

1965
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VICTORIA

SUPPLEMENTARY REPORT

OF THE

AUDITOR-GENERAL

FOR THE YEAR ENDED

30th JUNE, 1965

Ordered by the Legislative Assembly to be printed 9th November, 1965

By Authority:

A. C. BROOKS, GOVERNMENT PRINTER, MELBOURNE.

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REPORT OF THE AUDITOR-GENERAL OF VICTORIA

SUPPLEMENTAL TO THE REPORT PRESENTED ON 12TH OCTOBER, 1965, IN RELATION TO THE TREASURER'S STATEMENT OF THE FINANCES FOR THE YEAR ENDED 30TH JUNE, 1965.

As authorized by paragraph (b) of sub-section (1) of Section 47 of the *Audit Act* 1958, I have the honour to present to the Legislative Assembly my report on the accounts of certain of the statutory bodies which I am required by law to audit. With respect to the accounts of several of these public authorities, the figures furnished herein are subject to audit, but, generally, in such cases sufficient progress has been made in the audits to establish that the figures published are substantially correct.

CANCER INSTITUTE.

The Cancer Institute is controlled by the Cancer Institute Board constituted in accordance with the provisions of the *Cancer Act* 1958. The figures shown hereunder are subject to completion of the audit.

Maintenance expenditure of the Institute is met substantially from moneys appropriated by Parliament under a Health Department vote. Payments from the vote for the year ended 30th June, 1965, amounted to £800,000.

Expenditure from the Institute's revenue for the past two years is set out hereunder :—

1963-64.		1964-65.
£		£
598,216	Medical Departments	670,203
53,349	Catering	59,439
43,758	Housekeeping	46,992
40,350	Engineer's Department	45,500
22,187	Transport	25,013
23,216	Laundry	22,943
108,487	Administration	109,798
199	Miscellaneous.. .. .	195
<u>889,764*</u>		<u>980,083*</u>

The revenue for the past two years was :—

720,000	Government Grant	800,000
1,075	Donations	848
11,787	Charges for Treatment of Doctors' Private Patients	20,844
22,044	Pharmaceutical Benefits	29,543
20,113	Hospital Benefits	21,217
85,574	Patients' Fees	104,307
8,981	Home Nursing Subsidy	9,588
4,851	Miscellaneous.. .. .	5,499
<u>874,425*</u>		<u>991,846*</u>

* Excludes Tasmanian Services.

The following abridged Balance-sheets set out the financial position of the Institute as at 30th June, 1964 and 1965 :—

30.6.1964.		30.6.1965.	
£		£	£
	Current Liabilities—		
52,547*	Creditors		45,257†
	Funds—		
62,387	Maintenance Fund	47,044	
89,057	Depreciation Fund .. .. .	..
73,930	Other Funds (including various bequests)	124,576	
		<hr/>	171,620
	Capital—		
1,865,582	Loan Fund—Act No. 6213.	1,960,781	
92,538	Queen Victoria Hospital, donors, &c.	183,903	
		<hr/>	2,144,684
<hr/>			<hr/>
2,236,041			2,361,561

* Includes £3,564 due to Tasmanian Government.
† Includes £901 due to Tasmanian Government.

30.6.1964.		30.6.1965.	
£		£	£
	Current Assets—		
49,340	Cash at Bank	53,520	
34,763	Debtors and Prepayments	41,080	
22,497	Stores and Materials on Hand	23,061	
		<hr/>	117,661
	Investments—		
89,057	Depreciation Fund .. .. .	..
70,356	Other Funds	124,953	
		<hr/>	124,953
	Fixed Assets at cost—		
1,381,761	Buildings and Improvements	1,522,576	
17,766	Motor Cars	17,977	
31,897	Furniture and Furnishings	33,362	
509,074	Equipment	545,032	
		<hr/>	2,118,947
	Intangibles—		
29,530	Asset Realization Account .. .. .	..
<hr/>			<hr/>
2,236,041			2,361,561

As shown above, the balance at credit of the Maintenance Fund was reduced from £62,387 to £47,044. This reduction was, in effect, the result of writing off the intangible Asset—Asset Realization Account, £29,530—against credits of £76,574, comprising the balance of the Maintenance Fund brought forward, £62,387, the excess of revenue over expenditure for the year, £11,763, and sundry credits, £2,424.

As authorized by the *Cancer (Amendment) Act 1964*, the balance of the moneys (£89,011) which had been held in the Depreciation Fund was used to finance the purchase of land and property to further the work of the Institute.

COAL MINE WORKERS PENSIONS TRIBUNAL.

An annual sum, determined actuarially and collected on a specified basis from the mine owners, mine workers and the State, is paid into the Coal Mine Workers' Pensions Fund.

Particulars of income and expenditure for the past two years are:—

1963-64. £	INCOME.								1964-65. £	
	Contributions—Acts Nos. 6221/6622—									
32,072	Government	..	..	..	..	..	..	..	32,507	
32,072	Mine Owners	..	..	..	..	..	..	..	32,507	
5,856	Mine Workers	..	..	..	..	..	..	..	4,986	
70,000										70,000
26,103	Interest on Investments	..	..	..	..	..	..	..		26,297
96,103										96,297
	EXPENDITURE.									
84,191	Pensions	..	..	..	..	..	..	..		83,545
705	Refunds of Contributions	..	..	..	..	..	..	..		2,268
3,423	Administration	..	..	..	..	..	..	..		3,492
88,319										89,305
7,784	Surplus for year	..	..	..	..	..	..	..		6,992

At the dates shown, the accumulated funds of the Tribunal were:—

30.6.1964. £									30.6.1965. £	
513,997	Accumulated Funds	..	..	..	..	..	..	..		520,989
	Represented by—									
11,702	Current Assets less Liabilities	..	..	..	..	..	..	..	11,687	
295	Fixed Assets	..	..	..	..	..	..	..	302	
502,000	Investments at cost	..	..	..	..	..	..	..	509,000	
513,997										520,989

COUNTRY FIRE AUTHORITY.

The annual audit of the accounts of this Authority has been completed by an officer acting under my direction. A continuous audit of the Authority's receipts and payments is carried out by a firm of chartered accountants. This audit and that conducted by my officer are, by arrangement, complementary in character.

Finance to enable the Authority to carry out its functions is provided, as to one-third, by the State through the Municipalities Assistance Fund and, as to two-thirds, rateably by Fire Insurance Companies in proportion to relevant risks underwritten.

To determine total contributions from these sources, an estimate of expenditure, which is subject to the approval of the Governor in Council, has to be prepared annually by the Authority. The amount approved for the year ended 30th June, 1965, was £852,267. The expenditure for the year was in excess of the estimate by £42,257, but miscellaneous receipts, £36,735, including refunds, partly offset the excess. The balance of the excess was met from the accumulated surplus.

