FUNDS.

At the inception of this scheme the Government made available the sum of £400,000 to be utilized by the Board:—

(*a*) In making advances to farmers;

(*b*) In establishing a Redemption Fund as a protection to lenders to the Board, which was given authority to raise loan-moneys by way of the issue of debentures.

The Act required that one-third of the advance by the Government should be specially invested and held as a Redemption Fund, and at the date of transfer of the administration of the Board's business to the control of this Board there was at credit of the Redemption Fund the sum of £210,086 13s. 7d. This represented the initial amount of £133,333 6s. 8d., added to which are accumulations of revenue produced by the investment of the fund and a half-share of the profits. The total accumulated fund after adding a half-share of the profits and income from the investments for the year ended 30th June, 1938, was £220,601.

The balance of the advance received from the Government has been available for the purpose of making advances in terms of the Act, and during recent years the investments offering have not been sufficiently large to necessitate the raising of additional loan-moneys to augment the investment funds.

At the date of the transfer of the business to the control of this Board there were cash funds available for the investment in the Board's business amounting to approximately £126,950, and at the close of the past financial year the cash and temporary investments amounted to £155,878.

TERMS OF LENDING.

The amending legislation under which the change of control was authorized made provision for the removal of certain restrictions which previously applied to loans made to farmer borrowers, the two most important being:—

(*a*) The removal of the limit of £2,000 for any one loan made by the Board direct to a borrower.

(NOTE.—This refers only to loans granted under Part III of the Rural Intermediate Credit Act.)

(*b*) The withdrawal of the condition requiring loans granted under Part III of the Act to be guaranteed as to part of the amount advanced.

Apart from these amendments there has been no change in the Board's policy in regard to the terms on which advances are to be made.

RATE OF INTEREST.

The rate of interest on loans granted to farmer borrowers still remains at 5 per cent., whether the advance be made by the Board as a direct loan or through an association to one of its members.

VOLUME OF BUSINESS.

Advances by Co-operative Rural Intermediate Credit Associations.—During the past financial year advances have been made to members of associations for an aggregate amount of £45,131, and the total amount of loans owing by associations at the 30th June, 1938, was £124,114. This shows a reduction of approximately £10,296 as compared with the figures at the close of the previous financial year.