

of the Rural Intermediate Credit Redemption Fund, which is credited direct to the Redemption Fund Account. The interest profits, however, have not increased in proportion to the gross income, the net profit for the year, after setting aside £1,304 to provide for possible losses on advances, amounting to £7,174 2s. 5d., a decrease of £1,162 11s. 10d., as compared with the net profit of £8,336 14s. 3d. for the year ended 30th June, 1931.

The expenditure (including the interest paid on debentures) totalled £24,716, as compared with £20,579 for the previous year. This year's expenditure includes provision for a further £1,304, estimated possible losses on advances, thus raising the amount set aside for this purpose to £2,189, £885 having been set aside last year. The amount required for this reserve has been arrived at after a careful review of all loans, a reserve being provided in every case where the security is considered inadequate. The total amount of the reserve is approximately one-half of 1 per cent. of the Board's investments at 30th June, 1932, and the fact that no greater provision for losses is considered necessary is extremely satisfactory, in view of the present conditions affecting the farming community.

The decrease in the net profit is due to the following causes:—

- (a) As the total investments increase, the proportion of funds used represented by advances from the Consolidated Fund, free of interest, decreases.
- (b) The considerably increased proportion of the investments represented by advances to associations, on which the margin of interest is only one-half of 1 per cent., and the decreased proportion of loans under Part III, on which the margin is 1 per cent. At 30th June, 1932, advances to associations under Part II totalled £294,683, and advances to farmers under Part III, £123,655.
- (c) The large amount of funds in hand during the latter half of the year not required immediately for advances and temporarily invested in Government securities at a lower rate of interest. Temporary investments at 30th June, 1932, were £106,080, compared with £23,400 at 30th June, 1931.

In accordance with section 39 of the Rural Intermediate Credit Act, 1927, the net profit of £7,174 2s. 5d. has been appropriated in equal shares to the Rural Intermediate Credit Redemption Fund and the Rural Intermediate Credit Reserve.

The total investments, including accrued interest as at 30th June, 1932, amounted to £710,206, an increase of £39,647 on the previous year's figure. This total includes the investments of the Rural Intermediate Credit Redemption Fund, which amounts to £161,675.

The present investments of the Rural Intermediate Credit Redemption Fund are derived from—

One-third of advance of £400,000 from the Consolidated Fund under section 16 of the Act .. ..	£	s.	d.
One-half share of profits up to 30th June, 1931, appropriated in accordance with section 39 of the Act ..	133,333	6	8
Interest received and invested and interest accrued to 30th June, 1932 .. .. .	6,538	17	0
	21,803	1	6
	<u>£161,675 5 2</u>		

In addition, the Redemption Fund includes a further sum of £3,587 1s. 3d., representing the half share of profits for the year to 30th June, 1932, plus a small balance of interest, £7 16s. 6d., not yet invested, making a grand total of £165,270 2s. 11d.

The investments in the course of the Board's ordinary business amount to £433,746 4s. 1d., classified as follows:—

	£	s.	d.
Advances to associations under Part II ..	294,682	19	9
Advances to farmers under Part III ..	123,654	19	7
Bills discounted .. .. .	15,408	4	9
	<u>£433,746 4 1</u>		