A statement of sums received as revenue, and their application, over the past four years, is as follows:—

—	1961-62.	1962-63.	1963-64.	1964-65.
<i>Receipts.</i>	£	£	£	£
Surplus from previous year	969	10,154	14,643	9,789
Statutory contributions	659,693	733,072	783,663	852,267
Other receipts	34,261	39,400	34,457	36,735
	694,923	782,626	832,763	898,791
<i>Payments.</i>				
Salaries, wages and maintenance	418,514	452,919	505,691	542,769
Loan repayments	48,582	55,241	58,714	63,067
Loan interest	36,369	39,433	40,689	43,951
Land, buildings, rolling-stock and equipment ..	42,064	65,291	51,977	56,514
Motor replacement fund	58,671	67,434	76,746	83,841
Compensation fund	10,000	10,000	10,000	10,000
Other payments	70,569	77,665	79,157	94,382
Surplus carried forward to next year	10,154	14,643	9,789	4,267
	694,923	782,626	832,763	898,791

The analysis hereunder of the Authority's balance-sheets discloses continued improvement in the sound financial position of the Authority :—

30.6.1964.		£	£	£	£
	<i>Source of Funds—</i>				
	<i>External—</i>				
832,727	Loan Liability			859,660	
59,428	Less unexpended			65,950	
<u>773,299</u>				<u>793,710</u>	
	<i>Internal—</i>				
	Excess of assets over liabilities transferred from Country Fire Brigades Board			138,136	
138,136					
609,483	Income and Expenditure Account—accumulated balance			694,372	
937,798	Reserves			1,034,251	
	Funds		474,251		
	Less invested on account of Compensation, Superannuation and other Trust purposes ..		387,774		
90,996			<u>86,477</u>		
<u>1,776,413</u>				<u>1,953,236</u>	
<u>2,549,712</u>				<u>2,746,946</u>	
	<i>Represented by—</i>				
	<i>Current Assets—</i>				
9,789	Cash			4,267	
16,804	Sundry Debtors			18,708	
56,682	Stocks—including uniforms issued			58,955	
<u>83,275</u>				<u>81,930</u>	
	<i>Less—</i>				
	<i>Current Liabilities—</i>				
36,758	Sundry Creditors			28,680	
<u>46,517</u>				<u>53,250</u>	
	<i>Investments—</i>				
90,996	Motor Replacement and Sale of Property Funds ..			86,477	
	<i>Fixed Assets—</i>				
134,347	Land			137,903	
716,013	Buildings			769,933	
1,328,726	Rolling-stock			1,464,396	
224,401	Plant and Machinery			227,078	
8,712	Other			7,909	
<u>2,412,199</u>				<u>2,607,219</u>	
<u>2,549,712</u>				<u>2,746,946</u>	

ELECTRICITY COMMISSION.

The net income for the year, as shown in the Commission's Revenue Account, was £2,028,177 as compared with £352,909 in 1963-64.

Factors which affected the year's result included—

- (i) an increase of £8,026,473 from sales of electricity ;
- (ii) the inclusion in the depreciation charges of an amount of £2,000,000 as special provision for accelerated depreciation of peak load steam power stations ;
- (iii) a special provision of £1,000,000 by way of additional depreciation of the briquette factories at Morwell and Yallourn ;
- (iv) a special " write-off " of £1,275,774 which consisted of £1,202,774, the unamortized balance brought forward in the Account " Deferred Interest and Other Expenditure on Works under Construction " and a charge of £73,000 to such Account, in the year under review, in anticipation of further loss on the disposal of the remainder of the unused briquetting plant ;
- (v) an increase of roundly £3,462,000 in salaries and wages costs due to increased rates and additional personnel ; and
- (vi) an increase of £1,081,097 in net interest charges.

The financial operations and results for the past two years are summarized hereunder :—

1963-64. £		£	1964-65. £
70,037,183	Operating Income .. .. .	..	78,686,388
51,675,072	Operating Expenditure .. .. .	..	55,580,229
18,362,111	Excess of Operating Income over Operating Expenditure .. .. .	..	23,106,159
44,608	Add—Miscellaneous Income .. .. .	..	25,160
18,406,719			23,131,319
	Deduct—		
17,072,693	Interest .. .. .	..	18,153,790
340,000	Loan Flotation Expenses .. .. .	..	223,681
391,117	Miscellaneous Expenditure .. .. .	..	449,897
250,000	Deferred Interest and other Expenditure on Works under Construction Written Off .. .. .	..	1,275,774
	Additional Depreciation of Briquette Factories .. .. .	..	1,000,000
18,053,810			21,103,142
352,909	Balance of Income for Capital Works and Appropriations .. .. .	..	2,028,177
	Appropriations—		
..	Consolidated Revenue of Victoria—Statutory transfer on Brown Coal Production .. .. .	..	237,522
352,909	Contingency and General Reserve .. .. .	..	1,000,000
..	Income Retained for Capital Works .. .. .	..	790,655
352,909		..	2,028,177

Section 81 of the *State Electricity Commission Act 1958* requires, *inter alia*, that the Commission shall prepare an annual profit and loss account. In 1964-65, the Commission changed the name of this account to " Revenue Account ".

In amplification of the preceding summary, sectional results for the past two years are compared below :—

1963-64.		1964-65.
£		£
3,016,864	Profit on Electricity Supply	6,627,380
..	Profit on Brown Coal Sales	39,932
43,982	Loss on Brown Coal Sales	6,667,312
631,962	Loss on Briquetting	647,314
180,700	Loss on Tramways	215,914
<u>2,160,220</u>		<u>863,228</u>
		<u>5,804,084</u>
	<i>Less—</i>	
346,509	Excess of Miscellaneous Expenditure over Income	424,737
1,210,802	Interest during Construction	1,075,396
250,000	Deferred Interest and Other Expenditure on Works under Construction Written Off	1,275,774
..	Special Depreciation of Briquette Factories	1,000,000
<u>1,807,311</u>		<u>3,775,907</u>
<u>352,909</u>	Income in excess of Expenditure for year	<u>2,028,177</u>

In connexion with Brown Coal operations, it should be explained that, in arriving at the profit of £39,932 on sales for the year, the Commission departed from its normal practice of charging the year's operations with the whole of the relevant "Overburden Removal Costs". These amounted to £136,633 and, of this sum, £87,707 was charged to Brown Coal operations in 1964-65. This variation was, in practice, soundly based as overburden removal in 1964-65 was more than sufficient for the purpose of the year's coal-winning. However, the remainder of the overburden removal costs, £48,926, was not temporarily capitalized but was charged to Electricity Supply operations in 1964-65. It is understood that this amount will be charged against next year's revenue from Brown Coal sales.

As explained in my previous reports, the Commission has since, and inclusive of the year 1961-62, treated its briquetting business and brown coal sales to the public as subsidiaries of its electricity business but it has continued to maintain separate records of these activities. Notwithstanding the repeal in December, 1964, of Section 16 (5) (a) of the *State Electricity Commission Act 1958*, whereby the State is now relieved of any obligation to meet from Consolidated Revenue, losses arising from the sale of briquettes manufactured at Morwell, it is considered that, until such time as the existing legislation is amended appropriately, Parliament should continue to be apprised of the separate business results of the above-mentioned activities.

