Valuation Balance-sheet as at 31st December, 1884.

Liabilities.	£ s. d.	*Assets.*	£ s. d.
To Present value of benefits assured—		By Present value of future contributions..	38,424 6 5
Sickness	60,646 14 9	Lodge benefit funds..	34,098 5 4
Funeral	15,918 1 2	District Funeral Funds	134 9 4
Balance	360 18 9		£72,657 1 1
		Lodge Management Funds	3,868 1 5
		District funds and goods	400 12 2
	£76,925 14 8		£76,925 14 8

We have no doubt it will be gratifying to many to find that, under such a view of your position, a balance in favour of the district can be exhibited. On a similar view of the situation five years ago, we were of opinion that there was a deficiency of over £6,589.

But to comply with the provisions of the statute, and the regulations under which the valuation is made, it is necessary that we supply you with a valuation balance-sheet, wherein the Management Funds of lodges and the district, together with the goods and other funds incapable of valuation, are first included among the assets, and then entered on the opposite side of the account as a liability to bring out the true position of the Sick and Funeral Fund; and this we now do:—

Valuation Balance-sheet, Sick and Funeral Fund, as at 31st December, 1884.

Liabilities.	£ s. d.	*Assets.*	£ s. d.
To Present value of benefits assured—		By Present value of future contributions..	38,424 6 5
Sickness..	60,646 14 9	Lodge benefit funds	34,098 5 4
Funeral	15,918 1 2	District Funeral Funds	134 9 4
Lodge and District Management Funds, &c.	4,268 13 7	Lodge and District Management Funds, &c.	4,268 13 7
		Deficiency	3,907 14 10
	£80,833 9 6		£80,833 9 6

We regret we are unable to report a surplus under this view of your position; but to have reduced a deficiency of £11,136 3s. 7d. to £3,907 14s. 10d. in five years, inclusive of an increase in one of the items of liability of £1,430 as a measure of safety, is a result which we are sure cannot be equalled by many societies anywhere.

This great improvement in the position of the society we regard as mainly due (1) to careful management, and the profitable investment of the funds, the excess of interest received over the amount calculated upon being about £3,600; (2) to the sickness experience being somewhat less in amount and considerably less in value than that provided for, exhibiting a saving of about £1,389 11s.; (3) to a favourable mortality experience as regards the members, resulting in a saving of about £350 for the present; (4) to profits from secessions; (5) to improved rates of contributions; (6) to the dissolution of two lodges having deficiencies of over £500; and, lastly, to repayments of sums borrowed by the Management Fund.

A summary of the results of the valuation of each lodge is given in Table A.* By this table it will be seen that in five lodges we consider there is a surplus of £3,287 0s. 6d., and that in the remaining nineteen there is a deficiency of £7,194 15s. 4d. The experience of each lodge is now being investigated for the purpose of discovering, if possible, the exact cause or causes of the surplus or deficiency, as the case may be; and proposals will be made by us to the lodges in our reports to them of how to dispose of the surplus, or the interest arising from the investment of the whole or a portion thereof, as the nature of the case will warrant, and also how the deficiency should be dealt with in those lodges which are in the unfortunate position of having a deficit.

The deficiencies at present existing we regard as mainly due to the old inadequate and inequitable rates of contribution in force in the district previous to July, 1879, and to the barely sufficient rates under the new scale, aggravated in some instances by a sickness experience in excess of the expectation.

It will, no doubt, be very disappointing to the members of the three youngest lodges, as well as the active members in some of the others, to find their lodges reported on as having a deficiency.† . . . .

Careful management on their part, a favourable sickness experience, and the profitable investment of the funds will, we trust, enable them at no distant date to find their lodges in a solvent position. In regard to a few of the lodges which show but small signs of improvement, some radical measures of reform may be required to put them in a sound position, and we trust that such measures as may be found necessary will be readily adopted by them without outside pressure, and before it is too late. It is not to be supposed that lodges which have a surplus as the result of profitable investments, prudent management, and the adoption of timely reforms, will for long consent to be joined to others of an opposite character, the members of which are making little or no effort to reduce the deficiencies brought out by repeated valuations.

In this valuation no allowance has been made for future possible gains from secessions, as, after full consideration of the matter, we decided that it would be against the best interests of the society to do so. The profits from secessions were not anticipated at the last valuation, but all that have been realized since are now included in the benefit funds, and there fructify for future use. On this subject it has been very aptly remarked by Mr. Scratchley, "If the probability of secessions is taken into account to produce apparent solvency, that very reputation of solvency will tend to prevent secessions. It is impossible to calculate the probability of future events depending on the human will, where that human will has a tendency to selection against calculations in a uniform direction."

If every friendly society had been founded on adequate rates of contribution, carefully managed, and the funds profitably invested, it would always prove solvent on a valuation, and we should then have heard little of the element of secessions.

We regret to find that, though a superannuation scheme is provided for in the rules of the district, no advantage has yet been taken of it by any of the members. It is to be hoped that attention will be directed to this matter, and that many members, especially young members, will be induced to join.

Looking to the great amount of benefit which this society confers upon its members when laid aside from work, whether by accident or sickness, and also to the sums payable at death in return for an average annual contribution of £1 10s. 6d., the wonder to us is that thousands more of our fellow-colonists do not seek to join your society. It seems to us that it is the duty of every man to provide against accidents, sickness, old age, and death, and not to leave these contingencies to be paid for by others, and they cannot do this better than by joining a friendly society founded on a proper basis, and carefully managed.

We therefore think that special efforts should be made throughout the whole of the district to acquaint the public with the position and prospects of the society, that thereby they may be induced to join and become sharers in an institution of ever-increasing beneficent influence. . . . .

HAWKE'S BAY DISTRICT, A.O.F. (valued by MR. A. G. WIGGINS).

. . . . So much has lately been written and published in such easily-accessible forms on the principles which underlie the valuation of friendly societies in general, that I shall not trouble you here with any lengthy remarks on the subject. I am happy to say that the necessity for, and usefulness of, these periodical investigations are now being more

* The table referred to here is one compiled by the valuers and attached to their report. The results are given in the Registrar's Report, Appendix XII.

† Due partly to the inequitable "equal levy" system.