

(d) *General Reserves*: The general reserves include an insurance reserve which is maintained as the bank carries its own insurance. The balance of the insurance reserve currently stands at \$37,000,000.

(e) *Properties Revaluation Reserve*: The properties revaluation reserve recognises the surplus arising from the latest Government valuation over cost of land and buildings held.

It comprises:

	1988 \$	1987 \$
Land	32,006,000	4,456,000
Buildings	10,960,000	5,673,000
	<u>\$42,966,000</u>	<u>\$10,129,000</u>

This is a change in accounting policy in respect of buildings. Previously buildings had been carried at cost, less depreciation.

(f) *Government Stock Sellbacks*: These are short-term holdings of Government stock whereby there are contracts to sell back the stock to financial institutions at future dates.

(g) *Gold*: Gold is valued in the accounts at market value. (Its cost value is \$699,000). The surplus of market value over cost has been included in the investment fluctuation account. This represents a change in accounting policy. Previously gold had been valued at cost.

4. Profit and Loss Account—

(a) *Other Expenses*: Included in this item are audit fees of \$215,000 (\$210,000 in 1986–87) and directors' fees of \$49,000 (\$42,000 in 1986–87).

(b) *Income From New Zealand Investments*: Total income from New Zealand Government securities amounted to \$236,396,000 (\$197,467,000 in 1986–87); income from other securities totalled \$6,803,000 (\$2,956,000 in 1986–87).

5. Contingent Liabilities—

(a) In respect of exchange contracts entered into for the future purchase and sale of overseas currency if this is less than \$500,000. 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 the Government in terms of section 26 of the Reserve Bank of New Zealand Act 1964. This year, the Government met the loss of \$9,070,000 claimed under the above section. Last year the settlement for losses amounted to \$31,858,000.

(b) In respect of the Reserve Bank participating in the Bank for International Settlements Facility in favour of the International Monetary Fund. The facility is due to expire on 30 June 1988. The Reserve Bank's share amounts to SDR25 million (NZ\$53,100,000; last year NZ\$53,400,000).

6. *Taxation*—The Reserve Bank is not subject to taxation on its income. Section 46 of the Reserve Bank of New Zealand Act exempts the Reserve Bank from taxation on income to the same extent as the Crown. The bank is liable for goods and services tax and fringe benefit tax.

7. *Capital Commitments*—As at 31 March 1988, the Reserve Bank had capital commitments of \$3,886,000.

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 1988 and have obtained all the information and explanations we have required.

In our opinion the financial statements on these pages are properly drawn up so as to give, using the historical cost method as modified by the revaluation of certain assets, a true and fair view of the state of affairs of the bank as at 31 March 1988 and of its results for the year then ended.

DELOITTE, HASKINS & SELLS, Chartered Accountants.

TOUCHE ROSS & CO., Chartered Accountants.

Wellington, New Zealand, 9 June 1988.

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