Electricity Supply.—Revenue of £71,936,136 from sales of electricity during the year was an improvement of £8,026,473 or 12.6 per cent. on sales revenue for the previous year and, as compared with 1962-63, an improvement of £13,895,240 or 23.9 per cent.

The continued upward trend in revenue from electricity sales was due mainly to—

- (i) an increase in the year in metropolitan tariffs and in country industrial tariffs, partly offset by reductions in country domestic and commercial tariffs ;
- (ii) an increase of roundly 38,000 new consumers in the year ;
- (iii) a higher average consumption by domestic, commercial and industrial consumers ; and
- (iv) an increase of £530,238 from industrial sales to Alcoa Pty. Ltd.

Compared with the previous year, expenditure increased by £4,415,957 or 7.3 per cent., due largely to additional interest charges and increased salary and wage costs.

On 1st October, 1964, the first turbo-generator of Stage 1 of the new power station at Hazelwood was brought into commercial service. This station contributed to the greater supplies from base load power stations and, with increased purchases of electricity, reduced the demand on peak load thermal power stations where higher generation costs apply. As a result, there was a reduction in the over-all unit cost per kWh of electricity sold.

Operational statements of this department for the past three years show:—

Sales—	1962-63.	1963-64.	1964-65.
	£	£	£
Domestic	18,059,777	19,643,423	21,727,415
Commercial	8,503,648	9,278,371	10,298,723
Industrial	15,177,650	17,793,284	20,458,449
Traction	1,942,815	1,997,853	1,988,721
Bulk Supplies	13,266,820	14,035,127	15,965,277
Public Lighting and Miscellaneous	1,090,186	1,161,605	1,497,551
	<u>58,040,896</u>	<u>63,909,663</u>	<u>71,936,136</u>
Operating Charges—			
Power Generation	29,287,561	32,364,843	33,865,783
Purchased Electricity	4,455,167	5,090,140	5,897,654
Transmission and Distribution	21,566,497	23,437,816	25,545,319
	<u>55,309,225</u>	<u>60,892,799</u>	<u>65,308,756</u>
Profit	<u>2,731,671</u>	<u>3,016,864</u>	<u>6,627,380</u>

Expenditure shown above does not take into account charges for interest during construction, special "writings-off" and miscellaneous expenses.

The statement hereunder shows the annual income at the various branches over the past three years:—

Branch.	1962-63.	1963-64.	1964-65.
	£	£	£
Metropolitan	22,848,365	24,847,769	27,830,833
Ballarat	1,263,650	1,379,523	1,360,666
Geelong	2,736,164	4,055,327	4,951,351
Northern	1,359,043	1,513,397	1,684,274
Eastern Metropolitan	6,849,225	7,811,701	9,009,230
Gippsland	3,133,290	3,387,788	3,650,543
Midland	781,262	868,838	924,706
Mildura	648,092	649,141	684,576
North-Eastern	3,101,273	3,380,642	3,642,153
South-Western	1,897,550	2,012,071	2,161,350
Wimmera	349,563	438,039	495,124
Kiewa	31,229	35,559	41,259
* Yallourn	103,600	94,984	..
	<u>45,102,306</u>	<u>50,274,779</u>	<u>56,436,065</u>
Metropolitan Bulk Supplies	12,938,590	13,634,884	15,500,071
	<u>58,040,896</u>	<u>63,909,663</u>	<u>71,936,136</u>

* Yallourn became part of Gippsland Branch from 1st July, 1964.

The above figures disclose that, of the increase of £8,026,473 for the year, £5,048,251 represented the increase in income from metropolitan retail and bulk supplies.

The following comparative figures indicate the line losses of electricity in the course of transmission and distribution, the annual increase in the average kilowatt-hours (kWh) sold per consumer and the income per kWh sold :—

	1962-63.	1963-64.	1964-65.
	Millions.	Millions.	Millions.
kWh sent out from Power Stations	7172·072	8081·844	9021·467
kWh sold	6347·201	7223·653	8059·105
<i>Average kWh sold per Consumer—</i>			
	kWh	kWh	kWh
Domestic	2,876	3,044	3,207
Commercial	7,132	7,638	8,132
Industrial	35,454	43,334	47,658
Income per kWh sold	2·254d.	2·177d.	2·191d.
Cost per kWh sold	2·148d.	2·074d.	1·990d.

Brown Coal Production and Distribution.—The coal won for the year amounted to 19,001,796 tons which exceeded the output for 1963-64 by 836,529 tons. Almost all of this excess was used for power production.

The summary, which follows, presents in comparative form the annual tonnage output obtained from the various open cuts over the past three years and, in parenthesis, shows, in respect of each year, the production costs per ton to the nearer penny.

	1962-63.	1963-64.	1964-65.
	Tons.	Tons.	Tons.
Morwell	3,873,916 (12s. 1d.)	4,080,103 (14s. 4d.)	4,597,514 (15s. 3d.)
Yallourn	12,892,693 (8s. 1d.)	13,488,000 (7s. 9d.)	13,944,456 (7s. 9d.)
Yallourn North Extension	477,736 (13s. 10d.)	597,164 (15s. 1d.)	459,826 (15s. 4d.)
	<u>17,244,345</u>	<u>18,165,267</u>	<u>19,001,796</u>

New assets brought into service at Morwell resulted in increases in fixed charges for interest and depreciation. These increases, together with increases in maintenance costs, indirect overheads and overburden removal charges, contributed to the higher production costs per ton at Morwell in 1964-65.

Distribution of the output was as follows :—

	1962-63.	1963-64.	1964-65.
	Tons.	Tons.	Tons.
Power Production	11,352,112	12,027,373	12,813,127
Briquette Manufacture	5,515,127	5,729,214	5,766,041
Sales to Public	377,106	408,680	422,628
	<u>17,244,345</u>	<u>18,165,267</u>	<u>19,001,796</u>

Due to the increase in quantity sales to the public, proceeds from these sales amounted to £372,997 as compared with £359,259 in 1963-64.

Depreciation and interest charges on capital expenditure of the Yallourn North Open Cut, which is closed, have now been excluded as part of costs in arriving at the result from brown coal operations at the Yallourn North Extension Cut. Largely due to the exclusion of these particular charges, there was a profit of £39,932 for the year as compared with a loss of £43,982 in 1963-64.

Briquetting.—Operations of this branch resulted in a loss of £647,314 compared with a loss of £631,962 in the preceding year.

