

New capital will participate proportionately, according to the amount paid up during the half-year and the date as from which the amounts paid are entitled to rank as capital. (Applause).

MR. WILLIAM WATSON said :—

I thank the Shareholders for again re-electing me unopposed to the Board. I also congratulate them on receiving at this juncture the same dividend that they were wont to receive in the times of peace.

The Chairman has referred to the unpatriotic folly of hiding money away from use, and so, against reason, embarrassing trade. I would add, that if circumstances of Companies permit of usual dividends being paid to Shareholders, they should be paid, as withholding dividends, and so depriving people of their incomes, appears to me to be acting more in the direction of bringing on trouble than warding it off.

I hope to see you get your usual Bank dividends after our annual balance on 31st March next. (Applause).

DR. C. PRENDERGAST KNIGHT congratulated the London and New Zealand Boards on the way in which they had met the financial situation. On behalf of the Shareholders, he wished also to express regret at the death of the Hon. T. Fergus. He had heard that Mr. Fergus' death was in part due to a chill caught when travelling from a Board meeting. One of the disadvantages of a geographical board was that the frequent meetings put a tax upon men who would otherwise travel very little.

DR. KNIGHT further congratulated the Bank upon its strong position, of which they had evidence in the fact that all but 258 shares of the recent issue were taken up by Shareholders.

MR. G. M. KEBBELL, in a humorous speech, criticised the architecture of some of the Branch buildings of the Bank. He suggested that the Board should give serious consideration to the question of adopting some uniform style of architecture for future buildings.

THE CHAIRMAN replied that throughout the Dominion the Bank was now endeavouring to put up a better class of building instead of having offices of various styles. The two latest Branch buildings erected—at Palmerston North and Shannon—were in every way creditable.

The proceedings then terminated.



## REPORT OF THE DIRECTORS OF THE BANK OF NEW ZEALAND PRESENTED AT THE ORDINARY GENERAL MEETING OF THE PROPRIETORS, HELD AT THE HEAD OFFICE, WELLINGTON, ON FRIDAY, 18TH JUNE, 1915.

### Directors :

H. BEAUCHAMP, (Chairman).  
R. W. KANE. MARTIN KENNEDY. WM. REECE. J. H. UPTON. WM. WATSON.  
**General Manager :** WILLIAM CALLENDER. **Chief Auditor :** B. M. LITCHFIELD.

### London Board :

FREDERIC LUBBOCK (Chairman). W. T. HOLMES. ALEXANDER MICHIE. SIR JAMES MILLS.  
**London Manager :** ALEXANDER KAY. **London Auditor :** W. C. SNEATH.  
*(Price, Waterhouse & Co.)*

### REPORT.

The Directors submit herewith the Balance-sheet and Profit and Loss Statement of the Bank for the year ended 31st March last.

The profits, after providing for expenses of management, all bad and doubtful debts, and after making provision for annual donation to the Provident Fund	£396,166 16 9
and for bonus to Staff, are .. .. .	.. .. .
From this has to be deducted :—	
Interest on Guaranteed Stock .. .. .	26,680 15 4
	369,486 1 5
Of this sum the Directors have allocated in reduction of Bank Premises and Furniture .. .. .	50,000 0 0
Leaving Balance of Profit for the year .. .. .	319,486 1 5
To which has to be added :—	
Balance brought forward from last year .. .. .	51,608 8 10
From which there has been paid :—	371,094 10 3
Interim Dividend at 6 per cent. on "A" and "B" Preference Shares .. .. .	£45,000 0 0
Interim Dividend at 6 per cent. on Ordinary Shares .. .. .	55,699 19 6
	100,699 19 6
Leaving available for distribution .. .. .	270,394 10 9
This the Directors propose should be disposed of as follows :—	
Dividend at the rate of 4 per cent. on "A" Preference Shares .. .. .	£20,000 0 0
Dividend at the rate of 6 per cent. on Ordinary Shares and "B" Preference Shares .. .. .	72,868 0 8
Bonus at the rate of 3 per cent. on Ordinary Shares and "B" Preference Shares .. .. .	35,891 18 0
Transfer to Reserve Fund .. .. .	84,463 12 10
(Making Reserve Fund £2,000,000).	
Leaving Balance to be carried forward .. .. .	57,170 19 3
	£270,394 10 9

During the year Branches have been opened at Helensville and Waiuku. The Branch at Kumara is no longer open daily, but is visited from Hokitika twice weekly. Agencies have been opened at Herekino, Pio Pio, Ruawai and Tuakau, and the Agency at Tokomaru has been closed.

HAROLD BEAUCHAMP, CHAIRMAN.



# BANK OF NEW ZEALAND

BALANCE SHEET AT 31ST MARCH, 1915.

LIABILITIES.			ASSETS.			
CAPITAL—	£	s. d.	£	s. d.	£	s. d.
4 per cent. Guaranteed Stock	528,988	10 6			4,617,060	16 9
“A” Preference Shares, fully paid, issued to the New Zealand Government	500,000	0 0			210,461	9 3
“B” Preference Shares, fully paid issued to the New Zealand Government	250,000	0 0				
Ordinary Shares, 150,000 at £6 13s. 4d.	1,000,000	0 0			5,136,996	14 7
Paid up to £3 6s. 8d. per Share	500,000	0 0			3,301,301	8 11
New Ordinary Shares, 75,000 at £6 13s. 4d.	500,000	0 0			8,438,298	3 6
Of which paid up at date	475,710	0 0				
			2,254,698	10 6		
Reserve Fund (of which £1,000,000 is invested in British Government Securities, the balance being employed in the business of the Bank)			1,915,536	7 2		
Notes in Circulation			1,676,051	0 0		
Deposits			18,741,657	3 3		
Bills Payable and other Liabilities (including provision for doubtful debts and for depreciation in Investment Securities)			1,670,103	7 10		
Balance of Profit and Loss			270,394	10 9		
			£26,528,440	19 6	£26,528,440	19 6

## PROFIT AND LOSS.

	£	s. d.	£	s. d.		£	s. d.	£	s. d.	£	s. d.
Dividend at the rate of 4% on £500,000 “A” Preference Shares issued to the New Zealand Government in terms of the “Bank of New Zealand Act, 1903”	20,000	0 0			Balance 31st March, 1914			291,608	8 10		
Dividend at the rate of 6% on £500,000 Ordinary Share Capital	30,000	0 0					£291,608	8 10			
Bonus at the rate of 3% on Ordinary Share Capital	15,000	0 0			Balance brought down			51,608	8 10		
Amount transferred to Reserve Fund	175,000	0 0			Profits for year ended 31st March, 1915, including recoveries, and after payment of, and provision for, all interest due and accrued on deposits, provision for bad and doubtful debts, for annual donation to Provident Fund, and for bonus to staff			755,239	15 0		
Balance carried down			240,000	0 0	LESS—						
			51,608	8 10	Salaries and Allowances at Head Office and 213 Branches and Agencies	211,320	12 2				
			£291,608	8 10	Directors' remuneration, including London Board	4,172	5 2				
Twelve Months' Interest on Guaranteed Stock			26,680	15 4	General Expenses, including rent, stationery, telegrams, postages, travelling, repairs to premises, etc.	66,722	0 7				
Amount written off Bank Premises and Furniture			50,000	0 0	Audit Expenses Account	2,309	8 6				
Interim Dividend paid 12th December, 1914—					Rates and Taxes	74,548	11 10	359,072	18 3	396,166	16 9
6% on “A” Preference Shares, £500,000	30,000	0 0								£447,775	5 7
6% on “B” Preference Shares, £250,000	15,000	0 0									
6% on Ordinary Shares	55,699	19 6	100,699	19 6							
Balance, being net Profit for Year	319,486	1 5									
Amount brought forward from last year	51,608	8 10									
Less Interim Dividend paid, as above	371,094	10 3	270,394	10 9							
	100,699	19 6									
			£447,775	5 7							

## RESERVE FUND.

	£	s. d.		£	s. d.
Balance	2,000,000	0 0	Balance per last Statement	1,550,000	0 0
			Premium on New Shares issued, less expenses of issue	365,536	7 2
			Amount to be added from Profits for year ended 31st March, 1915	84,463	12 10
				£2,000,000	0 0

B. M. LITCHFIELD, CHIEF AUDITOR.

W. CALLENDER, GENERAL MANAGER  
A. McLENNAN, ACCOUNTANT.

Dated this 2nd day of June, 1915.

Dated this 1st day of June, 1915.



# REPORT

OF

PROCEEDINGS AT THE ORDINARY GENERAL MEETING OF THE  
PROPRIETORS HELD AT THE HEAD OFFICE, WELLINGTON,  
ON FRIDAY, 18TH JUNE, 1915.

MR. H. BEAUCHAMP, CHAIRMAN OF DIRECTORS, PRESIDED.

With the consent of the meeting, the Report of the Directors and the Balance-sheet were taken as read.

The Chairman, in moving their adoption, said :—

The momentous events of July and August last, involving the British Nation in the great European conflict which is now raging, and the consequent unprecedented conditions under which the finances, trade and commerce of the Empire have been conducted—and to which I shall refer more fully later—will, no doubt, have made the Bank's operations for the year of more than usual interest to Shareholders. It will have been with satisfaction, therefore, that you have perused the Directors' Report and Balance-sheet which were distributed some days ago; and from which you will see that the Board, after making provision for all bad and doubtful debts, depreciation of investments, and other appropriations, was able to recommend a distribution to Shareholders on the same scale as in recent years.

In accordance with our usual custom, I will refer briefly to the principal items in the Balance-sheet.

CAPITAL.—The Capital of the Bank, as at 31st March, was as follows :—

AUTHORISED.		
4 per cent. Guaranteed Stock .. .. .		£1,000,000
“A” Preference Shares .. .. .	£500,000	
“B” Preference Shares .. .. .	£1,000,000	
		1,500,000
Ordinary Shares .. .. .		3,000,000
		<u>£5,500,000</u>
ISSUED AND PAID-UP.		
	Issued.	Paid-up.
4 per cent. Guaranteed Stock .. .. .	£528,988	£528,988
“A” Preference Shares .. .. .	500,000	500,000
“B” Preference Shares .. .. .	250,000	250,000
Ordinary Shares (old issue) .. .. .	1,000,000	500,000
do. (new issue) .. .. .	500,000	475,710
	<u>£2,778,988</u>	<u>£2,254,698</u>

At our December meeting, I mentioned that the 559 shares unapplied for of the issue of 75,000 new Ordinary Shares, were being offered to Shareholders for sale by tender. Applications were received aggregating 10,794 shares, the average price tendered being £13 3s. 9d. per share. The 559 shares were allotted to the highest tenderers, at an average price of £15 10s. 6d. per share.

With regard to the Guaranteed Stock, this, you will note, appears at £528,988, against £1,000,000 in the previous Balance-sheet. The old Stock matured on 19th July last and, the Bank's finances being in a strong position, the Board decided not to underwrite the new issue, but to give existing holders the option of exchanging their Stock.

