

RESERVE BANK OF NEW ZEALAND ANNUAL ACCOUNTS—*continued*

NOTES

1. *Statement of Accounting Policies*—The accounts have been prepared in accordance with the following accounting policies which except for the change outlined in (c) below, have been applied on a basis consistent with last year.

General Accounting Policies—The going concern concept has been applied using historical cost as the measurement base with the exception of land and investments, which have been revalued.

Accrual accounting has been used to match expenses and revenues.

Particular Accounting Policies—The following particular accounting policies which significantly affect the measurement of results and financial position have been applied:

(a) *Foreign Currency Conversions*—Overseas assets and liabilities at balance date are converted to New Zealand currency using appropriate exchange rates ruling at that date.

(b) *Investments*—The value of New Zealand investments has been assessed on the basis of market value at balance date (market value being determined by the Bank's buying price).

(c) *Exchange Rate Fluctuations*—The profit or loss arising from appreciation or depreciation of the Bank's overseas assets and liabilities (including contracts for the future purchase and sale of overseas currency) 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.

A change has occurred in the terms of settlement with Treasury whereby the Bank is now reimbursed for the actual net realised losses sustained by the Bank on foreign liabilities. Unrealised losses on outstanding overseas borrowings previously accounted for in the settlement, are now not met by Treasury until the borrowings are repaid.

To compensate the Government for standing behind the Bank's forward exchange transactions, premiums earned on forward exchange contracts are now offset against the settlement with Treasury. Previously the premiums had been taken into revenue. The effect of this offset reduced the current year's net profit by \$60 million.

The settlement for losses made this year amounted to \$116.7 million.

(d) *Fixed Assets and Depreciation*—Land held at Christchurch and Wellington is valued in the Bank's books at the July 1979 Government valuation. The Bank's buildings at Auckland, 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 percent per annum |
| Other fixed assets | 20 percent per annum |

(e) *Gold*—Gold is valued in the accounts at cost (market value \$13 million, 1983 \$14.2 million).

2. *Contingent Liabilities*—

(a) In respect of an investment of 250,000 one pound stg shares in the Commonwealth Development Finance Company Limited of which 50p per share is uncalled (New Zealand equivalent \$272,000, 1983 \$282,000).

(b) In respect of Exchange Contracts entered into for the future purchase and sale of overseas currency if this is less than \$500,000. (The risk on these contracts is covered by the indemnity described in Note 1 (c). In terms of the indemnity the Bank receives compensation only if its net losses for the year exceed \$500,000).

(c) The Reserve Bank is a participant in the Bank for International Settlements' facility in favour of the International Monetary Fund. The facility, which will normally be used for periods of 3 months, takes the form of commitments by central banks for a maximum of 3½ years. The Reserve Bank's share is 0.83 percent of the total and amounts to NZ\$40.1 million.

3. *Capital Commitment*—There is a capital commitment of approximately \$2.7 million for the completion of Stage III of the Auckland building.

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 1984 and have obtained all the information and explanations we have required.

In our opinion the financial statements on pages 2445 and 2446 are properly drawn up so as to give, under historical cost convention as modified by the revaluation of land and investments, a true and fair view of the state of affairs of the Bank as at 31 March 1984 and of its results for the year then ended.

Deloitte Haskins & Sells
Touche Ross & Co.

} Chartered Accountants.

Wellington, New Zealand.
29 June 1984.

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