Turnover and production tonnage for the past three years are shown hereunder :—

	1962-63.	1963-64.	1964-65.
	Tons.	Tons.	Tons.
Sales	1,075,457	1,180,065	1,259,458
Transferred to Works	711,132	729,380	631,303
Total Distribution	1,786,589	1,909,445	1,890,761
Losses—Deterioration, transit, &c.	5,120	12,123	522
Stock variation	13,638	— 38,942	1,476
Production	1,805,347	1,882,626	1,892,759

Of the total production of 1,892,759 tons, the major part, 1,379,926 tons, was produced at the Morwell factory from coal transported from Yallourn and the balance, 512,833 tons, was produced at Yallourn.

Stock-takings at the various sales depots resulted in a total write-up of 12,924 tons ; hence, the relatively low figure of 522 tons from losses due to deterioration, etc.

Income for the year amounted to £6,262,476, which was an improvement of £616,285 on the income from sales for 1963-64. This increase in revenue was due to a price increase for domestic briquettes from 1st January, 1965, together with an increase in quantity sales of both industrial and domestic briquettes to the public. Sales of 170,794 tons to the Gas and Fuel Corporation were less by 17,922 tons than in the previous year.

Trading results for the past three years, excluding costs charged on internal transfers to Works, are shown in the following statement :—

Sales—	1962-63.		1963-64.		1964-65.	
	£	£	£	£	£	£
Domestic	2,551,096		2,950,843		3,468,605	
Industrial	2,620,171		2,695,348		2,793,871	
	5,171,267		5,646,191		6,262,476	
Stock Variation	95,323		— 257,883		69,672	
	5,266,590		5,388,308		6,332,148	
Manufacturing Costs	3,837,801		3,919,850		4,449,699	
Distribution and Selling	2,098,091		2,100,420		2,529,763	
	5,935,892		6,020,270		6,979,462	
Loss	669,302		Loss 631,962		Loss 647,314	

The recent resolutions of the Commission, pertaining to increased depreciation, included the decision to make a special provision of £6,000,000 over five years and thereby reduce the remaining “ depreciation lives ” of the Morwell and Yallourn briquette factories. The costs, as shown in the preceding summary, do not include the special provision for the year of £1,000,000. This provision has been shown as a separate item in the Revenue Account.

Tramways.—Operations for the year at Ballarat and Bendigo resulted in a total loss amounting to £215,914 compared with £180,700 in 1963-64. The retrogression indicated was due to an increase of £27,923 in expenditure together with a reduction of £7,291 in income.

Separate figures for the year in respect of operations at Ballarat and at Bendigo show—

	Ballarat.	Bendigo.	Total.
	£	£	£
Operating charges	174,131	156,562	330,693
Traffic Receipts, &c.	71,573	43,206	114,779
Loss	102,558	113,356	215,914

For purpose of comparison, the figures for the past three years are furnished hereunder—

	1962-63.	1963-64.	1964-65.
	£	£	£
Expenditure—Operation	191,486	200,039	212,774
Maintenance	62,679	77,829	85,321
Administration, &c.	24,374	24,902	32,598
	<hr/>	<hr/>	<hr/>
	278,539	302,770	330,693
Income—Traffic Receipts, &c.	105,182	122,070	114,779
	<hr/>	<hr/>	<hr/>
Loss	173,357	180,700	215,914
	<hr/>	<hr/>	<hr/>
Number of Passengers carried	5,583,118	4,945,140	4,727,654
Number of Tram miles	839,009	839,595	827,940
Passengers per Tram mile	6.65	5.89	5.71
Expenses per Passenger	11.97d.	14.69d.	16.79d.
Income per Passenger	4.52d.	5.92d.	5.71d.

An analysis of the above figures shows that, each year, passenger traffic has decreased and that the cost per passenger has increased ; further, that the increase in income per passenger in 1963-64, which was due to an increase in fares in March, 1963, was not maintained in 1964-65.

Accumulated losses on operations, including those of the Geelong system which was discontinued in March, 1956, amounted, at 30th June, 1965, to £3,661,372 with an addition of £175,763 on account of capital written off.

Annual losses from these tramways have not been capitalized but have been absorbed in the surplus revenue from electricity operations.

Depreciation.—Following a comprehensive review of depreciation procedure and practice during the year and having regard to current trends and practices of other large electricity undertakings, both overseas and in Australia, the Commission has decided that the provision for depreciation on existing assets shall be increased by a total of £3,705,000 per annum including provision for additional depreciation of the briquette factories. This decision is to be put into full effect in 1965-66 but, as already indicated, additional depreciation of briquette factories amounting to £1,000,000 was provided in 1964-65.

An analysis of depreciation charges for the past three years shows—

	1962-63.	1963-64.	1964-65.
	£	£	£
Normal provision—charged to operations	10,514,342	10,677,531	11,659,051
Special provision	1,500,000	2,950,000	2,000,000
Special provision deducted from net income from operations .. .. .	..	..	1,000,000
Indirect—charged to Fixed Capital.. .. .	544,346	522,092	505,243
	<hr/>	<hr/>	<hr/>
	12,558,688	14,149,623	15,164,294
	<hr/>	<hr/>	<hr/>
Amortization—Development of Open Cuts—charged to operations	275,754	276,591	274,836
	<hr/>	<hr/>	<hr/>
	12,834,442	14,426,214	15,439,130
	<hr/>	<hr/>	<hr/>

The net increase of £12,278,090 during 1964–65 in the Provision for Depreciation is explained hereunder—

	£
Balance—30th June, 1964	83,734,444
Add Provision for year	15,164,294
	<hr/>
	98,898,738
Less Retirements and Adjustments	2,886,204
	<hr/>
Balance—30th June, 1965	96,012,534
	<hr/>

Commencing in the year 1959–60, a credit has been made annually to the “Special Provision” for accelerated depreciation of peak load steam power stations. At 30th June, 1965, these annual credits amounted to £9,850,000 but, due to various amounts charged thereto, including the sum of £405,099 in 1964–65 on account of the Shepparton power station, which has been closed, the balance of the “Special Provision” at 30th June, 1965, was £9,251,270. This sum is included in the over-all balance of £96,012,534 shown above.

Interest.—As compared with the previous year, there was a net increase of £1,068,052 in this item. The reasons for this increase were—an increase in the Commission’s loan liability and the conversion of its maturing loans to new loans carrying higher interest rates, offset by higher income from investments.

The following statement compares the interest charges over the past three years:—

	1962–63.	1963–64.	1964–65.
	£	£	£
On—Capital Liabilities	16,316,526	17,488,885	18,386,691
Consumers’ and other Advances for Construction	835,278	976,759	1,099,085
Provident Fund Advances	28,511	153,782	339,345
Current Liabilities	124,040	101,666	100,963
	<hr/>	<hr/>	<hr/>
	17,304,355	18,721,092	19,925,084
Deduct Interest earned on Investments	970,377	1,264,816	1,401,756
	<hr/>	<hr/>	<hr/>
	16,333,978	17,456,276	18,524,328
	<hr/>	<hr/>	<hr/>

These totals were allocated in the accounts as under:—

Revenue Account—	£	£	£
Interest on Assets in operation	15,190,226	15,861,891	17,078,394
Interest during construction	739,033	1,210,802	1,075,396
	<hr/>	<hr/>	<hr/>
	15,929,259	17,072,693	18,153,790
 Fixed Assets—			
Indirect interest included in charges for services	404,719	383,583	370,538
	<hr/>	<hr/>	<hr/>
	16,333,978	17,456,276	18,524,328
	<hr/>	<hr/>	<hr/>

The increase of £136,940 in interest earned was largely due to additional investments on account of Reserves and Sinking Funds and to short term investments of cash not immediately required.