The amount shown in the Balance-sheet represents the extent to which holders have availed of the option. The balance of the old issue, with the exception of a few thousands that have not yet come in, has been paid off. At a suitable juncture, the Bank will make arrangements to issue the balance of the new stock; but in the present unfavourable state of the London money market nothing can be done, and, the Bank's finances being easy, we are able, without inconvenience, to await the arrival of a favourable opportunity.

THE RESERVE FUND.—Last year this Fund was increased to £1,550,000 by the transfer from profits of £175,000. I have pleasure in announcing that, this year, by the addition of the premium received on new shares (less expenses of issue), £365,536, and the transfer from profits which the Board proposes to make, £84,464, our Reserve Fund will stand at the substantial figure of £2,000,000. Of this amount, £1,000,000 is invested in British Government securities.

NOTES IN CIRCULATION.—(£1,676,051), are more by £686,169 than at 31st March, 1914. This large increase is due to Bank Notes having been legal tender since the commencement of the war. Gold has been gradually withdrawn from circulation, and Notes have replaced it.

DEPOSITS, which include Free, Fixed and Government Deposits, stand at £18,741,657, an increase of £671,044, as compared with the figures of a year ago. Government balances are somewhat less; but deposits from the public—both free and fixed—are substantially larger. The causes and significance of these movements I shall deal with presently.

BILLS PAYABLE AND OTHER LIABILITIES stand at £1,670,103, an increase of £266,647 on the figures of twelve months ago.

COIN, BULLION, MONEY AT SHORT CALL, ETC.—Coin and Cash Balances at Bankers, and Bullion, together amount to £4,827,522, as against £3,377,185 at 31st March, 1914. The increases in our note circulation and deposits—to which I have just referred—and the general financial unrest, render prudent the maintenance of larger gold reserves.

Money at Short Call, Government Securities, and other securities in London, together amount to £5,136,996, an increase of £60,248 as compared with twelve months ago.

The totals under this heading, together with the amount of Bills Receivable and Investments in the Colonies, are, I may mention, equal to 64.41 per cent. (or 12/10d. in the £) of the total liabilities of the Bank to the public.

You will be pleased to hear that full provision has been made for all depreciation in investments, the whole of our investment securities having been written down to the minimum Stock Exchange official quotation at 31st March last.

BILLS RECEIVABLE, in London and in transit, exhibit an increase of £137,220, as compared with the figures a year ago, and now stand at £3,301,301.

I may say here that ample provision has been made for any deficiency in respect of bills held, drawn upon banks, merchants, and others in belligerent States, and which, owing to the war, were not provided for when due. The aggregate of these, you will be glad to hear, is comparatively inconsiderable.

ADVANCES.—As compared with the figures of a year ago, Bills Discounted are less by £93,568, and now stand at £1,186,458. Other Advances (£10,662,707) show an increase of £582,248—a natural movement in view of our additional capital resources.

LANDED PROPERTY AND PREMISES.—After appropriation from profits, now made, of £50,000, this item stands at £451,867, as compared with £449,577 a year ago.

The Bank's steady growth entails a considerable annual expenditure in providing suitable premises for the satisfactory conduct of its business.



I may mention, with reference to the Wellington and Head Office premises, that the accommodation which was provided eighteen years ago, when the building was erected, is proving quite inadequate for the requirements of our present greatly increased business, and the Directors have had under consideration for some time the question of enlargement so as to provide the necessary additional facilities. It has been decided to place another storey on the building, and to enlarge the banking chamber by taking in practically the whole of the space on the ground floor.

This will give a considerably increased area for the use both of the office staff and the public, and will, it is expected, meet all requirements for many years to come.

**PROFIT AND LOSS.**—The net profits for the year, after paying interest on Guaranteed Stock and making all necessary appropriations, including provision for the Bank's annual grant to the Provident Fund as well as a bonus to the Staff, and the allocation of £50,000 in reduction of Bank Premises and Furniture Accounts, amount to £319,486, as compared with £308,490 at 31st March, 1914. Adding the amount brought forward from last year (£51,608), and deducting the amount of interim dividend at 6 per cent. paid in December (£100,699), the sum available for distribution is £270,394. The Directors now propose to pay a further dividend of 6 per cent. and a bonus of 3 per cent. on Ordinary and "B" Preference Shares (making 15 per cent. for the year), and a further 4 per cent. on "A" Preference Shares (making 10 per cent. for the year). The distribution to Shareholders will therefore amount to £229,459 for the year. Of the balance remaining, it is proposed to transfer £84,464 to the Reserve Fund, and to carry forward £57,170.

In looking over the Profit and Loss statement, it will be noticed that "Rates and Taxes" are some £13,000 higher than last year. This increase is very largely due to the increased Note Tax, consequent upon the temporary expansion of the Note circulation.

#### BOARD OF DIRECTORS.

To fill the vacancy occasioned by the death of the Hon. Thomas Fergus, referred to in my last address, the Government have appointed Mr. William Reece, of Christchurch a Director of the Bank. Mr. Reece is, as you are aware, well and favourably known in commercial and financial circles throughout the Dominion; and he will, I am sure, prove himself a worthy and capable successor to the late Mr. Fergus. I am pleased on your behalf to extend a welcome to him to-day.

The term of office of Mr. J. H. Upton and myself expired on 31st March, and the Government have renewed our appointments.

At the first meeting of the Board in April last, my colleagues did me the honour of re-electing me Chairman of the Board for the current year.

#### LONDON BOARD.

At our last meeting we expressed our acknowledgment of the services rendered by the London Board in the great crisis of last year. The Local Directors, as well as our chief executive officers there, still continue to watch over our London interests with their accustomed care, and with the usual satisfactory results. We have pleasure in again placing on record our indebtedness to them.

#### STAFF.

The numbers of our Staff applying for leave of absence, to enable them to join the New Zealand Expeditionary Forces, are largely in excess of those which it has been found possible to spare. The Bank's business is such that it cannot be carried on by the employment of casual hands as required. A certain proportion of the Staff must be men with special banking knowledge and experience of our methods of working. We are adjusting the Staff as we have opportunity, and are allowing more men to join the ranks of the contingents as they can be spared. The number of our men who have gone to the front or are in training now totals 104.

To Colonial officers half-pay is being allowed, and they receive in addition their military pay.

To the London men we are allowing full pay, as their military pay is on a lower scale. Many of the London Banks are allowing full pay to those of their staff on active service.

To enable us to set free still more men it has now been decided to engage a limited number of women clerks whose services, it is considered, can be satisfactorily utilised in certain departments of our work. As these clerks are gradually introduced we shall be able to liberate more men for military service.

You will see therefore that we are doing all in our power to encourage those young men of our Staff, who are capable of military service, to take up arms in the Empire's cause. Those that offer will, I am sure, acquit themselves creditably. The names of several at the front are already inscribed on the Roll of Honour, having either sustained wounds or lost their lives in the actions at the Dardanelles.

It is hardly necessary that I should add how greatly we all admire their patriotic conduct. In common with all New Zealanders, we are proud of the soldierly qualities which they and New Zealand's other gallant sons have displayed and are displaying in the struggle with the Turks; and we confidently look, before long, for a successful termination of the enterprise in which they are engaged and to hear that the flags of the Allies are floating over Constantinople, and that the Bosphorous and the Dardanelles have become open waterways.

To the families and relatives of our men who have so far met their deaths at the front, we have to express our deepest regret and to tender our most sincere sympathy. If there be anything which can help to assuage the anguish of their bereavement, it will surely be "the solemn pride which must be theirs to have laid so costly a sacrifice on the altar of freedom."

Our approbation of those of our Staff who have gone to fight the Empire's battles must, however, not lead us to overlook the more prosaic, though none the less valuable and exacting, services of the Staff who have remained. These have cheerfully performed extra work, foregoing holidays and undertaking longer hours of labour, in order that those desirous of volunteering might be able to get away.

We are appreciative of all this and gladly place our appreciation on record. In many cases, the task of remaining and carrying on the humdrum duties of daily life and labour under such unfavourable conditions, has involved self sacrifice and a devotion to duty almost as great as that displayed by those who have gone to the front. Each, in his own way, is serving the interests of the community and the Empire, and each merits and receives our hearty thanks and commendation.

In recognition of the good services of the Staff during the year, the Board has again paid them a bonus of five per cent. on salaries. In this bonus the members of the Staff serving with the British Forces shared on the basis of full pay.

#### BANK OFFICERS' PROVIDENT FUND.

During the year, steps to extend the benefits derivable by the Staff from the Officers' Provident Association have been taken, and carried to a successful conclusion.

To secure the additional benefits desired, the officers have increased their contributions to the fund by 1¼ per cent. of their salaries, and the Board has increased the Bank's contribution by a further 2 per cent. of salaries. This makes the Staff's contribution 3¾ per cent. of salaries, and the Bank's 7½ per cent., being you will observe, just double that of the Staff.

The vote of the Staff was overwhelmingly in favour of the change, and the proposal has therefore taken effect as from 1st May ultimo.

In view of the splendid position in which the Bank now stands, it can afford to be liberal with the men who have spent their lives in its service, and to whose labours and devotion its success has been so largely due.

These views will, I am sure, have your cordial approval.

#### DEED OF SETTLEMENT.

It was our intention to have placed before you at this meeting the proposed amendments in the Deed of Settlement. I regret that it was not found possible to get all the necessary preliminaries arranged in time. The proposals have, however, been circulated among the Shareholders and a Special General Meeting has been called for 22nd October next to deal with them.



In terms of the existing Deed of Settlement, the alterations that are approved of at that meeting will, before they can take effect, have to be submitted and confirmed at a subsequent meeting. This confirmatory meeting, it is proposed, shall be the Bank's Half-year General Meeting to be held in December next.

Your proxies are invited for use at both the meetings, and we shall be pleased to receive them in due course.

The amendments are very necessary and we shall be glad when they have been effected.

#### SAMOA.

Of German territory occupied by Great Britain since the outbreak of the War, New Zealand is most interested in Samoa, owing to its proximity to the Dominion, and the fact that it was the first captured—and that, too, by a New Zealand Expeditionary Force. German currency in Samoa has been lately superseded by British, and a Branch of this Bank has been established at Apia, the principal town of German Samoa.

The future of Samoa will not be determined until the close of the War. Meantime the country is being held by New Zealand, on account of the Imperial authorities, and is under military control.

#### WAR AND FINANCE.

It is impossible for me to avoid reference to the great conflict that is now convulsing the world. The War, in which practically all the Great Powers are engaged, has had, and must continue to have, a very disturbing influence on finance, trade and commerce. Great and profound economic changes have occurred, and no one can as yet faintly estimate the far reaching effects of the titanic struggle.

The measures adopted by the British Government to meet the financial difficulties precipitated by the War, were outlined briefly in my last address. They have proved on the whole effective, and have gone far to assist in maintaining the pre-eminence of London as the world's great financial centre. Whilst other countries have found it necessary to prohibit the export of gold, Britain has preserved its traditions and maintained throughout a free gold market, except, of course, for exports to enemy States.

The opening of the London Stock Exchange, which took place on 4th January, was attended by the imposition of very stringent conditions, designed to prevent the Stock Exchange being utilised as a channel for realisation of enemy securities.

