

arrangements for close temporary investment of the Board's funds will undoubtedly result in a substantial benefit to the Board, particularly where loans to meet the future requirements of the business are raised by issues of debentures and large sums of money would otherwise be lying idle pending investment in loans.

Generally, it may safely be stated that the accounting and financial arrangements made are such as to provide a proper record of all transactions, keep the Board well advised of its commitments, and enable it to deal expeditiously not only with the business already in sight, but with the much larger volume that will surely follow upon an increased knowledge of the benefits of the scheme.

ACCOUNTS TO 30TH JUNE, 1928.

23. The Act, which came into force on the 1st January, 1928, provides that accounts shall be prepared on the 30th June in each year, so that the period covered by the accounts to the 30th June, 1928, is six months only. A considerable part of this period was devoted to preliminary work in connection with the establishment of the Board and district boards, the organization of the general system on which the business is to be conducted, and publicity and propaganda to bring the aims and objects of the scheme prominently before the notice of the rural community. Consequently, although a considerable number of applications for loans had been received or were in prospect at the 30th June, 1928, it was not possible actually to complete many investments prior to that date. In those cases, too, where loans were completed they were paid over towards the end of the period, and as a result very little income by way of interest on such loans had accrued up to the end of the financial period. This position is reflected in the accounts.

The Profit and Loss Account shows that the total income derived to the 30th June, 1928, amounted to £52 6s. 1d. only, while the expenditure totalled £2,018 13s. 7d. There was thus an excess of expenditure over revenue for the period of £1,966 7s. 6d. The expenditure has been incurred almost exclusively in connection with the general organization of the scheme, and its establishment on a sound basis. The balance of the Profit and Loss Account for this preliminary period has, therefore, been temporarily capitalized by transferring it to a Preliminary Expenses Account which appears in the balance-sheet as an asset. The amount of these preliminary expenses will be written off against profits during the first few years of the Board's activities.

The Balance-sheet shows the financial position of the Board at the close of the period. The principal liabilities are more or less permanent grants and advances from the Consolidated Fund under the various provisions contained in the Act. These include an establishment grant from the Consolidated Fund, £4,000, being a portion of a total grant of £10,000 authorized by section 19 of the Act for expenditure for general administrative purposes; advances from the Consolidated Fund for preliminary expenses of associations, £200, representing a first payment on account of the £5,000 authorized to be advanced to the Board under section 18 of the Act for re-advancement to associations; and advances from the Consolidated Fund under section 16 of the Act, £20,100. This last-mentioned item represents the first advances for the general business of the Board under the provision authorizing advances to be made from time to time up to an amount not exceeding in the aggregate £400,000.

The assets include investments totalling £8,734 2s. 3d. Of this amount, however, £6,700 represents the statutory investment in Government securities for the Rural Intermediate Credit Redemption Fund of one-third of all advances to the Board under section 16 of the Act. The investments of this Redemption Fund, set up under section 17 of the Act, are earmarked for the redemption of debentures issued by the Board, and cannot be applied to any other purpose. The investments in the course of the Board's ordinary business amounted to £2,034 2s. 3d. only, being all advances to farmers without the intervention of associations under Part III of the Act. At the date of the Balance-sheet none of the co-operative rural intermediate credit associations had completed any loans to members.

While the investments actually completed were few in number, a considerable number of loans were in process of settlement at the close of the period, and on