Balance Sheet.—The Commission's balances as at 30th June, 1964, and 1965, are summarized hereunder :—

30.6.1964.		30.6.1965.	
£		£	£
386,986,232	Fixed Assets—		
83,734,444	Assets in Service at cost	428,069,496	
	Deduct Provision for Depreciation	96,012,534	
303,251,788		332,056,962	
1,725,003	„ Consumers' Contributions	1,954,320	
301,526,785		330,102,642	
33,729,430	Assets not yet in service—at cost	27,606,449	
7,748,353	Development of Open Cuts—balance of cost	7,718,265	
343,004,568			365,427,356
2,263,362	Long Term Debtors (Real Estate Sales)		2,190,016
	Deferred Charges—		
1,202,774	Interest and other Expenditure on Works under Construction		
739,965	Unamortized Loan Flotation Expenses	739,965	
741,611	Other Deferred Charges	207,843	
2,684,350			947,808
22,025,735	Investments at Cost		27,391,827
	Current Assets—		
341,085	Balances at Bank and Cash in hand	240,758	
5,944,958	Consumers' and other Accounts Receivable	7,068,777	
4,593,487	Unread Meters—Estimated Income	5,268,883	
5,004,086	Materials and Fuel at Cost	5,482,179	
15,883,616			18,060,597
385,861,631			414,017,604
	Less Current Liabilities—		
253,937	Bank Overdraft	151,514	
6,007,820	Accounts Payable and Accruals (other than Interest)	8,424,448	
3,989,053	Interest Accrued	4,096,170	
629,300	Consumers' Deposits and Service Charges in advance	698,415	
10,880,110			13,370,547
374,981,521			400,647,057

The Funds from which the Commission's balances were financed are :—

£		£	£
84,121,877	State Treasury (net)	91,373,382	
256,230,133	Commission Loans (net)	267,528,831	
785,936	Loans of Acquired Undertakings	827,646	
341,137,946			359,729,859
23,745,446	Consumers' and other Advances for Construction (including Provident Fund)		29,153,564
	Reserves—		
1,425,595	Obsolescence	1,372,204	
563,286	Rural Development	563,286	
8,109,248	Contingency and General	9,037,489	
..	Income Retained for Capital Works	790,655	
10,098,129			11,763,634
374,981,521			400,647,057

Fixed Assets.—The following statement shows the details of fixed assets at the close of each of the past three years:—

	30.6.63.	30.6.64.	30.6.65.
	£	£	£
Coal Production	26,113,340	28,700,726	29,272,381
Briquette Production and Distribution	19,557,980	20,117,676	20,404,466
Power Production—			
Thermal Stations	110,775,028	120,832,953	131,832,517
Hydro Stations	39,647,544	39,622,261	39,629,691
Transmission System	64,372,658	73,530,081	83,854,569
Distribution	90,264,268	98,997,700	108,773,682
General Service Assets	37,302,712	38,914,265	41,908,639
	<u>388,033,530</u>	<u>420,715,662</u>	<u>455,675,945</u>
Deduct Provision for Depreciation	72,106,084	83,734,444	96,012,534
	<u>315,927,446</u>	<u>336,981,218</u>	<u>359,663,411</u>
Deduct Consumers' contributions	1,609,108	1,725,003	1,954,320
	<u>314,318,338</u>	<u>335,256,215</u>	<u>357,709,091</u>
Development of Open Cuts—Balance of Cost	7,943,787	7,748,353	7,718,265
	<u>322,262,125</u>	<u>343,004,568</u>	<u>365,427,356</u>

Expenditure for the year, which is summarized below under operational heads, amounted to £38,139,721 as compared with £35,982,856 in 1963–64:—

	£	£
Coal Production—		
Morwell	332,291	
Yallourn	941,899	
	<u>1,274,190</u>	
Briquette Production and Distribution		404,158
Power Production—		
Morwell	155,101	
Yallourn	163,856	
Hazelwood	11,623,469	
Kiewa	29,972	
Other	19,911	
	<u>11,992,309</u>	
Transmission		11,082,297
Distribution—		
Metropolitan	2,552,004	
Country	7,906,277	
	<u>10,458,281</u>	
General Service Assets—		
Plant and Equipment	1,239,335	
Offices, Stores, &c.	796,881	
	<u>2,036,216</u>	
Other		892,270
		<u>38,139,721</u>

The preceding total of £38,139,721 is a gross amount.

In the accounts, it was partly offset by the undermentioned retirements and adjustments amounting to £3,179,438 :—

	£	£
Retired Assets—Written off against Depreciation Provision		2,886,204
" " Proceeds of Sales	422,666	
<i>Less</i> marginal surplus	86,000	
	<hr/>	336,666
Assets transferred to Development of Open Cuts		190,646
" written out to Operations		113,000
" unused briquette factory—further anticipated loss written out		73,000
		<hr/>
		3,599,516
<i>Less</i> —Assets capitalized and credited—		
Consumer's Advances and Contributions	212,000	
Adjustments and transfers	208,078	
	<hr/>	420,078
		<hr/>
		3,179,438
		<hr/>

Investments.—During the year, the Commission's investments, excluding deposits held on account of contractors, increased by £5,363,890.

Investments of £27,358,157 at 30th June, 1965, consisted of:—

	£
General—	
Government and semi-Government Securities	18,721,594
Short Term—	
Short Term Money Market and "Buy Back" secured by Government Guaranteed Securities	3,800,000
Bank Deposits	800,000
	<hr/>
	23,321,594
Sinking Fund—	
Government and semi-Government Securities	4,036,563
	<hr/>
	27,358,157
	<hr/>

The amount of £23,321,594 shown above represents investment of provisions and reserves, unexpended "Self Help" contributions and funds not immediately required at the close of the year to meet revenue or capital expenditure.

Consumers' and Other Advances for Construction.—The Commission's liability on account of these advances increased during the year to £29,153,564—a net increase of £5,408,118. Details are :—

	Increase for Year.	Balance at 30.6.65.
	£	£
Consumers' Advances for Construction (Self Help)	2,610,769	21,662,385
Advances for Construction of Offices and Showrooms	135,416	668,030
Advances from Provident Fund	2,661,933	6,823,149
	<hr/>	<hr/>
	5,408,118	29,153,564
	<hr/>	<hr/>

A summary of transactions for the year in respect of Consumers' Advances for Construction shows—

	£	£
Contributions received	3,781,446	
Interest credits	1,056,847	
	<hr/>	4,838,293
<i>Less</i> refunds of instalments and expired deposits and transfers to consumers' accounts as payments for supplies of electricity		2,227,524
		<hr/>
Net Increase		2,610,769
		<hr/>

Loans.—The loan liability increased by £18,591,913 as compared with an increase of £18,879,528 in 1963–64.