Recognising the important part which finance must play in the War, the British Government has determined to conserve British financial resources to the utmost extent possible, in order that supplies for War purposes may be available as and when required. With that end in view, it has practically taken control of all new capital issues in Great Britain, by providing that no issue shall be made that has not been previously approved of by the British Treasury. The principle upon which the Treasury will discriminate upon any proposals made to it, will be whether or not the contemplated issue can be shown to be "advisable in the National interest."

This regulation, it will be at once seen, closes the London money market to all issues of capital on account of undertakings unconnected with the British Empire, and to those even within the British Empire that are not in close association with Imperial interests.

The result is, that the vast stream of credit constantly flowing to London from Britain's world-wide investments is accumulated there as in a financial reservoir, the outlet of which is controlled by the British Government. In this way, supplies of that essential sinew of war—money—are assured, not only for the British Empire itself, but also for her Allies. The facility with which all needs have so far been fully met, at rates fluctuating—as far as the British Government is concerned—from a little over 3 per cent. to a little under 4 per cent., is at once a testimony to the effectiveness of the measures adopted, and to the continued strength and soundness of British credit in these credit-shaking times.

I do not wish to be understood as minimising the serious financial and economic bearings of the position in which the world has been placed by the War. One cannot but regard with serious

misgivings the diversions of such immense volumes of capital from remunerative enterprise to the business of destruction, which leaves only devastation and no tangible asset in its wake.

The mind is fairly staggered when it thinks of the economic problems with which the civilised world will be faced when this—the greatest of all wars—has been brought to a termination. The figures that will be represented by the actual war expenditure, by the loss of income resulting from the paralysation of industry, and by the enormous value of property absolutely destroyed, are at present quite unthinkable; and when we add to them that greater, because irreparable, loss, not measured in money but in human lives, we turn from the contemplation of it all with a distracted brain and a sickening heart.

For us, the only consolation lies in the fact that the conflict has been forced upon us; that we are fighting the fight of liberty and justice, and that with the victory which we confidently anticipate will be ours, may come an assurance of an enduring peace which, in the years yet to be, will perhaps compensate in some measure for the losses and distresses of the present.

As to the ultimate issue of the conflict, I do not think there can be any room for doubt, if the British Nation can be brought to realise that the greatest crisis in its history has arrived. At the opening of the War every Britisher faced the position with a confidence, born of past experience, in the conviction that the nation would rise as one man to meet the emergency. I am, however, bound to confess to a feeling of the keenest disappointment and to some apprehension when I read of the recrudescence of labour troubles in Great Britain at such a critical juncture, and of the consequent threatened deficiency in the supplies of those munitions of war which are absolutely indispensable, if our brave soldiers at the front are to fight their battles successfully. I can conceive of no more despicable conduct than that which would leave our armies and navies deficient in the supplies of the fighting material necessary for their own defence, and for the successful prosecution of the War. I hope that there will be no further display of such un-British conduct, but if there should be, I trust that the most stringent measures will be adopted to compel labour to give the full, generous and loyal service which the nation demands, and undoubtedly merits, in the present time of stress.

In this connection, it is interesting to note the appointment of the Right Hon. David Lloyd George as Minister for Munitions of War, a portfolio of the British Cabinet which has been created for the express purpose of dealing with the difficulties to which I have alluded.

The unceasing vigilance of the British Navy—the effectiveness of whose watch and ward is a matter of pride and satisfaction to the whole British Empire—has afforded protection to the British Mercantile Marine; and although some losses have, of course, occurred, the total is insignificant when compared with the aggregate sailings. Up to the present the "Kaipara," and the "Tokomaru," are the only New Zealand ships that have been sunk by the enemy. The debt we owe to the sailors of the British, Australian, and Japanese navies can never be repaid.

The British Government, feeling the importance of confidence as an essential to the maintenance of trade, announced, in the early days of the War, the establishment of a Government Insurance bureau through which cover for War risk could be obtained, charging for this national service the lowest possible rates consistent with departmental solvency. This facility has been of the greatest assistance to shippers to and from all parts of the British Empire. It has enabled them to obtain full cover for all their shipments at reasonable rates. It is questionable whether, without it, underwriters would have been able to meet the demands upon them. In any case the rates for War risk would probably have been almost prohibitive. The Bank's services have been at the disposal of its shipping customers, and the aggregate of War risk cover effected in London through the Bank's agency has reached a large total.

The measures which it was found necessary to adopt in this Dominion, viz. :—

The Notes legal tender proclamation,

The prohibition of Gold export, and

The Mortgages Extension Act,

are still in operation and likely to be continued until the close of the War at any rate.



The last named Act has, unfortunately, proved somewhat unsatisfactory. Designed primarily for the protection of mortgagors against possibly unjust and arbitrary action by mortgagees, it has no doubt been of much service in preventing hardship to mortgagors whose liabilities were maturing and who were unable to make provision for them. It has enabled them to carry on their mortgages at the rate of interest provided in the mortgage deed, and has, in that way, no doubt assisted to keep down the value of money for mortgage purposes, which runs to-day at from 5½ to 6 per cent. per annum. But the Act has been taken advantage of by quite a number of mortgagors who, being in the enjoyment of a low rate of interest, have, whilst possessing the means to discharge their liabilities, claimed the protection of the Act and utilised their available funds in lending on mortgage themselves at higher rates of interest. This is, of course, a perversion of the benefits conferred by the Act, and it is understood that, in the coming Parliamentary Session, the matter will receive attention at the hands of the Government.

We are not at all sure that the mortgagors in such cases are not overreaching themselves, or that those who are *bona fide* claiming the protection of the Act are wise in doing so. There is no reason to anticipate that a substantial drop in money values will take place after the conclusion of the War. Not a few in a position to judge take the view that there will then be still further appreciation, and my own opinion is that those who are re-arranging their mortgage liabilities as they mature, on the best terms possible, are acting with a measure of prescience which future events will fully justify.

The prevailing conditions in the great monetary centres of the world are bound to be reflected, sooner or later, in our local market; and, as I see no indication of easing prospects in the centres, I am forced to conclude that money values are likely, for the present, to remain comparatively high. It is true that there is not, in the meantime, any shortage of money; but this is largely owing to the fact that enterprise is stagnant, and that trade generally is running in much restricted channels. When the future is more assured, the supplies of floating capital will probably be quickly absorbed and money may become scarce.

After the war is over, if the conditions of the international settlement are such as hold out prospects of a lasting peace, and of cessation of competition in armaments, there may be after a few years a permanent drop in money values, but I do not think that point will be reached for some time. These are, however, merely my personal views and I wish it to be understood that I lay no claim to prophetic attributes.

In these Islands our position is a highly favoured one. The horrors of this War—the most distressing of all wars—are known to us practically only through the newspapers. But for the fact that some of the best of our manhood have gone forth to do battle for the Empire, and that the list of our dead and wounded is a long one, we should be almost unaffected by the momentous struggle that is in progress on the other side of the world. Indeed, it may be truly said that we are actually benefiting by the tragic events that are being enacted, inasmuch as the war demands have sent up the prices of our staple products to a level never before touched in recent years.

In this connection, it is interesting to note the values which have ruled in the London market for some of our principal products this season, as compared with the previous year. Take, for instance, Wool, Meat, Butter and Cheese.—

WOOL.		March, 1914.	March, 1915.
Slipe Wellington Wools	.. ..	13d to 15d	21d to 24d
Greasy Merinos 60's	.. ..	12½d to 13½d	11d to 12d
Do. Crossbreds fine 50's	.. ..	12½d to 13½d	17d to 17½d
Do. do. medium 44/46's	.. ..	12d to 12½d	17½d to 18d
Do. do. coarse 36/40's	.. ..	11d to 11½d	17d to 17½d

These prices are for average quality, per lb.

It will be seen therefore, that the present condition of the market is brought about by the strong demand for wools suitable for khaki and blanket purposes.

#### FROZEN MEAT.

	March, 1914.	March, 1915.
Canterbury Lamb, per lb.	.. .. 6½d to 6¾d	7½d to 8d
North Island Mutton	.. .. 4d to 4¾d	5½d to 6½d
N.Z. Beef, Fores	.. .. 3¾d to 4d	5¾d to 6½d
N.Z. Beef, Hinds	.. .. 4¼d to 4½d	6¼d to 6½d

#### BUTTER AND CHEESE.

	March, 1914.	March, 1915.
Butter	.. .. 118/- to 120/- per cwt.	136/- to 142/- per cwt
Cheese	.. .. 65/- to 66/6 per cwt.	91/- to 93/- per cwt.

and the market for all dairy produce has since improved.

Linked with the patriotic enthusiasm of the Dominion, these circumstances, which have placed our people in a position to be liberal, have inspired rich and poor alike to a degree of generosity quite unprecedented, and substantial sums have been voluntarily subscribed for every conceivable department of relief and assistance. Much yet remains to be done, but we are persuaded the New Zealand people will be true to their call and do their duty.

As far as we are concerned as a Board, we consider that under normal conditions we are justified in regarding ourselves as your almoners only to a small extent, but existing circumstances being so exceptional, we have felt constrained to subscribe a total of £3,050 direct to the relief funds. We have also remitted moneys of various Relief organisations to London free of exchange, which service has been equivalent to a further large donation, as exchange on London has commanded a very high premium for many months, and still stands at a high level. This further donation, thus indirectly made, is equivalent to upwards of £1,800. When we add to this the half-pay which we are allowing to all our officers on active service with the forces, and which at present amounts to some £7,800 per annum, it will be seen that we are making a large contribution for War and Relief purposes. We have no doubt however that, in the circumstances, our action will receive your hearty endorsement.

#### LOCAL BODIES' LOANS.

With the closing of the London money market, that fertile channel of supply of our local financial requirements has become absolutely sealed. We have consequently no loan flotations to chronicle on this occasion. For the information of those Local Bodies who may have schemes of expenditure in prospect, I may say that, apart from the uncertainty of the War's duration, it is in my opinion exceedingly unlikely that the London money market, even after the termination of hostilities, will become favourable for the issue of loans for some time. The demand for capital to make good the destruction that has been wrought by the War will be enormous, and the sources of supply will, to some extent, have run dry. It is, therefore, only reasonable to assume that it may be some years before the financial equilibrium is restored and normal conditions again prevail. In any case, when considering the question of Loan flotations borrowers will no doubt have to re-adjust their ideas as to rates, for when London loans again become possible there is bound to be a great rush of applications, and this naturally will result in lenders demanding higher rates than those which in recent years they have been ready to accept.

#### INDUSTRIAL DISPUTES AND CONCILIATION.

Following the outbreak of War, the Acts relating to the Arbitration Court and Conciliation Board were, by mutual consent, suspended so far as the hearing of new disputes was concerned; but at a special sitting of the Arbitration Court, held in May last, the President decided, after hearing lengthy evidence given by the representatives of employers and employees, that the conditions of trade in this Dominion were sufficiently good to warrant the resumption by the Court of its functions. Accordingly, the Courts are now again being used for the settlement of differences between Capital and Labour.



TRADE, INDUSTRY, AND INTERNAL FINANCE.

