

The green leaf from the estate is sold to New Zealand Woolpack and Textiles, Ltd., at a royalty of 10s. per ton, but half of this royalty has been held back by the company from the outset on the understanding that settlement is to be made when finances permit. If settlement is ultimately effected, the cash receipts mentioned above will be almost doubled.

Balance-sheets of the estate are not required to be submitted to Parliament.

Marketing Department

In last annual report reference was made to the disposal of the business of Combined Distributors, Ltd., a company in which the State was a shareholder, to a new co-operative organization known as Farm Products Co-operative (Wellington), Ltd., of which the State held half the shares.

The item to which Audit comment was directed was the goodwill of Combined Distributors, Ltd., valued at £36,000. Of this amount, £23,850 was due to the shareholders other than the State (who held 265 out of the 400 shares), and it was paid to them from an amount subscribed privately by producers who were interested as suppliers of the new company. The State was not paid for its share, £12,150, nor is it to receive any further interest therein.

As authority for the transaction Treasury relied on the Marketing Emergency Regulations 1942, which provide that the Minister of Marketing may acquire shares in any body corporate having amongst its objects any such functions as those conferred on the Marketing Department. The Audit Office was aware of the regulations, but considered that the power given by them was properly exercised only when what might be given up would be represented by the accession of some new right likely to be of at least equal value. That was not so in the instant case.

The Secretary to the Treasury, commenting on the transaction, stated, *inter alia* :—

Any criticism of the arrangement can be based only on one or other of the following grounds :—

- (a) That the Government sacrificed the opportunity to make a capital profit out of our shares in Combined Distributors, Ltd., to safeguard the interest of consumers in a partnership with producers ; or
- (b) That the company was converted from a profit-earning concern into a co-operative organization, and thereby the shareholders surrendered its earning-power above 4 per cent. of the capital.

The matter, so far as it is one of policy, is outside the scope of Audit Office review, but the question arises whether, when rights are relinquished without a direct equivalent return to the State, the transaction should be subject to parliamentary review by inclusion in a suitable place, similar to that of “claims abandoned” in the Fourth Schedule to the annual Appropriation Act.

Internal Marketing Division

The accounts of this Division have been the subject of continuous audit and have been kept in a satisfactory manner.

In 1944 factories were established, principally at the cost of the War Expenses Account, for trimming and packing fresh vegetables and for dehydrating, processing, and