

BILLS DISCOUNTED.

Farmers requiring seasonal advances for manure and other such items are able to arrange for the discounting of bills through this Board provided they can obtain the endorsement of a company or firm approved by the Board. In the past considerable business has been done under this section with the co-operation of dairy companies who have been willing to endorse the promissory notes made by their suppliers. In recent years, however, there has been a considerable reduction in the volume of business, arising no doubt from the fact that the dairy companies have been in a position to offer temporary accommodation from their own resources. The number of bills discounted during the past year was thirty-one, amounting to £927.

REVENUE ACCOUNTS AND BALANCE-SHEET.

In previous reports reference has been made to the financial position of the Board, and an explanation has been given in regard to the principal items in the balance-sheet, but the financial statements have not been printed with the report. With a view to supplying a clearer statement of the position, the Board has decided to append to the annual report the revenue accounts and the balance-sheet for the year ended 30th June, 1940, and the following comments in relation thereto are submitted for your information:—

When the Board was originally established in 1927 the Government agreed to make available an advance of £400,000, which was granted free of interest for the first ten years. It was anticipated that the Board would raise any further capital that it might require by way of issue of debentures to the public, and during the period commencing 1929, when there was a considerable demand for loans, arising, no doubt, from the general financial stringency that existed at that stage, a considerable sum was raised by the Board by the issue of short-dated debentures. Subsequently the demand for loans diminished and the financial position of borrowers improved to an extent that they were able to rapidly liquidate their loans and thus enable the Board to progressively repay the whole of the debentures which had been issued. It will be observed that the only borrowed capital now held by the Board is the sum of £400,000 referred to. The period during which this advance was non-interest bearing expired in 1938.

In terms of the Act one-third of the Treasury advance is required to be specially invested in Government securities and held as a Redemption Fund, and constitutes a reserve for the protection of debenture-holders who may from time to time make loans to the Board. The income from this one-third portion and half the profits made by the Board are annually added to the Redemption Fund, and these accumulations have now increased the Redemption Fund by £103,495 4s. 4d.

The balance of £266,666 13s. 4d. is available for investment in the Board's business, and it will be seen that the principal investments made from this Fund are—

			£	s.	d.
(a) Advances to associations	..	..	138,209	6	8
(b) Advances under Part III	..	..	7,308	2	3
(c) Bills discounted	..	..	782	7	7
(d) Short-term investment	..	..	100,000	0	0

The reserve fund, which now stands at £18,255 0s. 10d., is provided by the setting-aside of half the Board's annual profits, and is available to meet any losses which should arise. The Board is, however, in the fortunate position that the large majority of the advances now outstanding are in a sound position, and, apart from the cost of winding up several of the associations which have gone into liquidation, it seems unlikely that the reserve will be called upon.

In the Revenue Account the main source of income is the interest due from associations and direct borrowers, and on the expenditure side the principal items are the payment of £8,000 interest to the Treasury and management expenses, £2,326, which includes the cost of supervision undertaken by the Head Office and branches of the State Advances Corporation. In terms of section 17 of the Rural Credit Act the sum of £1,915 7s. 1d. has been transferred from Redemption Fund Revenue Account to provide the balance of interest payable on the Treasury advance.