The New Zealand quarterly average Banking statements indicate an easy financial position in the Dominion. Comparing the figures of 31st March last with those of 31st March, 1914, we find the following differences in the aggregate averages of all the Banks :—

DEPOSITS.		
Interest bearing—increase .. ..		£316,029
Non-interest bearing—increase .. ..		2,482,961
		£2,798,990
ADVANCES.		
Discounts—decrease .. ..	£382,690	Net
Other Advances—increase .. ..	384,324	Increase 1,634
		£2,797,356

Improvement during the 12 months in the position of the public with the Banks .. .. £2,797,356

The Post Office Savings Bank figures show similar large accretion of funds. The excesses of deposits over withdrawals, for the half-year ending 31st March last, reached the large total of £1,188,071.

These improvements have been contributed to largely by (1) The increased value of our exports, and (2) The reduced value of our imports—the margin between which will probably be found, when the returns for the year ended 31st March are complete, to be the highest that has been touched for many years past.

For the year ended 31st December last—the latest date to which complete returns are available—the figures are :—

Exports (excluding specie) .. ..	£26,253,900
Imports do. .. ..	21,144,200
	£5,109,700

The surplus for the previous year ended 31st December, 1913, was £1,156,731.

The increase in the exports is due in a large measure to the enhanced prices commanded by our primary products.

The decrease in imports is attributable to several causes :—

(1) The caution exercised by merchants and importers when ordering supplies in the early days of the War.

(2) A lessened demand consequent upon the more economical style of living that has been in vogue since the War began.

(3) The impossibility of obtaining many lines of merchandise from Germany and Austria, and the inability of British manufacturers and exporters to fill orders.

(4) The lack of tonnage and the difficulty of shipping owing to congestion at the London Docks.

The export figures for the quarter ended March 31st are available and amount to £11,205,000, as against £9,993,100 for the quarter ended March 31st, 1914. The import figures for the same quarter are, however, not complete, but the Customs revenue for the quarter is said to amount to only £737,808, as against £935,052 for the quarter ended 31st March, 1914, showing that there has been a substantial falling off in importations. This is, of course, all in the direction of widening the margin between imports and exports, thus increasing the credit balance on the Dominion's trade as a whole and, consequently, the funds available here.

A statistical comparison of the trade of New Zealand with previous years would be apt to be misleading, because of the great disturbance caused by the War. The difficulty of importing goods and the advances in prices on the one side, and the high prices for exports on the other side, make an examination of the position almost impossible, for we have always to bear in mind that

after the War, drastic changes will follow. The values of some commodities must necessarily decline, and others will probably advance ; and a new view must be taken of the situation.

Financial ease is apparent, but it is ease which, like the calm before the storm, may presage strain and stress later on. The accumulations in the hands of the Banks are undoubtedly due to apprehension with regard to the future, and a desire on the part of the depositors to be prepared for possible eventualities. This is clear from the fact that the increases in deposits are principally in the non-interest bearing class—*i.e.*, the Current Accounts.

This is not an encouraging feature because it indicates, to some extent, commercial and industrial inactivity. Building, except in the way of Government undertakings, is largely at a standstill ; and investors are disinclined to enter into commitments. Business on the Stock Exchanges of the Dominion is also very restricted.

At the same time, prices of shares in regular dividend paying financial and industrial Companies stand at a satisfactory level ; and shares are well held, there being few sellers. At the commencement of the War a sharp decline in market values occurred, but as confidence returned recovery became rapid, and to-day there are few stocks in favourite Companies which can be purchased to yield more than 5 to 6 per cent.

The export of Meat from the Dominion, otherwise than for the British Government, is now prohibited. Early in the year the New Zealand Government, acting on behalf of the Imperial Authorities, commandeered the whole of the meat in store and all future surplus for export. The meat is purchased on the basis of a fixed tariff which gives reasonably remunerative prices while, at the same time, it prevents exploitation of the Imperial Government and of the British consumers by speculative buyers.

It seems to me that a similar scheme, controlled by the New Zealand Government and worked probably in co-operation with the British Government, would be effective to put a stop to operations by the American Meat Trust in this Dominion, should any dangerously aggressive action here be attempted by the Trust after the close of the War.

Owing to the serious shortage in the wheat supply of the Dominion, importations of wheat and flour have been made from America and Australia, a large part representing purchases made by the Government in the public interest. The Government's judicious action in this respect undoubtedly has had the effect of steadying the market, and preventing an advance in the price of "the staff of life" to a figure which would almost certainly have necessitated reduced consumption. The pressure upon steamer freight space from New York and San Francisco owing to this and other causes, has been so great that quite a number of sailing vessels have been recently chartered for the trade.

The conditions of the Dominion staple industries leave little room for complaint. It is true that in some parts serious droughts have prevailed and that, owing to the commandeering of ships for the transport of troops, there is temporarily a serious shortage in freight facilities with some possible loss to farmers who, having brought their stock into condition for killing, have found themselves unable to sell to the freezers, or get their stock killed and frozen on their own account. On the other hand phenomenally good prices, as I have already shown, have been ruling for wool, frozen meat and dairy produce ; and the better prices have, in most cases, more than compensated for the reduced yields.

As a consequence of the deficiency of freezing and storage facilities, movements have been initiated at various points throughout the Dominion to establish new freezing works and refrigerating stores. In considering all these projects, it should of course not be overlooked that the present is a time when exceptional and abnormal conditions prevail, and that, in ordinary circumstances, the existing facilities for dealing with the frozen products of the country are probably, in most cases, quite adequate. It will therefore be politic that the promoters of such schemes should consider carefully whether or not there is a permanent opening for the establishment which they have in contemplation. If what they have in view is designed simply to meet the present temporary necessity, wisdom would, I should say, dictate the abandonment of the proposed venture.



#### THE OUTLOOK.

I think we may look for a continuance of good trade. The end of the War may be followed by heavy taxation and unemployment in those countries now engaged in hostilities, but New Zealand is still bound to find an outlet at remunerative prices in Great Britain, the Continent of Europe, and the United States of America for her wool, frozen meat, dairy produce, etc. It would of course be unreasonable to expect the abnormal rates at present ruling for the articles enumerated to be maintained, but there is little doubt that the demand which will then exist for our primary products will enable us to face the future with equanimity, and assist us in discharging the heavy liabilities we have directly undertaken in connection with the War.

The War is costing the Government a substantial sum, and I am convinced that prudence and reasonable economy are being exercised in the expenditure. The cost of the War must be met by increased taxation, and no doubt we may expect to have proposals submitted under this head in the course of a few days. The country is well able to face this increased taxation; indeed, looking at all the circumstances, it was never better fitted to stand such a pressure.

As I have already mentioned, the commandeering of so many of our insulated steamers for troopships has hampered exporters considerably, and has caused some inconvenience; but the Government is making every effort to provide a sufficiency of insulated ships, and it is anticipated that the difficulty will be overcome by the end of July.

Some change in the incidence of trade is certain to follow the rupture of the old commercial relations occasioned by the War, and new trade routes are already being pricked out on the map. Germany, for long years to come, will, I hope, be commercially ostracised. The trend of public feeling the world over seems to point in that direction. New outside markets will therefore have to be exploited, and fresh industries within the Empire itself established and developed.

Japan is already in the field, and quite recently a distinguished deputation visited the Dominion with a view to opening up fuller trade relations between the two countries. There is a possibility of an early inauguration of a direct steamer service with Japan.

Already the trade of Australia and New Zealand with the United States of America and Canada has taken a forward bound, largely encouraged by the opening up of the Panama Canal. Large shipments of wool and concentrates have been made from New Zealand and Australia to Boston and other American ports. Wellington will be a frequent port of call—for coaling and other purposes—on this new trade route. The trade with the United States is bound to develop, and it is the duty of our merchants to help in the development, at the same time taking care that the pernicious American system of combines and monopolies is not allowed to obtain a footing. Trade with Canada, too, is destined to grow, and it is not unlikely that closer political relations will be established with the sister Dominion after the close of the War.

China and Russia are, commercially speaking, lands almost unknown to these islands, but it is fairly certain that they will not long remain so; and when we come to reflect upon their immense populations and their boundless resources, the trade possibilities opened up appear to be illimitable.

It is noteworthy that the wars of the early part of the nineteenth century laid the foundation of the peace upon which the phenomenal social and industrial developments of the latter part of that century was based, and now, in this twentieth century, history may repeat itself; and when the knell of militarism has been sounded, and the nations have turned their energies again to the arts of peace, developments as yet undreamt of may take place. The next hundred years may witness the attainment of stages of further progress in arts, sciences, industries, social conditions and international relationships which shall outstrip even the nineteenth century record, and present contrasts with existing conditions more remarkable and important than those of any of the centuries of the past.

I now formally move the adoption of the Report and Balance-sheet. (Applause).

MR. MARTIN KENNEDY said:—

Before formally seconding the motion for the adoption of the Report and Balance-sheet, allow me to congratulate you, Mr. Chairman, on the magnificent speech that you have delivered, and

the great industry you have displayed in providing a large amount of information which must prove interesting to Shareholders present and at a distance, as well as the public generally at Home and abroad. I am sure it will be read with satisfaction and profit by many people. I have much pleasure in seconding the motion.

The Chairman has so fully reviewed the conditions that there seems little left for me to add, beyond a word of congratulation upon the position in which the Bank stands to-day. It should be, and I have no doubt is, a matter of great satisfaction to you all, that, notwithstanding the trying time through which the financial world has been passing, we are able to lay before you such a Balance-sheet and Report as that now under consideration. I cannot pass, without special comment, the fact that the Reserve Fund of the Bank has now reached the £2,000,000 mark. I may remind you that, as mentioned by the Chairman, £365,536 of this amount represents premium received on the last share issue, of which £125,000 is premium paid by the Government and £240,536 premium paid by the Ordinary Shareholders. I would also like to mention that I was at one time strongly opposed to the Government being permitted to take up any shares in the Bank. Circumstances have, however, led to a radical change in my views in this respect, and I am now prepared to admit that the combination with the Government is a happy one, and calculated to achieve the very best results, both for the Bank and for the country.

Before resuming my seat I would like to remind you that my present term of office expires on 31st March next, and that it is my present intention to offer myself for re-election at the Half-year General Meeting in December next, when I trust you will favour me with a renewal of your confidence. I may mention that, this year, I complete my "majority" as a Director of the Bank. On 26th September next it will be twenty-one years since I was first elected to the position, and, during the whole of the intervening time, you have maintained me uninterruptedly in office, always re-electing me unopposed. I confess that, when I look back over those years and contrast the position of the Bank to-day with that in which it unfortunately stood twenty-one years ago, I feel a pardonable pride in the change that has been effected. The march of time is fast carrying me on to the point at which I must of necessity retire from some of my directorships, but the bond that has been forged by my twenty-one years' association with this institution is a strong one, and while I continue to be honoured with the confidence of my fellow-shareholders, I shall endeavour to hold my services at their disposal as long as I feel myself capable of discharging satisfactorily the trust which they commit to my keeping. (Applause).