The increase in 1964–65 may be explained as follows:—

	£	£
Loan Liability at 30th June, 1964		341,137,946
1964–65—		
Net increase in Commission Loans	11,298,698	
" " " Treasury Loans	7,251,505	
" " " Loans of Acquired Undertakings	41,710	
	<hr/>	18,591,913
Loan Liability at 30th June, 1965		<hr/> 359,729,859 <hr/>

The loan liability at 30th June, 1965, as shown above, does not include £1,500,000 advanced by the Treasury on 30th June, 1965. This sum was not received by the Commission until 1st July, 1965.

Including settlements of £5,628,035 on account of loans authorized in 1963–64, loan moneys raised by the Commission during the year amounted to £34,795,245. The respective sources of those moneys were—

	£
Public Loans	13,821,805
Private Loans	20,325,260
Area loans	214,530
Retired Staff Loans	433,650
	<hr/>
	34,795,245 <hr/>

The difference of £23,496,547 between the total raisings of £34,795,245, detailed immediately above, and the net increase of £11,298,698 in Commission loans, shown in the preceding summary, represents the total of conversions and redemptions of maturing loans and payments in reduction of current loans.

The loan liability of £91,373,382 to the Treasury was determined after the deduction of £9,588,138, the Commission's equity in the National Debt Sinking Fund. The increase in this equity during 1964–65 was £788,955, in respect of which a credit of £155,307 was made to the Contingency and General Reserve representing the relevant Commonwealth contributions to the Fund less National Debt charges in connexion with the repurchase of securities.

In respect of the Commission's liability under the heading of "Loans of Acquired Undertakings", transactions for the year are summarized hereunder—

	£
Balance owing at 30th June, 1964	785,936
Increase—Acquisition of Swan Hill Borough and Kaniva Shire electrical undertakings	160,057
	<hr/>
Less—recoups by Commission of redemption payments made by municipalities	118,347
	<hr/>
Balance 30th June, 1965	827,646 <hr/>

Deferred Interest and Other Expenditure on Works under Construction.—As already stated, the debit balance of this account has been written off. Relevant particulars are:—

	£
Balance at 30th June, 1964	1,202,774
Add transfer—estimated further loss on disposal of unused briquetting plant	73,000
	<hr/>
Less amount written off to Revenue Account	1,275,774
	<hr/>
Balance	Nil <hr/>

Including the amount of £73,000 in 1964-65, the total loss written off up to 30th June, 1965, in connexion with the disposal of unused briquetting plant parts amounted to £2,303,000. With respect to the remaining stocks on hand in Australia, arrangements have been completed for their disposal and, as to the 1,269 tons of plant parts still stored in Germany, the question of their disposal is progressing towards finality.

Transfer to Consolidated Revenue.—The *State Electricity Commission (Contributions) Act 1964* amended the *State Electricity Commission Act 1958*, as from 1st July, 1964, to provide, *inter alia*, as follows:—

“ There shall be transferred to Consolidated Revenue in each financial year out of the profits earned by the Commission during the last preceding financial year or if there be no such profits out of its reserves an amount equal to Three pence for each ton of coal produced from its brown coal workings or from any State mine which is established by the Commission pursuant to the provisions of this Act and used or sold by the Commission in the last preceding financial year.”

Payments, amounting to £227,066, were made to the Treasury during the year. This sum was calculated in accordance with statutory requirements at three pence per ton on brown coal production of 18,165,267 tons in the year 1963-64 and was provided from the Commission's Contingency and General Reserve which, previously, had been credited with the profit for that year. Also, to meet, in 1965-66, the same statutory requirements, the Commission has provided out of profits for 1964-65 the sum of £237,522 calculated at three pence per ton on coal production during 1964-65.

Income Retained for Capital Works—£790,655.—This is the amount which the Commission has set aside out of the year's net income to provide the nucleus of a specific fund for capital works.

Electricity Commission Provident Fund.—Financial statements of the Fund for the year ended 30th June, 1965, have been audited.

As indicated hereunder, income for the year increased by £242,141:—

	1963-64.	1964-65
	£	£
Commission Contributions	1,295,136	1,337,413
Officers' Contributions	857,525	891,183
	<hr/>	<hr/>
Interest on Investments	2,152,661	2,228,596
	954,779	1,120,985
	<hr/>	<hr/>
Total Income	3,107,440	3,349,581
	<hr/>	<hr/>

The basic wage increase from 26th June, 1964, is reflected in the increase in the income from both the Commission's and the Officers' contributions.

Due largely to additional Fund investments, interest earnings also increased.

Including £111,448 for refunds on account of resignations, benefit payments for the year amounted to £1,083,864 as compared with £807,443 in 1963-64.

The surplus for the year, £2,265,717, increased the balance at credit of the Fund to £21,237,458 at the close of the year.

Current assets of £413,158, comprising accruals of interest (£377,410) and contributions (£35,748) exceeded Fund liabilities on account of accrued benefits by £368,756.

The remainder of the Fund was represented by:—

	£	£
Loan Advances to the Commission	6,823,149	
Investments—Commission Inscribed Stock	12,862,512	
	<hr/>	
Securities—semi-Government, municipal and other		19,685,661
Shares—Ordinary		1,158,603
		24,438
		<hr/>
		20,868,702
		<hr/>

In 1960, amendment of the Provident Fund Rules permitted investment of Fund money in shares which are quoted on the official list of the Stock Exchange. During the year, a number of Ordinary Shares was acquired. From August, 1964, under further amendments to the Rules, the Commission is authorized to retain, for official use but subject to interest charges, Provident Fund moneys until such time as they are required to meet benefit payments from the Fund.

GAS AND FUEL CORPORATION OF VICTORIA.

By statutory direction, the accounts of the Gas and Fuel Corporation of Victoria have been audited jointly by the Auditor-General and auditors appointed by the preference shareholders.

The following statement shows the income and expenditure for the past two years :—

1963-64. £		1964-65. £ £
	Income—	
	Sales—	
12,391,171	Gas	13,467,626
4,304,058	Residual Products and Appliances	4,403,645
16,695,229		17,871,271
	Expenditure—	
	Gas—	
6,780,988	Manufacture	7,639,660
4,039,579	Distribution	3,977,632
4,121,901	Residual Products, Appliances and Selling Expenses	4,056,058
593,959	Management	642,686
3,717	Audit Fees	4,138
6,450	Directors' Fees	6,414
392,761	Planning, Research, and Development	311,128
276,279	Superannuation and Retiring Allowances	297,933
224,551	Long Service Leave	248,920
..	Interest temporarily capitalized written off (balance)	202,915
46,358	Other Costs	46,147
16,486,543		17,433,631
208,686	Profit on Trading	437,640
75	Income from General Investments .. .. .	..
208,761		437,640
25,000	Contingency Reserve	25,000
183,761	Net Profit for year carried to Profit and Loss Appropriation Account	412,640

The quantity of gas sold for the year was 85,728,348 therms returning 37·7d. per therm as compared with, in 1963-64, 79,694,283 therms for a unit return of 37·2d.

