

The assets shown in the Balance-sheet as at 31st March, 1930, were as under :—

	£	£
Sawmills and timber stocks	202,215	
Stores and material on hand	840,548	
Sundry assets in subsidiary services	97,584	
Sundry debtors, &c.	193,289	
Cash balance at stations and freights owing	209,044	
Sick Benefit Fund investment	6,528	
Cash balance	70,936	
		1,620,144
Deficiency in Working Railways Account		£592,778

The amount shown above as “ liability to capital for depreciation and renewals ” covers the amount which during the past five years has been debited to Revenue Account as a charge against the income earned, and, so far as the proportion covered by the depreciation is concerned, should have been, had the financial position permitted, repaid to the Treasury Department in reduction of the Railways Department’s indebtedness for capital loans.

The amount of £1,687,562 is made up as under :—

Accrued depreciation for five years from 1st April,	£
1925, to 31st March, 1930	1,350,235
Reserve for re-laying of track	337,327
	£1,687,562

A perusal of the accounts of the Department shows that approximately £1,300,000 is required by the Department to cover the expenditure in assets such as are enumerated below :—

- Sawmills and timber stocks.
- Stores and material.
- Sundry assets in subsidiary branches.
- Sundry debtors covering advances to capital.
- Work undertaken on behalf of other Government Departments.
- Advances to railway employees for housing purposes.
- Work in progress, &c.

It is further shown that during the busy months of the year sufficient capital must be retained in liquid form to finance the expenditure during those months of the year when the revenue from the working of the railways is not sufficient to meet the outgoings. Experience has shown that a sum of approximately £700,000 is necessary for this purpose. Your Commission is of the opinion, therefore, that in order to place the finance of the Working Railways Account on a sound basis it is necessary to create a general reserve of approximately £2,000,000. The figures submitted to your Commission by the Chief Accountant show that in order to give effect to this, and after making certain adjustments in the accounts of the Department, it is necessary to set aside out of revenue a further sum of approximately £1,100,000 to raise the General Reserve Account to a figure of £2,000,000. This sum of £1,100,000 should, in the opinion of your Commission, be raised by charging in each year a fixed amount against the earnings of the Department, and not more than £200,000 should be debited to working-expenses and credited to General Reserve Account in any one year. This General Reserve Account is, to all intents and purposes, the capital employed by the Department in its Working Railways Account.

Accrued Depreciation.—From the inception of the Department and up to the 31st March, 1925, the accounts were kept on a cash basis, and no means were available whereby provision could be made for deferred maintenance, accrued