MR. S. KIRKCALDIE expressed regret that he could not see his way to accord that appreciation of the Balance-sheet that he would have liked to. He said this, while recognising that serious times had been experienced, and that difficulties had had to be overcome by those engaged in the control of large financial institutions. The first item of the Balance-sheet, that of the reduction of the Government £1,000,000 Guaranteed Stock to £528,988 was one that took a great many Shareholders by surprise. The million pounds Guaranteed Stock was a consideration in a large measure for the "B" Preference Shares issued to the Government, and it was disappointing to see that at such an early stage a reduction had been made. He would point out, that while the Capital account of the Bank including Reserves and the New Share Account, showed an increase of £525,544, as compared with the previous year, the Profit and Loss Account exhibited a reduction—from £291,000 to £270,000. The 1914 Balance-sheet showed a return of 8 per cent. upon the Capital and Reserves invested, while this year it was only a fraction over 6 per cent. He would also draw attention to the fact that Advances and Bills Discounted had only increased by £488,679, whereas the increase in Capital and Reserves amounted to £525,544. It was satisfactory to know that the Bank was in such a strong financial position that it was able to keep up the payment to Shareholders, and contribute £84,000 to the Reserve Fund; but he would point out that that amount was less than half of what the Board had transferred during each of the past two years. The Chairman had said that the Board was going to undertake large additions to the Head Office premises. That was a project which he thought the Board should defer for some time to come. The amounts



written off buildings during the past ten years had been substantial, but until the agreement between the Bank and the Shareholders, as far as capital was concerned, was fully observed, the Bank's resources should be preserved in the interests of the Ordinary Shareholders.

DR. C. PRENDERGAST KNIGHT said he could not agree with Mr. Kirkcaldie that the Bank should pay a large premium for the renewal of the Guaranteed Stock. There was no doubt that, if the Bank had accepted the offers of London underwriters at a considerable premium, it could have got the whole amount subscribed. He understood over half a million was renewed by the persons who held the Stock before, at practically no cost to the Bank?

THE CHAIRMAN :—That is so.

DR. KNIGHT, continuing, said that, with regard to the expenditure on buildings, anyone who moved about New Zealand could see that the Bank was compelled to expand its business premises. This was a step in the right direction. As Chairman of the Shareholders' Committee, he had much pleasure in congratulating Mr. Reece on his appointment to the Board. He thought Shareholders ought to be very well satisfied that the Reserve Fund had reached the large sum of £2,000,000—the amount of the original guarantee.

MR. T. S. WESTON said, in reference to Mr. Kirkcaldie's remarks, that criticism was always to be welcomed. It acted as a spur and incentive to successful action on the part of those criticised. He could not, however, agree with Mr. Kirkcaldie's conclusions. As regards the non-issue of the whole of the Guaranteed Stock, the Bank had ample funds awaiting investment. Why, therefore, pay 4 per cent. for money that would be earning little or nothing? The balance unissued was always available to pledge as gilt-edged security if any sudden demand were made upon the Bank's resources. Then as to the nett profits, these would have been largely swelled if the amount written off the Government and other securities held by the Bank had been taken into account. This must have been a substantial sum, and after the War would in a great measure come back when Stock Exchange values recovered. The Bank, too, had to pay 15 per cent. interest upon the additional capital brought in during the year just passed, although the earning power of that money would be not more than 5 per cent. With regard to the value placed in the Balance-sheet upon landed property and premises, perhaps the Chairman would give the land tax value of these premises now and at say five years back. This would be of interest to Shareholders, and show the increased amount the Bank had found it necessary to invest in premises for the purpose of meeting the growth of its business. The new Sydney freehold premises alone came to a considerable sum. He had no hesitation in congratulating the Directors and management upon the very successful Balance-sheet they had shown.

CHAIRMAN'S REPLY.

THE CHAIRMAN said he recognised that, owing to the important position Mr. Kirkcaldie held in this City as a commercial man, his criticisms were entitled to consideration; but, with regard to his remarks as to the failure of the Board to renew the £1,000,000 four per cent. Stock, bearing the Government guarantee, he would point out that that gentleman was entirely wrong in his assumptions. The Shareholders would, no doubt, be interested to learn that some months prior to the maturing of the old Stock, a prominent London firm offered to underwrite the whole of the new issue, at par, for a commission of 1 per cent., which would have meant a cost to the Bank of £10,000, in addition to double interest to date of maturity. As at that time the Bank's finances were particularly easy, and money generally was cheap and abundant, the Board, considering the proposed terms too onerous, refused that offer, and decided to sell its Stock without the assistance of underwriters. This course was followed, and it resulted in the placing of no less than £528,988 at only nominal cost to the Bank. That was in his opinion a creditable achievement. For some months past, day-to-day loans in London have been averaging 1 per cent. per annum, so there would not have been much advantage in actively pushing the sale of this Stock at an interest cost of 4 per cent. per annum to the Bank, and re-lending the proceeds at 1 per cent. per annum. That aspect of the case would, no doubt, appeal to Mr. Kirkcaldie as a business man. He (the Chairman) reminded Mr. Kirkcaldie, as being somewhat anomalous in the light of his present criticism,

that, prior to the passing of the last Act relating to the Bank, one of the recommendations of the Shareholders' Committee—of which for a time Mr. Kirkcaldie was Chairman—was that the Guaranteed Stock should be paid off altogether. The Board, however, declined to entertain that recommendation.

As to the smaller amount transferred to the Reserve Fund this year, as compared with last, this was due to the necessity for the writing down of gilt-edged securities to the minimum prices quoted on the London Stock Exchange on 31st March, 1915, and also to the fact that the Bank had now to find a much larger amount for dividends owing to the substantial increase in its capital. When this increase in capital occurred, it was explained that Shareholders could not reasonably expect to see such large sums placed to reserve in future as in recent years. On this new capital the Bank was giving its Shareholders a return of 10 per cent. per annum after taking into account the premium of 50 per cent. paid by them on the new shares. However, as showing the earning power of the Bank, he would mention that, had they been passing through normal times, and had not the necessity arisen for writing down gilt-edged securities so drastically, a greater amount could have been put to the Reserve Fund this year than last. This would give Shareholders some idea of the amount that had been required for the purpose mentioned.

With regard to the shrinkage under the head of "Bills Discounted," this was a natural corollary to the financial ease so apparent during the past twelve months, and other Banks trading in this Dominion had had a similar experience. The improvement in the position of the public with the Banks—amounting to no less than £2,797,356 for the year ended 31st March—clearly established that fact.

As to Mr. Weston's enquiry *re* Landed Property and Premises, the position at 31st March was :—

Book value .. .. .	£420,208
Managers' value .. .. .	781,708
Land Tax value .. .. .	777,306

The difference between the amount £420,208 (book value), and £451,867 (amount per Balance-sheet) was made up by the value of Furniture and Stationery. These figures proved that book values were on a most conservative basis. With the expansion of the Bank's business, and the opening of so many new Branches and Agencies, a large expenditure must be expected for land and buildings; but substantial sums under this heading, as shown in the Balance-sheets, were appropriated yearly for writing down values.

The motion for the adoption of the Report and Balance-sheet was then carried.

VOTES OF THANKS.

MR. JOHN MILL (Port Chalmers) proposed a vote of thanks to the Board of Directors and Staff. He expressed the opinion that there was not one Shareholder but would agree that the Board and Staff deserved great credit for the way in which they had handled the business of the Bank during the last few years. The Reserve Fund had now reached a substantial figure, and would stand them in good stead in the future. They had been fortunate in securing the services of Mr. W. Reece as a Director here, and Sir James Mills in the Old Country. It was hoped that the day was not far distant, when the Chairman would receive the reward that was his due for the services he had personally rendered to the Bank.

DR. KNIGHT, in seconding the motion, said he was glad to hear of the treatment that the Board was according to the members of the Staff on military service. He was also pleased to learn of the improved benefits under the Pension Fund, to which the Chairman had referred in his address. This was only just, as the great business of the Bank had been built up by the exertions of many of the officers now retiring, who served for low salaries during the stressful times of the Bank. He was sure all Shareholders would approve of the Board's action in strengthening the Pension Fund of the Bank. He also expressed approval of the considerable contributions which the Bank had made to the Patriotic Funds.



The motion was carried with applause.

THE CHAIRMAN acknowledged the vote of thanks on behalf of the Directors, and said that conditions during the past ten months had involved much responsibility and work on the Board. It had been a very great pleasure to the Board to be able to present such a good Balance-sheet. He could assure them that every Director was actuated by the single desire to do the very best he could for the Bank, and all were working in complete harmony.

As regards the Staff, he would take the opportunity of reading a list of those officers of the Bank whose names had been added to the Roll of Honour, having either lost their lives or received wounds at the front. These were:—

KILLED.	WOUNDED.	
E. D. Cogan	C. P. Fair	E. O. L. Rees
C. V. McDonald	E. C. Hoult	D. L. Smith
J. L. Scoular	R. N. Morpeth	C. G. Stewart
J. L. Wildermoth	L. H. Parson	J. Thorp
	A. Wallace-Lawson.	

He was sure the relatives of those who had lost their lives had the Shareholders' deepest sympathy.

MR. W. CALLENDER (General Manager) thanked the meeting for the vote of thanks to the Staff, which he was sure would be appreciated by them. He also thanked the Board and the Shareholders for the liberal manner in which the members of the Staff at the front had been dealt with.

THE CHAIRMAN, in reply to a suggestion by Mr. Weston that at the end of the war the names of those officers of the Bank killed in the war should be inscribed on a tablet to be placed in the Board-room, said that the matter would have the consideration of the Board.

The proceedings then terminated.



## REPORT

OF

### PROCEEDINGS AT THE SPECIAL GENERAL MEETING OF THE PROPRIETORS HELD AT THE HEAD OFFICE, WELLINGTON, ON FRIDAY, 22ND OCTOBER, 1915.

MR. H. BEAUCHAMP, CHAIRMAN OF DIRECTORS, PRESIDED.

PRESENT:—Mr. H. Beauchamp (Chairman of Directors), in the Chair; Messrs. Watson, Kane and Reece, Directors; and 22 Shareholders (including Messrs. Beauchamp and Watson) holding 5,373 shares. There were also present by proxy 69 Shareholders, holding 28,660 shares.

Sir John Findlay, K.C., and Mr. C. P. Skerrett, K.C., were in attendance.

The Secretary read the notice convening the meeting.

THE CHAIRMAN apologised for the unavoidable absence of Mr. Martin Kennedy and Mr. J. H. Upton (Directors).

THE CHAIRMAN addressed the meeting as follows:—

Our meeting to-day, as stated in the notice convening it, which was issued to all Shareholders on the 24th May last, is a Special General Meeting called for the purpose of effecting, in the manner provided by the Deed of Settlement of the Bank, the alterations in the Deed which are necessary to bring it into literal conformity with the Statutes affecting the Bank. I should explain that the Banking legislation that has been passed from time to time has provided that the Deed of Settlement is to be deemed to be amended in the necessary respects so as to bring it into conformity with the Statutes, but no actual alteration in the text of the Deed has been made by Shareholders in General Meeting, since the 17th October, 1894, when amendments were made incorporating the changes necessitated by the passage of the "Bank of New Zealand Share Guarantee Act, 1894."

Now that the Bank's affairs have been settled upon a fairly permanent basis by the "Bank of New Zealand Act, 1913," it has been considered very desirable that alterations embodying all the changes which have taken place during the years since 1894 should be made in the Deed by the Shareholders themselves in the manner provided by the Deed of Settlement.

