (see note 1(b))		
(b) Other reserves	26,088		46,769	(a) New Zealand Government securities	302,481	451,663
		67,028	58,769	(b) Other	37	27
Profit and loss appropriation account	..	8,232	11,165			
				Other assets	216,408	195,863
		<u>\$1,927,092</u>	<u>\$2,194,997</u>		<u>\$1,927,092</u>	<u>\$2,194,997</u>

NOTES: To be read in conjunction with the Annual Accounts.

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

- Foreign Currency Conversions*—Overseas assets and liabilities at balance date are converted to New Zealand currency using appropriate telegraphic transfer rates ruling at that date.
- Investments*—Overseas investments are shown in the balance sheet at cost. A market value is not available for the majority of investments held, the maturity value is \$NZ10.2 million, 1980 \$NZ9.9 million. New Zealand investments are shown at the lower of cost or market value (market value \$309.6 million, 1980 \$452.4 million).
- 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 1981 subject to such settlement was \$9.5 million, 1980 \$14.6 million.
- Fixed Assets and Depreciation Policy*—The Bank's buildings at Wellington and Christchurch, along with other fixed assets, are written off over their estimated economic lives on a straight line basis as follows:

Buildings	1 per cent per annum.
Other Fixed Assets	20 per cent per annum.

The Bank's existing building at Auckland has been fully written off.

- Changes in Accounting Policies*—During the year the Bank changed its accounting policy in regard to buildings and separate building reserves are no longer being kept. As a result a total of \$24.2 million was transferred to the General Reserve. Land held at Christchurch and Wellington, previously written off in the year of acquisition, has now been revalued to the July 1979 Government valuation creating a revaluation reserve of \$2.6 million which is included in "Other Reserves". In previous years all other fixed assets, with the exception of buildings, were written off in the year of acquisition. Other fixed assets purchased during 1980/81 are being written off over five years.

2. *Contingent Liability*—In respect of an investment of 250,000 one pound sterling shares in the Commonwealth Development Finance Co. Ltd. of which 50p per share is uncalled (New Zealand equivalent \$307,000, 1980 \$287,489).

3. *Capital Commitment*—The estimated cost of the new Auckland building is now \$15.7 million, of which \$11.1 million has been paid to date.

4. *Exchange Contracts*—As at 31 March 1981 the Bank had entered into Exchange Contracts for the purchase and/or sale of overseas currency totalling \$NZ1,188.4 million, 1980 \$NZ812.1 million. (The risk on these contracts is covered by the indemnity described in Note 1(c).)

R. W. WHITE, Governor.

D. L. WILKS, Deputy Governor.

R. J. LANG, 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 1981 and have obtained all the information and explanations we have required.

In our opinion the above financial statements are properly drawn up so as to give, under the historical cost convention as modified by the revaluation of land, a true and fair view of the state of affairs of the Bank as at 31 March 1981 and of its results for the year then ended.

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

Wellington, New Zealand 25 June 1981.