Movements in the Profit and Loss Appropriation Account for the year were :—

	£	£
Balance carried forward 30th June, 1964	3,786	
Net Profit for year from Profit and Loss Account	412,640	
Available for Appropriation .. .. .	..	416,426
Natural Gas Conversion Reserve	150,000	
Additional Provision for Retiring Allowances	100,000	
Preference Dividend at 4 per cent. per annum for half year ended 31st December, 1964	78,820	
Preference Dividend to be paid—		
4 per cent. per annum for half year ended 30th June, 1965	78,820	
	407,640	
Balance carried forward .. .. .	..	8,786

The following is a statement of the Corporation's balances at 30th June, 1965, arranged so as to show the funds employed by the Corporation and the assets representing the total funds. For the purpose of comparison, the figures at the close of the previous year are given.

1964.		1965.
£		£ £
	Shareholders' Funds—	
	Subscribed Capital—	
3,940,976	3,940,976 4 per cent. Cumulative Preference Shares of £1 each (see explanatory note No. 1 herein)	3,940,976
4,000,000	4,000,000 Ordinary Shares of £1 each subscribed by the State of Victoria	4,000,000
<hr/>		<hr/>
7,940,976	Subscribed Capital (Fully Paid)	7,940,976
	Reserves—	
883,158	Land Revaluation Reserve	883,158
172,571	National Debt Sinking Fund (Treasury allocation of Commonwealth contribution)	196,053
78,668	Contingencies Reserve	103,668
50,000	Reserve for Increased Cost of Replacement of Fixed Assets	50,000
50,000	Dividend Equalization Reserve (Preference Shares)	50,000
..	Natural Gas Conversion Reserve	150,000
		<hr/>
3,786	Profit and Loss Appropriation Account	8,786
<hr/>		<hr/>
9,179,159		9,382,641
	Deferred Liabilities—	
5,019,281	Advances from State of Victoria	5,021,425
294,249	Less securities purchased and cancelled by the National Debt Commission	330,278
<hr/>		<hr/>
4,725,032		4,691,147
	Debentures and Debenture Stock (Secured)—	
2,884,305	Redeemable within twelve months	1,211,532
31,391,635	Redeemable after twelve months	34,282,052
<hr/>		<hr/>
34,275,940		35,493,584
	Contingent Liabilities—	
	749 Uncalled amount on Shares held in another Company	749
48,180,131	291,074 Commitments under Contract for Capital Expenditure and Bank Guarantee	664,624
<hr/>		<hr/>
	Fixed Assets—	
54,665,676	Freeholds, Leaseholds, Machinery, Plant, Equipment and Capital Work in Progress (at cost)	56,799,827
10,173,883	Less Provision for Depreciation and Amortization (see explanatory note No. 3 herein)	12,082,074
<hr/>		<hr/>
44,491,793	Carried forward	44,717,753

1964.		1965.
£		£
44,491,793	Brought forward	44,717,753
	Current Assets—	
183,599	Cash in hand and at Banks	160,079
1,375,000	Short-term Deposits	2,515,000
2,547,036	Trade and Other Debtors (less provision for Bad and Doubtful Debts and Consumers' Deposits)	2,799,722
1,976,003	Stocks at Cost or Valuation	2,058,965
42,414	Prepayments	49,622
<u>6,124,052</u>		<u>7,583,388</u>
	Less Current Liabilities—	
1,959,201	Trade and Other Creditors	1,863,050
313,655	Bank Overdraft	298,800
1,709	State of Victoria (Balance of advances for purchase of preference shares)	9,172
	„ Provisions—	
264,643	Long Service Leave (see explanatory note No. 2 herein)	409,232
25,205	Retiring Allowances (see explanatory note No. 4 herein)	127,989
198,126	Deferred Repairs (see explanatory note No. 5 herein)	135,200
78,820	Preference Dividend	78,820
<u>2,841,359</u>		<u>2,922,263</u>
<u>3,282,693</u>	Net Current Assets	4,661,125
	Investment—	
750	Company Shares (at cost)	750
	Intangibles—	
202,915	Interest Temporarily Capitalized .. .. .	..
201,980	Unamortized Debenture Issue Expenses	187,744
<u>48,180,131</u>		<u>49,567,372</u>

DIRECTORS' EXPLANATORY NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1965.

1. *Preference Shares*—The Articles of Association of the Corporation restrict the transfer of preference shares to any person other than the State of Victoria, except in special circumstances.

2. *Provision for Long Service Leave*—The provision of £409,232 is comprised of the value of leave due at date together with the past service cost being progressively provided from revenue. Actuarial investigation shows this provision is substantially insufficient to meet the Corporation's long service leave obligations.

3. *Provision for Depreciation*—The provision for depreciation includes annual charges to the Profit and Loss Account and transfers of profits or losses on disposal of assets, including land. In this year a special provision of £376,000 was charged to Profit and Loss in addition to depreciation at rates generally provided by the Corporation. The cost of plant in course of retirement 1965, £303,109 (1964, £126,718) is deducted in the accounts from the provision for Depreciation.

4. *Provision for Retiring Allowances*—Retiring allowances are payable to certain employees who are not contributors to the Superannuation Fund. Such allowances are in relation to past service and are granted at the discretion of the Directors. The provision at 30th June, 1965, £127,989, includes an appropriation of £100,000 in addition to the estimated amount which may be granted to employees who became eligible for consideration at that date.

5. *Provision for Deferred Repairs*—The provision of £135,200 shown in the Balance Sheet under the above heading includes £90,500 unused from the provision made at 30th June, 1964.

As indicated, the preceding explanatory notes have been appended to the Corporation's Balance Sheet by the Board of Directors and are to be read in conjunction with the relevant figures in the certified statements of accounts.

Particulars of Corporation shares acquired by the State and advances for works made by the State are furnished hereunder. The net cost to Consolidated Revenue on account of the State's financial interest in the Corporation is also shown.