On going into the alterations that had become necessary, it was found that the essential changes were so extensive that it was impracticable to effect the alterations by resolutions in detail dealing with the various clauses of the Deed requiring to be amended or deleted, and with the new clauses that have to be added. We, therefore, had to resort to a reprint of the whole Deed in such form as to show the parts that are to be deleted, and those that are to be substituted or added, so that the whole of the alterations may be covered by the passage of one resolution.

The reprint of the Deed which forms the basis of the amending resolution that I shall shortly propose, was sent out to all Shareholders in May last under cover of a circular from the General Manager dated 24th idem, covering an explanatory letter from the Bank's Solicitors and enclosing a notice convening this meeting, and inviting proxies from distant Shareholders for use at it in the carrying of the proposed alterations and also for use at the confirmatory meeting to be held in terms of the Deed of Settlement in December next to confirm the alterations now to be approved.

In pursuance of the invitation I may say that a large number of proxies have been sent forward, Shareholders representing 73,324 shares in the Bank's capital having placed their proxies at our disposal. This clearly indicates the general approval with which the proposal to amend the Deed has been received by the Proprietors.



As you have had ample time to examine the proposed new Deed and acquaint yourselves with the nature of the proposals, I need not detain you longer by entering upon any lengthy explanation, and I therefore now move the resolution of which notice has been given, to effect the purpose which we have in view, viz. :—

“That the Bank's Deed of Settlement be amended in accordance with the printed proof submitted to this meeting and for the purposes of identification signed by the Chairman. The words and figures shown in 'de Vinne' type in the proof to be omitted from the Deed, and the words and figures in 'italic' type to be included therein.”

MR. W. WATSON seconded the motion.

DR. C. PRENDERGAST KNIGHT, speaking as Chairman of the Shareholders' Committee, said he had gone carefully through the proposed amendments, and was satisfied that effect was given to the agreement arrived at between the Shareholders' Committee, the Directors of the Bank, and the Government in that connection.

The resolution was carried unanimously.

The Chairman intimated that the resolution would be submitted for confirmation at the Half-year General Meeting in December next, in terms of notice already given.

The proceedings then terminated.



## REPORT

OF

### PROCEEDINGS AT THE HALF-YEAR GENERAL MEETING OF THE PROPRIETORS HELD AT THE HEAD OFFICE, WELLINGTON, ON FRIDAY, 3RD DECEMBER, 1915.

MR. H. BEAUCHAMP, CHAIRMAN OF DIRECTORS, PRESIDED.

THE CHAIRMAN said :—

As this is our Half-year General Meeting, we have no accounts to review. The business is as usual :—

- (1) To elect a Proprietor as one of your representatives on the Board of Directors.
- (2) To declare an interim dividend, and in addition, as peculiar to this occasion :—
- (3) To confirm the resolution passed at the Special Meeting held on 22nd October effecting alterations in the Bank's Deed of Settlement.

Before proceeding to deal with these formal matters, I propose, as usual, to make a few observations with regard to existing conditions—financial, industrial and otherwise.

Everything continues to be dwarfed and overshadowed by the great European conflict which is still in progress, and which day by day becomes more and more acute.

All the circumstances seem now to point to the conclusion that the War is to be a war of exhaustion, and that victory ultimately will be on the side of the combination possessing the greater capacity for endurance.

The financial might of Britain has been a theme of constant encouragement and confidence when we have speculated upon the final issue of the War.

Most of us recognise that, in a test of endurance, the side which controls the longest purse is in a position of immense superiority. But we must not close our eyes to the fact that a measure of advantage will also lie on the side which, by rigid economy and caution in both private and public expenditure, maintains itself in a position to support its people and prosecute the war at a substantially lower cost than its enemies. The application of the old adage, "a penny saved is a penny gained," becomes at once apparent, and it is quite possible by the exercise of extreme care in the private and national outlay, that our enemies may in great measure counterbalance the superiority we possess in the way of more ample financial resources. In this respect, Germany, particularly, *bon gre mal gre*, has been forced to economise through the effective blockade of her ports by our Navy.

While our enemies themselves have admitted the serious handicap under which they labour—that is, viewing their position from the financial standpoint—and while we freely recognise Britain's pre-eminence and vast financial resources, it will nevertheless be prudent that each constituent part of the Empire should take stock of the position, for it is to be feared that an overweening confidence in our financial supremacy may encourage, nay, is encouraging, a recklessness and prodigality in expenditure which may, if not checked, expose the Allies to a risk of that first exhaustion which is to be the determining factor in the struggle.

I hope I shall not be classed as pessimistic or unpatriotic, for I assure you I am neither the one nor the other ; but I am persuaded that, at the present juncture, the greatest optimist and the truest patriot is one who proclaims, in no uncertain tones, the supreme importance of the utmost care in the conservation of the national resources.



Unless the source of supply be limitless, it is plain that it is only a question of time, and of rate of outlay, when the end of even the most ample resources must be reached. This obvious fact is the one which, at the present time, the British Empire stands most in need of realising.

Owing to the segregation of the Allies, and the distances which separate the component parts of our own far-flung Empire, the cost of marshalling the Allies' forces, and placing them at the points where they are required to engage in hostilities, is in itself enormous. This is an expense from which our enemies are almost entirely free. The contiguity and compactness of their territories, and the completeness of their strategic lines of railways, enable them to move their forces in large numbers with great facility and at a minimum of expense. Therein our enemies have a decided advantage over us. But these are not the only advantages they enjoy, for we have to admit that our entire outlay is on a vastly more costly scale than theirs. Our soldiers are better paid, better clothed, better fed, and better cared for. This superiority of conditions, though most commendable, is purchased at a very great price. Again, instead of being, as our enemies largely are, self-contained and self-dependent, producing within our own borders the greater part of what we require for our support and for the prosecution of the War, and discharging our internal obligations by means of a paper currency, we are drawing supplies, civil and military, from almost every quarter of the Globe, and paying our debts in coin. This, of course, involves us in enormous additional expense, for the price demanded by the foreign manufacturer or producer has to be paid in gold or kind and transit charges added. Generally, therefore, it is a case of making war on a basis that is calculated to strain our financial resources to the uttermost.

This cursory view of the position will readily convince even the most superficial thinker that the outgo of the Allies for War purposes must be enormously in excess of that of their enemies. It would be well that we should all keep this substantial disadvantage to ourselves prominently in view, because, if victory is to crown the arms of the side which can the longer endure the process of exhaustion, it is obviously desirable that we, who, in the matter of expenditure, are so unfavourably placed as compared with our enemies, should economise and husband our resources in every possible direction.

Our foes are, I am sure, keenly alive to this, and they are consequently wielding the economic weapon with the same skill and intensity of purpose as they handle their actual implements of war. They are "living" as well as "fighting" the battle. The civil population, as well as the military, are performing their own peculiar part—spinning out the thread of the national resources to the last finest strand and to the utmost possible limit. It can only be by the exercise of an overwhelming determination to continue the struggle to the utmost extent of human and economic endurance, that they have been able to thus far prolong the conflict.

Life in the Austro-German Confederate States must, at the present time, be anything but pleasant. The truth, under such jealously guarded censorship as prevails in Germany, is difficult to get at, but information which leaks out from time to time gives a sufficient index to the true position.

The iron ring of the British Fleet has closed in upon the enemy's seas, and his external supplies have dwindled practically to the vanishing point. Having failed on his military fronts and feeling the unsupportable pressure of his internal necessities, our foe is now engaged, with the assistance of Bulgaria, in an endeavour to force a passage through Servia to Constantinople with the object of opening up a channel of supply through Asia Minor. The Allies are evidently alive to this, and are bent upon frustrating his design. Nevertheless, assuming that the effort is, as we hope, doomed to failure, it has been shown that Austro-Germany's internal national resources are so considerable, and the capacity of her people for endurance and self-sacrifice in what they conceive to be the interests of their Fatherland so great, that it is impossible to predict the length to which their ingenuity and devotion may enable them to protract hostilities.

It behoves us, therefore, to face our own economic problems in the spirit in which they confront theirs, and to set our own affairs in the best possible order with the least possible delay.

If the resources of the Empire are to be conserved to the extent necessary to enable them to meet the demands that will in all probability be made upon them before this War is brought to the

conclusion that the interests of humanity and freedom necessitate, the civil population of the Empire will have to do their part by instituting a regime of much sterner personal economy and a wider range of personal industry than have so far been practised. This point was stressed by the British Prime Minister in an address at the Guildhall delivered on 29th June last. I give you his own words:—

"There remains only one course which can be adopted without adding to the necessary destruction and dislocation caused by the War, a permanent source of impoverishment of this country. What is that course? It is one we have come here to advocate and to press upon our fellow countrymen—to diminish our expenditure and to increase our savings. I put before you two very simple propositions. The first is this: If you save more, you can lend to the State more, and the nation will be proportionately enabled to pay for the War out of its own pocket; and the second proposition, equally simple and equally true, is this: If you spend less you either reduce the cost and volume of our imports or you leave a larger volume of commodities available for export. The state of the trade balance between ourselves and other countries at this moment affords ground. I do not say for anxiety, but for serious thought. If you look at the Board of Trade returns for the first five months at the end of May of the present year you will find, as compared with the corresponding period of last year, that our imports have increased by thirty-five and a-half millions, while our exports and re-exports have decreased by seventy-three and three-quarter millions. What does that mean? It means a total addition in five months to our indebtedness to other countries of nearly one hundred and ten millions. And if that rate was to continue until we reached the end of a completed year, the indebtedness would rise to over two hundred and sixty millions. That is a serious problem, and I want to ask you and those outside, how can that tendency be counteracted? The answer is a very simple one—by reducing all unnecessary expenditure—first of imported goods . . . That would mean we should have to buy less from abroad."

In the directions mentioned nearly everyone can afford help, and those who act on the suggestion will be rendering to the Empire a service, second only in importance to that given by those who offer themselves for the War and take their places on the battlefield.

Hitherto supplies have been largely drawn from outside—particularly from the United States of America—but, while outside supplies may have been right enough at the commencement of the War pending organisation of our own productive capacities, it would be suicidal to go on relying upon them because it is patent that they may, in the event of the War being much further prolonged, be closed to us by our inability to pay for what we require. Therefore, we should increasingly make it our aim, to produce as far as practicable within the Empire's own borders all that is necessary to satisfy its needs.

Many of you will doubtless have noticed in the Press, within the last few months, references from time to time in regard to the abnormal state of the exchange between Great Britain and the United States of America. Some of you, who may have had business dealings with America, have had the significance of the condition of the exchange brought home to you very forcibly, by your personal experience in discovering that your British pound has converted into a much smaller number of American dollars than has ever before been the case. At one time the rate fell as low as \$4.48 per pound, as against the par of exchange \$4.867. This is equivalent to a loss in British money of £7 18s. 4d. per cent., so that for every £100 paid by Great Britain at that time for American goods she was receiving goods to the value of only £92 1s. 8d. If, therefore, with the exchange market in such a position, she had bought £100,000,000 of American goods, she would have lost roughly about £8,000,000 through the transaction, in consequence of the adverse state of the exchange. This unfavourable position was created through the necessity that arose for Britain to place such enormous orders for munitions and goods with America. There was no immediate prospect of the huge balance in favour of America being adjusted, either by exports to



America (these having shrunken to small figures since the commencement of the War), or by a settlement in coin, which would have been disadvantageous to both countries, if not altogether impracticable, and the exchange rate fell persistently until it reached the ruinous level I have mentioned.

