

19. *Financial Statements.*—When it commenced operations the Board insisted on the submission of full financial statements containing particulars of the assets and liabilities and receipts and payments of applicants for loans, and where a borrower applied for a concession he was also required to justify his application by the submission of a financial statement. Some applicants at first objected to this requirement, on the ground that they did not wish to make public their financial position, and the associations in some cases considered that their general knowledge of the position of farmers in the district was sufficient to enable complete statements to be dispensed with. It is clear, however, that considerable benefit accrued from the practice, and some of the directors of the associations which made representations in the earlier stages of the Board's operations that these statements should be dispensed with subsequently agreed with the view of the Board. It is also evident that many farmers now appreciate the value of budgets. In later years the Board was able to relax its requirements regarding financial statements, and although it still requires statements to be supplied with applications for new loans it will now in many cases accept certificates from directors of associations that, after investigating the financial position of borrowers, they are satisfied that the concessions or further advances required are justified.

20. *Losses.*—It is gratifying to be able to report that only one loss has so far been suffered by the Board, and that for an amount of £500 only. Some associations have made losses on loans granted by them, but these have been, or will be, met principally from the reserves and share capital of the associations. In three cases the winding-up of associations resulted from deficiencies shown on the realization of securities for loans, and it has been necessary for them to call upon shareholders to make further payments under their shares so that the deficiencies might be met. Six of the associations still active have suffered losses in this way, but only one has found it necessary to make a call on its members' shares. Probably two others will need to make calls to meet losses on loans.

21. *Association Method.*—The association method of lending has proved very successful, and those associations which have been able to transact a reasonable volume of business have been able to build up a satisfactory organization in their districts, to pay reasonable remuneration to their secretary-treasurers, and to make provision for reserves against possible losses. Others have, however, not met with the same measure of success, and their business has not expanded to the extent that was anticipated when they were formed. It is only where an association transacts a substantial volume of business that it is able to meet its expenditure from the revenue provided, and it seems likely that some of the associations which are in only a small way will need to be wound up unless the new management is able to expand the rural intermediate credit business. The Board was able to assist associations which were finding difficulty in meeting their expenditure by authorizing the charging against applicants and borrowers of consideration fees in respect of certain applications for loans and concessions. Even these fees have, however, not been sufficient to enable associations with a small amount of business to meet their expenses.

22. *Chattels Securities.*—It is essential with securities of this nature that a close supervision be exercised in regard to loans, and a close watch must be kept on the stock which forms the security, and on the farming methods and financial operations of the borrowers. The cases of dishonesty met with by the Board have been so few as to be negligible. It is evident that the supervision by the directors of associations has been a material factor in the success of the Board's operations, and had the services of the directors not been available a large staff of Inspectors charged with the duty of providing such supervision would have been required.

#### VOLUME OF BUSINESS TRANSACTED.

23. *Association Advances for Year ended 30th June, 1937.*—During the year £54,010 was advanced, as compared with £50,841 during the year ended 30th June, 1936. The amount owing by associations to the Board at the end of the year was £134,410, as compared with £161,574 at the 30th June, 1936.

24. *Part III Advances for the Year ended 30th June, 1937.*—During the period £5,895 was advanced, as compared with £14,363 for the year ended 30th June, 1936, and £22,855 was owing, as compared with £42,317 at the 30th June, 1936.