funds in Public Works Account to meet the costs of those forest activities which do not justify the use of loan-moneys or of forest revenue, the latter being in the nature of "capital" receipts.

The ultimate aim is to distinguish between forest development and subsequent management, but to do this, many problems have still to be solved; and they will probably remain unsolved until the reorganization of the accounting system has been completed and in operation for several years. When this distinction is made, post-developmental management of forests will be financed from Consolidated Fund and only the development work will come under Public Works Account. However, until this can be done, the present framework will ensure that forest finance is on a sound footing, especially as our forest activities are still predominantly developmental. Apart from the question of finance, the estimates show the total cost of staffing and administering the Department, in spite of their being spread over two votes.

(2) *Departmental Accounts.*—Unfortunately, the expenditure for the year could not be recorded under the new system until legislative authority was provided towards end of the 1948 session of Parliament; and this late start, coupled with serious staff difficulties on the accounting side, made it impossible to have the accounts up to date by 31st March, and, in particular, prevented the passage of transfers between the two accounts before the end of the financial year. Appendix XV of this report summarizes the receipts and payments of the Service for the financial year and gives, for comparative purposes, the corresponding figures for each of the four preceding years. Reference to Appendix XV will show that, compared with the previous year, payments increased by approximately £520,000 and receipts increased by £135,000. The predominance of forest-development works mentioned above, and the substantial arrears of silvicultural work, account for the larger increase in expenditure, but, with the approaching maturity of many of our exotic forests, receipts should show a steady increase in future. However, it will be many years before development work is substantially completed and the gap between payments and receipts is materially reduced.

Appendix XVII shows in narrative form the revenue accounts and Balance-sheet for the utilization units for 1948–49, the figures for the previous year being shown for comparative purposes. As the Conical Hill Mill is still in course of establishment, no revenue accounts are shown, expenditure having been capitalized. The 1948–49 accounts are subject to audit, but no material variations are expected as a result of the audit. Provision was made in the estimates for the year for the payment of income-tax by the utilization units with the object of placing these units on a basis directly comparable with similar privately-owned concerns. However, conflicting legislative provisions made this impossible, but the same result has been achieved by the method adopted in drawing up the accounts for the Appendix herewith.

The complete accounts for the Forest Service are set out in parliamentary paper B–1 [Pt. IV]. It had been hoped to have the accounts for the 1948–49 financial year available for publication with this report, but, although substantial progress has been made in building up a practically new accounting staff and in overcoming the arrears of work, it has not been possible to achieve the desired result this year.

Stores

(1) *Stores Administration.*—The growth of the Service in recent years has demonstrated the need for a fully-organized Stores Section specializing in this work. Appointments have now been made to form the nucleus of a stores Section, the stores system has been improved, and a course of instruction for Stores clerks was held during the year to standardize the improved system.

(2) *Stores Supply.*—During the year there has been a steady improvement in the supply position as regards most of the items required by the Forest Service. More stores are readily available from merchants' stocks, and indent deliveries are becoming faster, but shortages still exist in numerous lines.