An Anglo-French Commission visited America with a view to discussing remedial measures, and it was finally arranged that Britain and France should raise a joint loan in New York for as large an amount as possible. A billion dollars was talked of in the first place, but the amount was ultimately fixed at 500,000,000 dollars (about £100,000,000 sterling). The issue was made in 5 per cent. notes at £98 having a currency of five years, with an option of conversion at maturity into 15-25 year 4½ per cent. bonds. The whole loan was underwritten by a New York syndicate at £96. The terms are sufficiently onerous, the cost to the borrowers being, at £96, about £5 19s. 0d. per cent., and at £98 about £5 9s. 3d. per cent.

The effect of the raising of the loan has been to improve the exchange rate somewhat. It stood on the 20th ultimo at \$4.69½, but, unless the Empire can reduce her demands for American supplies by increasing her own internal productiveness, it is almost certain to recede again before long, and the borrowing operation in that case will have to be repeated, probably upon even more disadvantageous terms than those exacted in this instance.

This contingency will stress what I have already mentioned with regard to the need for production, within our own borders, of all the essentials of national subsistence and munition supplies.

It will further emphasise what I have said upon the subject of economy in individual expenditure, for it is an indisputable fact that every purchase of American goods by New Zealanders has gone to swell the balance of the huge indebtedness of London to New York, and helped to intensify the exchange difficulty to which I have just referred.

Britain's outlay connected with the War is, as already indicated, of a steadily increasing character. Commencing, at the beginning of the War, with about £750,000 per day it has now, the British Prime Minister informs us, reached the enormous total of £5,000,000 per day, or say, £1,825,000,000 per annum. Of this, probably at least £1,500,000,000 per annum will have to be raised by way of loan; and in addition to providing for her own outlay Britain has, to a large extent, to finance the requirements of her Allies both in money and munitions.

In the early stages of the War, Britain financed by the issue of Treasury Bills by tender at varying rates, but all below 4 per cent. Her first effort to fund her War liabilities was made in November, when the 3½ per cent. War Loan of £350,000,000 was issued at £95. This was equivalent to a borrowing at 4 per cent.

The Treasury, shortly after the issue of the loan, discontinued the placing of Treasury Bills by tender and adopted the method of issuing them, as applied for, at fixed rates, viz.: 2½, 3½, and 3¾ for 3, 6, and 9 months bills respectively.

In June last the 4½ per cent. War Loan (without limit as to amount) was offered at par, and cash subscriptions of about £585,000,000 were received.

Issues of Treasury Bills continue to be made, and the rates are now fixed at 5 per cent. for all currencies.

In view of the present rate of expenditure, it cannot be long before another Imperial War Loan must be placed on the market, and the increase of the Treasury Bill rate seems to indicate that, when that time arrives, at least 5 per cent. interest will have to be offered.

In this connection, it is interesting to note that, just prior to the commencement of the War, the British National Debt amounted to £706,154,110. On 31st March, 1915, it stood at £1,161,951,702; and by the 31st March, 1916, it is estimated that it will have reached the stupendous total of £2,200,000,000. It is sad to think that such vast liabilities should have been incurred in a policy of destruction.

In this Dominion our Government is inflexible in its determination to assist the Motherland to prosecute the War to a successful termination, and, with that end in view, will, if necessary, send every man of military age and fitness to the front. Recently here, as in the case of Australia,

War census has been taken, with the object of ascertaining how many men are still available

for this purpose. So far, no difficulty has been experienced, under the voluntary system, in obtaining ample supplies of eligible men to make good the "wastage" that has occurred since the despatch of our main Expeditionary Forces. If however, later on, there be any failure to respond to the call to arms, I am satisfied that neither the Commonwealth nor the Dominion Government will hesitate to take such steps as will compel every man, of military age, to perform his duty to the Empire.

As far as our Staff, including London, Australia, and Fiji, is concerned, everything possible is being done. We have at present 164 men on military service, and 100 who have volunteered and are waiting their turn to be relieved.

Thirteen of those gone to the front have lost their lives, and twenty-two have been wounded. I am sure you will join with me in extending our heartfelt sympathy to the relatives of our gallant officers who have fallen in defence of King and Country.

When all the volunteers have joined the forces, our pay sheet for men on active service will reach something like £20,000 per annum—in itself a very substantial contribution to the War Funds.

#### THE OUTLOOK.

Turning now to matters of local concern, I would remark that prospects continue good for all descriptions of the Dominion's primary products. A wider market for wool has been assured by the conditional removal of the embargo placed, shortly after the opening of the War, on exports of wool to neutral countries.

The export of wool to certain neutral countries can now be arranged upon compliance with such formalities as are deemed necessary for the purpose of assuring that the wool will not reach the hands of the enemy. The effect of this has been to enlarge the area of competition, and to appreciably stimulate prices, more particularly for the class required by American buyers: that purchased on Bradford account has not advanced to a correspondingly high level.

The arrangement, under which the whole of the Dominion's meat export is commandeered by the Government, still continues in operation, and, I believe, has worked on the whole smoothly and quite satisfactorily.

The aggregate payments, made by the Imperial Government in this connection and disbursed by the Dominion Government on its account, amount, up to 24th ultimo, to £5,914,624.

The pressure on storage space and the shortage of insulated steamers to carry the meat away, which were features of the last season's export, are not likely to recur this year. Additional storage will be available in the Dominion—the result of fresh constructions completed or in progress—in addition to which the prospective supply of carriers is said to be adequate.

An analogous call has also been made upon the cheese product of the country, the Government having, it is understood, Imperial orders to requisition 15,000 tons of cheese, to the value of about £1,000,000 in all.

#### EXPORTS AND IMPORTS.

The trade returns exhibit a marked fluctuation in favour of the Dominion. For the year ended 30th September last,

the Exports were	..	..	..	£29,710,000
and the Imports	..	..	..	19,786,000
Surplus	..	..	..	£9,924,000

The figures compare as follows with those for the year ended 30th September, 1914:—

Exports—30th September, 1914	..	..	..	£23,759,000
" " " " 1915	..	..	..	29,710,000
Increase	..	..	..	£5,951,000
Imports—30th September, 1914	..	..	..	£21,057,000
" " " " 1915	..	..	..	19,786,000
Decrease	..	..	..	£1,271,000



Together, the figures represent a net improvement during the year in the Dominion's financial position of £7,222,000.

More than half of the increased value of the exports is due to the higher values that have been ruling, and the rest represents increase in the quantity exported.

These are very satisfactory figures, but the growth, as far as dependent upon increased value, is of course quite abnormal, and due to the exceptional conditions at present existing, which will undoubtedly pass away upon termination of the War, or shortly thereafter.

It should be hardly necessary for me to utter a word of warning against the assumption of liabilities, dependent for their satisfactory liquidation upon maintenance, for any length of time, of the present high range of prices.

It would be folly to assume for one moment that such abnormal prices can continue after the present huge expenditure of borrowed money incidental to the War comes to an end. It is almost certain that, immediately the end of the War is reached, prices will drop heavily, and the recoil may carry us to a point of depression as abnormal as that of the present inflation.

It will be wise policy on the part of everyone to keep the probability of "lean years" to come steadily in view.

#### REVENUE AND EXPENDITURE.

The revenue of the Dominion is well maintained, and is exceeding the estimate made by the Minister of Finance for Budget purposes, in which the *estimated* revenue for 1915-1916 was set down at £11,676,254, as against *actual* revenue for 1914-1915, £12,443,525.

The actual revenue for the first seven months of the financial year, *i.e.*, to 31st October last, was £6,099,402, which compares with £6,022,836 for the corresponding period of 1914—a surplus of £76,566.

The estimated expenditure for 1915-16 is £12,653,242, which leaves a deficiency on estimated revenue of £827,941.

This is without making provision for War pensions, and for interest and sinking fund on War Loans. The former are estimated at £1,000,000 per annum, and the latter at £700,000 per annum, but the full amount will not fall to be provided during the current fiscal year.

In view of the above, additional taxation has of course become necessary. Increases in Income Tax, in Stamp duties (including a mortgage tax of 5s. per cent.) and in a few lines of Customs and Excise, together with an increase in the rates of the Post and Telegraph, and Railway services, have accordingly been made, and these it is believed will suffice to cover the extraordinary additional expenditure referred to, being estimated to produce £2,032,600 of extra revenue.

#### BANK'S TAXATION.

In this readjustment of taxation, necessitated by the financial situation resulting from the War, the Banks have, I think, come in for more than their fair share of the additional impost.

I may explain that Banks are assessed for Income Tax, not upon their actual earnings, but upon a hypothetical income based upon a percentage of their aggregate assets and liabilities within the Dominion. This percentage was formerly 15s., but under the recent Finance Act it has been increased to 30s. per cent. Our hypothetical taxable income has therefore, at one stroke, been doubled. But this is not all, the tax we have to pay has also been doubled. It was formerly 1s. 4d. in the £; it is now 2s. 8d. in the £. The practical effect, therefore, of these arrangements is, you will see, that our income tax has been quadrupled, and that we shall now have to pay at the rate of 5s. 4d. where previously we paid only 1s. 4d.

Hitherto our Income Tax has amounted to about £15,500 per annum. In future it will be about £62,000 per annum. Added to Land Tax and Note Tax our total contribution to the taxation of the country will reach probably about £120,000 per annum.

We are not complaining. The Bank is doing well and therefore, meantime, cheerfully shoulders the burden laid upon it. But we feel it is an unduly oppressive burden compared with that laid upon others, and we therefore look forward to the time when some remission may be allowable.

The anomalous position is that, while it purports to be an "Income Tax," it is payable altogether independently of our actual income. It is quite conceivable that a Bank might sustain losses which would leave it practically without income for some particular year, but that would not relieve it of liability to pay Income Tax under this assessment. Viewed from that standpoint, I think most people will regard the basis of the Tax as inequitable.

However, as I have said, in existing circumstances, whilst we earn we will cheerfully pay; but, under other conditions we contend that Parliament should, for the purpose of taxation, assess our profits upon a more liberal and equitable basis.

#### THE DOMINION'S FINANCIAL POSITION.

The artificial prosperity, created here as in the Old Country, by the expenditure incidental to the War, continues to be reflected in the Banking returns of the Dominion.

The returns furnished to Government of quarterly average Banking figures at 30th September last, compare as follows with those for 30th September, 1914:—

	30th Sept., 1914.	30th Sept., 1915.		
Interest Bearing Deposits ..	£10,828,900	£11,609,100	Increase	£780,200
Non-Interest Bearing Deposits	14,172,800	17,545,900	„	3,373,100
	£25,001,700	£29,155,000	„	£4,153,300
Discounts .. ..	1,745,000	1,357,700	Decrease	387,300
Other Advances .. ..	22,717,600	21,991,200	„	726,400
	£24,462,600	£23,348,900	„	£1,113,700

This represents an improvement of the position between the Public and the Banks, amounting to upwards of £5,250,000 during the year. It is safe to say that this is an unprecedented movement in the Banking experience of the Dominion. Never before has the Public been in such an easy financial position or in command of such ample resources.

