

30th June, 1928, the funds necessary to complete these loans were obtained from the Treasury by way of advances under section 16 of the Act. In consequence a considerable amount was held in the bank, the total cash balances at 30th June, 1928, being £14,399 3s. 9d. Of this amount, however, £3,200 was in transit to branches for settlement of loans, while a further £9,000 approximately was remitted during the ensuing month to enable loans to be settled. Advances to associations for preliminary expenses amounted to only £3, the formation of most of the associations not having progressed to the stage where advances were required to defray expenses.

ISSUE OF DEBENTURES.

24. The funds to be employed in the Board's business will be derived from advances from the Consolidated Fund, and the issue by the Board of debentures, debenture certificates, or inscribed stock, under the provisions contained in sections 20 to 34 of the Act.

A complete system to govern the issue, record, and control of the debenture issues is laid down by the regulations, paragraphs 66 to 92; and the regulations also prescribe the form of the bonds and debenture certificates to be issued and the conditions to which they are subject. The forms of the registers to be kept of debentures and debenture certificates issued, and the register of inscribed stock, are also prescribed by regulation.

All matters in connection with the issue of debentures have been fully considered, and the arrangements for the first issue are well forward, so that when the time is opportune for the raising of a loan, and funds are required, everything will be in readiness to place the issue before the public.

Inquiries received from investors desirous of purchasing bonds indicate that it will probably be possible to place the first issue privately without issuing a prospectus.

The Bank of New Zealand has agreed to make payments of interest on debentures and repayments of principal on maturity on the same terms as are enjoyed by the Treasury in respect of Government bonds and debentures. The arrangements for the payment of interest and principal on due dates at any branch of the Bank of New Zealand in the Dominion will be appreciated by investors, and should prove of great advantage to the Board.

DAIRY COMPANIES.

25. It is pleasing to record that from the outset the dairy companies have shown considerable interest in the rural intermediate credit system, and have been quick to recognize the opportunities it affords them to assist their suppliers to secure financial accommodation on the most favourable terms. This is attributable to the fact that the methods by which loans are obtainable from the Board are of such a nature that the companies are conveniently placed to enable their suppliers to take advantage of the system.

In the first place, a dairy company is in a position to assist suppliers to form a co-operative rural intermediate credit association, and once an association has been formed among the suppliers it can further assist by placing its existing organization at the disposal of the association and undertaking the secretarial work in connection with it. If desired, the directorate of the association could largely coincide with that of the dairy company. As a result of these steps the expenses of administering the association would be reduced to a minimum, while it would have at its disposal all the information in the possession of the dairy factory as to farming experience, reliability, and financial position of the likely borrowers. This course has already been followed in the case of one association formed in the Waikato district, and it is known that other dairy factories are contemplating similar steps.

The direct method of securing loans where a suitable guarantee is forthcoming has made a special appeal to dairy companies, and I have referred elsewhere to the considerable number of cases where arrangements have been reached with these companies for the acceptance of their guarantees of suppliers' accounts.