The Post Office Savings Bank figures tell the same story. For the year ended 30th September last, the Post Office deposits amounted to £12,943,458, and withdrawals to £10,356,942, showing an excess of deposits over withdrawals of £2,586,516. The excess in the second half year was considerably greater than that in the first, *viz.*:—

First half ended 31st March, 1915 .. ..	Excess,	£1,188,071
Second half ended 30th September, 1915 .. ..	„	1,398,445
Excess for the year .. ..	„	£2,586,516

The position in a measure indicates a slackening of industrial enterprise, and a heavy drop in imports—the latter being due to the inability of manufacturers in the United Kingdom to execute orders owing to shortage of labour, and to inadequate transit facilities.

It is well, however, that our financial situation is so easy, for it places us in a position to bear our share of the War expenditure—local and Imperial—without difficulty.

The abnormal profits that are being made by the producers of this country and others as the result of the War, should be freely placed at the disposal of the Empire by subscription to War loans—or otherwise—in order that there may be no lack of financial strength in pressing the War to a triumphant conclusion. There is, I am glad to say, evidence that our people as a whole feel this and act accordingly. The large donations that have been made to War and Benevolent Funds testify to the public recognition of the obligation, and the recent success of the Government's local loan of £2,000,000, which was largely over subscribed, furnishes strong additional testimony.

We subscribed for and obtained a substantial amount of this loan.



#### WAR FUNDS CONTRIBUTION.

In addition to the subscriptions it has already given to the various patriotic funds, the Board has carefully debated the question of making a further contribution to the National War Fund for the relief of Wounded Soldiers and their dependents. We have come to the conclusion that the Bank should make some such contribution but, before actually deciding to do so, we have thought it fitting to refer to the matter at this meeting in order to ascertain whether our proposal is in harmony with your views. The amount we would propose is £10,000 and, unless an adverse resolution is proposed at this meeting and commands substantial support from the proprietors, it is our intention to vote that amount as a donation to the National Fund, provided we are satisfied as to the manner in which the Fund is to be administered. Assuming that no general dissent is expressed, I think it should be clearly understood that, if the necessity exist, the Bank will not hesitate to make a further contribution to the National Fund between this and the date of our next meeting—the amount of such further contribution to be left in the discretion of the Board.

#### DEED OF SETTLEMENT.

The Special General Meeting called for the 22nd October last, for the purpose of amending the Bank's Deed of Settlement so as to bring it into conformity with the Statutes affecting the Bank, was duly held. There was a good attendance of Shareholders, and the resolution to effect the necessary alterations was passed unanimously.

As the resolution has to be confirmed at our present meeting before it can become operative, it was not thought necessary to circulate among Shareholders a report of the proceedings of the Special Meeting, which were purely formal. I may state now, for the purpose of placing the fact on record in this address, which, according to custom, will be circulated among Shareholders, that in response to our request for proxies for use at the Special General Meeting, and at this meeting, in carrying the proposed amendments, we have received proxies from Shareholders representing 73,324 shares, which clearly indicates the general approval with which the proposals are viewed by the Shareholders.

I shall shortly move the confirmation of the resolution and, in anticipation of its being your pleasure to confirm it accordingly, I may say that thereupon the proposed amendments will take effect.

#### BOARD OF DIRECTORS.

The retiring Director on this occasion is Mr. Martin Kennedy. Mr. Kennedy gave due notice of candidature for the seat becoming vacant and, as he is the only candidate, I have pleasure in declaring him duly elected.

I take this opportunity to congratulate him upon the attainment of his "majority" as a Director of the Bank, and to express to him, on your behalf and my own, the hope that he may continue in the enjoyment of good health and vigour to serve your interests as a Director of the Bank for many years to come. (Applause).

#### MR. JOHN MURRAY.

Reference has been made at one or two of our past meetings to the services rendered to the Bank by Mr. John Murray, a former Inspector and General Manager, and subsequently, for a short time, a Director of the Bank. I regret to say that he died on 30th June last. It is fitting that I should mention the fact, and place formally on record our recognition of his abilities and our appreciation of the work he performed for the Bank. Mr. Murray's distinguished services will never be forgotten by those connected with this institution.

#### INTERIM DIVIDEND.

I have pleasure of informing you that the profits for the Half-year ended 30th September last have been quite satisfactory, and the Board have felt fully justified in declaring the usual interim dividend of 6 per cent. on the capital paid up in respect of the Preference and Ordinary Shares.

The dividend will be payable in Wellington to-morrow, 4th instant, and at Branches on receipt of advice. (Applause).

#### MR. MARTIN KENNEDY said :—

I thank you very cordially for having re-elected me unopposed to the seat on the Board which, by effluxion of time, becomes vacant on 31st March next by my retirement. I have also to thank you, Mr. Chairman, very much for the personal good wishes you expressed in announcing my election to fill the vacancy.

As you are aware, the Board consists of six members, four of whom are appointed by the New Zealand Government as representing the Dominion's interests in the capital of the Bank, and two being elected by the holders of the Ordinary Shares in the Bank. I may mention that, though the retirement of your representatives takes place by rotation on 31st March in each year, the nominations for election close in July previous. The object of this is that, in the event of a contest for the seat, there may be time to give notice to distant Shareholders, and afford them the opportunity of voting by post in terms of the regulations.

In the earlier years of my becoming one of your representatives on the Board, when speaking at these statutory meetings, I called attention to what appeared to my mind the anomaly of Government nominees taking part in the discussions, especially as neither they nor the Government held any shares in the capital of the Bank.

Gentlemen, that anomaly, if such it were, now no longer exists.

As you are aware, the Dominion Government now holds a substantial number of shares in the capital of the Bank, and its nominees moreover are not debarred from holding shares.

The Chairman has referred in appreciative terms to the services rendered to the Bank by the late Mr. John Murray. From my own personal experience of him as a Director, and for thirty years previously as a client of the Bank when he was Chief Inspector, I can unreservedly endorse what the Chairman has said on this subject; and having regard to the part he played in the re-suscitation of the Bank in 1894, his conduct may be regarded as both public-spirited and disinterested, for he subsequently stood apart from holding any lucrative position in the Bank, which he unquestionably might have had if so minded.

The unlooked for and speedy recovery of the Bank confirmed Mr. Murray's assurance, given to the Government in 1894, that the Bank had an enormously valuable goodwill.

I conclude by repeating that I have entire confidence in the future of the Bank of New Zealand as at present constituted. The Bank's position reflects credit on the management. It also reflects credit on the Dominion which came to its rescue in its time of need. (Applause).

DR. C. PRENDERGAST KNIGHT, speaking as Chairman of the Shareholders' Committee, said he entirely approved of the Board's proposal that £10,000 should be given to the National Fund for Wounded Soldiers and their dependents, and as the Board apparently wished an expression of opinion from that meeting, he had pleasure in moving the following resolution, viz. :—

"That the Board's proposal to give £10,000 to the National Fund for Wounded Soldiers and their dependents be approved."

MR. T. S. WESTON seconded the motion, which was carried unanimously.

THE CHAIRMAN said he was very glad that the proposal had met with unanimous approval.

#### DEED OF SETTLEMENT.

THE CHAIRMAN, in accordance with notice duly given, moved :—

"That the resolution passed at the Special General Meeting of the Proprietors of the Bank held on the 22nd day of October, 1915, namely :—

'That the Bank's Deed of Settlement be amended in accordance with the printed proof submitted to this Meeting and for the purposes of identification signed by the Chairman. The words and figures shown in "de Vinne" type in the proof to be omitted from the Deed, and the words and figures in "Italic" type to be included therein,' be and is hereby confirmed so as to have the force of a Special Resolution of the Proprietors within the meaning of Clauses 84 and 85 of the Bank's Deed of Settlement.'

The motion was seconded by Mr. Martin Kennedy, and carried unanimously. The meeting then concluded.





ALEXANDRA, OTAGO, EARLY.



ALEXANDRA, OTAGO, 1920.

## REPORT OF THE DIRECTORS OF THE BANK OF NEW ZEALAND

PRESENTED AT THE  
ORDINARY GENERAL MEETING OF THE PROPRIETORS, HELD AT  
THE HEAD OFFICE, WELLINGTON, ON FRIDAY, 9TH JUNE, 1916.

### Directors :

H. BEAUCHAMP (Chairman).  
MARTIN KENNEDY. D. J. NATHAN. WM. REECE. J. H. UPTON. WM. WATSON.  
General Manager : WILLIAM CALLENDER (on leave). Chief Auditor : B. M. LITCHFIELD.  
Acting General Manager : A. E. Mills.

### London Board :

FREDERIC LUBBOCK (Chairman). W. T. HOLMES. ALEXANDER MICHIE. SIR JAMES MILLS.  
London Manager : ALEXANDER KAY. London Auditor : W. C. SNEATH.  
*(Price, Waterhouse & Co.)*

### REPORT.

The Directors submit herewith the Balance-sheet and Profit and Loss Statement of the Bank for the year ended 31st March last.

The profits, after providing for expenses of management, all bad and doubtful debts, and after making provision for annual donation to the Provident Fund and for bonus to Staff, are .. .. .

Fund and for bonus to Staff, are .. .. .	£357,093 0 6
From this has to be deducted :—	
Interest on Guaranteed Stock .. .. .	21,292 2 10
	335,800 17 8

Of this sum the Directors have allocated in reduction of Bank Premises and Furniture .. .. .	50,000 0 0
Leaving Balance of Profit for the year .. .. .	285,800 17 8

To which has to be added :—	
Balance brought forward from last year .. .. .	57,170 19 3
	342,971 16 11

From which there has been paid :—	
Interim Dividend at 6 per cent. on "A" and "B" Preference Shares .. .. .	£45,000 0 0
Interim Dividend at 6 per cent. on Ordinary Shares .. .. .	59,297 10 6
	104,297 10 6
Leaving available for distribution .. .. .	£238,674 6 5

This the Directors propose should be disposed of as follows :—	
Dividend at the rate of 4 per cent. on "A" Preference Shares .. .. .	£20,000 0 0
Dividend at the rate of 6 per cent. on Ordinary Shares and "B" Preference Shares .. .. .	74,908 9 6
Bonus at the rate of 3 per cent. on Ordinary Shares and "B" Preference Shares .. .. .	37,301 10 0
Transfer to Reserve Fund .. .. .	50,000 0 0
(Making Reserve Fund, £2,062,141).	
Leaving Balance to be carried forward .. .. .	56,464 6 11
	£238,674 6 5

During the year a Branch has been opened at Apia (Samoa).  
The Branch at Bluff has been made a Receiving Agency visited daily from Invercargill.  
Agencies have been opened at Avondale, Te Horo, Turua, and Uruti, and the Agencies at Herekino and Pleasant Point have been closed.

HAROLD BEAUCHAMP, CHAIRMAN.