	To 30th June, 1964.	1964-65.	Total.	Charged in State's Accounts.
	£	£	£	
Acquisition of Shares—				
Subscription for 4,000,000 Ordinary Shares of £1 ..	4,000,000	..	4,000,000	Loan Fund
Purchase of Preference Shares	3,469,447	40,000	3,509,447	
	7,469,447	40,000	7,509,447	
Advances—				
Advance for Capital Works	5,000,000	..	5,000,000	Loan Fund
Loan Flotation Expenses	21,425	735	22,160	
	5,021,425	735	5,022,160	
Preference Share Dividend Guarantee—				
Advanced to the Corporation	177,347	..	177,347	Consolidated Revenue
Less Repayments	177,347	..	177,347	
	
Total Investments and Advances by the State ..	12,490,872	40,735	12,531,607	
Cost to the State on account of the above—				
Interest on Loans	5,069,680	484,011	5,553,691	Consolidated Revenue
Sinking Fund Contribution	347,748	31,245	378,993	
	5,417,428	515,256	5,932,684	
Less Recoups, &c., from Corporation—				
Interest on Advances	2,237,382	227,951	2,465,333	
Sinking Fund Contribution	121,677	12,546	134,223	
Dividends on Preference Shares	1,431,938	139,173	1,571,111	
	3,790,997	379,670	4,170,667	
Net Cost to the State ..	1,626,431	135,586	1,762,017	

The transfer of preference shares by sale is restricted to sale at par to the State. At 30th June, 1965, the State was the registered owner of 3,496,394 shares. The transfer of a further 3,881 shares was in course and £9,172 was held by the Corporation for future purchases.

No dividend has been paid on the ordinary shares, since any such dividend can be declared only from profits remaining after preference shareholders have been paid dividends in full.

GEELONG HARBOR TRUST.

The net revenue for the year ended 31st December, 1964, was £681,239, an increase of £76,614 compared with that of the previous year. Appropriations to Sinking Fund, Insurance Fund and Long Service Leave Provision accounted for £86,774, leaving a net surplus of £594,465.

Comparative figures for the past two years in the Trust's Revenue Account are shown in the statement hereunder:—

	1963.	1964.
<i>Revenue.</i>	£	£
Operating Revenue—		
Harbor Revenue	1,078,049	1,142,479
Shipping Services	258,577	307,964
Other	40,576	44,118
Non-operating Revenue—		
Interest	38,305	56,248
Sale of Scrap Materials	776	574
Total Revenue	1,416,283	1,551,383
<i>Expenditure.</i>		
Operating Expenses—		
Administration, &c.	108,537	116,531
Shipping Services	232,113	257,993
Maintenance—		
General	96,045	96,882
Depreciation and Amortization	197,249	207,284
Non-operating Expenses—		
Superannuation	15,950	18,324
Interest	160,363	171,603
Miscellaneous	1,401	1,527
Total Expenditure	811,658	870,144
Net Revenue	604,625	681,239
Appropriations—		
Sinking Fund	30,569	35,926
Insurance Fund	25,000	25,000
Long Service Leave	846	25,848
Total Appropriations	56,415	86,774
Net Surplus	548,210	594,465

The analysis of the Trust's Balance-sheets hereunder indicates, *inter alia*, the Trust's substantial internal resources—

31.12.1963.	£	Source of Funds—	£	31.12.1964.	£	£
3,056,845		External—				
		Loan Liability				3,592,606
		Internal—				
2,682,039		Endowments		2,693,862		
4,035,603		Net Revenue Account—accumulated surplus		4,630,068		
351,771		General Reserve		556,482		
		Specific Reserves and Funds	641,312			
		Less Investments	607,499			
7,580				33,813		
7,076,993						7,914,225
10,133,838						11,506,831
		Represented by—				
		Current Assets—				
10,039		Cash		530		
811,140		General and Short Term Investments		1,521,517		
122,733		Sundry Debtors and Prepayments		147,710		
35,680		Stores (at cost)		33,603		
979,592				1,703,360		
		Less—				
		Current Liabilities—Sundry Creditors and Accruals	161,377			
		Contractors' Deposits and Retentions	51,465			
		Bank Overdraft	45,679			
167,233				258,521		
812,359						1,444,839
		Deferred Assets—				
14,769		Various advances, &c.				16,788
		Fixed Assets (at Cost less Depreciation)—				
75,287		Land (Purchased and Vested)		76,408		
819,009		Buildings and Improvements		840,307		
7,755,340		Harbor Works		8,201,799		
549,084		Floating Plant		812,643		
93,609		Other Plant and Vehicles		94,554		
14,381		Furniture and Fittings		19,493		
9,306,710						10,045,204
10,133,838						11,506,831

Explanations of the variations, as between the two years, in the Trust's internal funds are furnished below.

Endowments.—The addition of £11,823 was almost wholly comprised of a contribution by the Tourist Development Authority towards the cost of providing launching facilities for small boats.

General Reserve.—The increase of £204,711 in the General Reserve consisted of a transfer of £200,000 from Sinking Fund and minor credits amounting to £4,939, partly offset by a charge of £228 in reduction of a claim for damages to Trust property.

Specific Reserves and Funds.—Relevant particulars are—

	Sinking Fund.	Insurance Reserve Fund.	Provision for Long Service Leave.
	£	£	£
Balance forward 1/1/1964	354,245	341,645	7,580
Allocation from revenue	35,926	33,693	26,945
Interest on investments	19,199	18,877	..
Surplus from realization of inscribed stock	3,799	115	..
	413,169	394,330	34,525
Less—debits	*200,000	..	712
Balance 31/12/1964	213,169	394,330	33,813

641,312

* Transfer to General Reserve (see above).

GRAIN ELEVATORS BOARD.

Expansion of the Board's system of bulk receival facilities was undertaken in the year. In order to make available the additional facilities necessary as a result of the passing of the *Grain Elevators (Bulk Barley) Act 1963*, the Board extended its storage accommodation at Geelong and provided new storage facilities at Sunshine.

Financial arrangements with the Australian Wheat Board for the handling of wheat through the Grain Elevators Board provide for operational and maintenance expenditure being recouped by the Australian Wheat Board and also for the payment of an allowance based on the cost of the capital facilities of the Grain Elevators Board.

With respect to the financial arrangement for the storage of barley, the Grain Elevators Board was in course of negotiation with the Australian Barley Board as at the close of the financial year.

Wheat receivals for the 1963-64 season totalled 76,497,356 bushels as compared with 65,300,852 bushels in 1962-63 and 53,843,808 in 1961-62.

The statement of Revenue and Expenditure given below shows a net revenue for the 1963-64 accounting period of £292,361.

Revenue.

1962-63.		1963-64.
£		£ £
742,085	Australian Wheat Board—Recoupable expenditure for operating and maintenance	863,298
..	Australian Barley Board—Recoupable expenditure	4,531
464,694	Capital Facilities Allowance	628,683
62,058	Depreciation Reserve Fund Investment Interest	64,398
53,089	Interest on General Investments	44,469
45,102	„ „ „ Reserve Fund Investments	44,487
3,203	„ „ Insurance Reserve Fund Investments	3,203
6,656	„ „ Renewals Reserve Fund Investments	6,656
1,376,887		1,659,725

Expenditure.

	£	
175,176	Operating and Maintenance— Geelong Terminal	198,207
195,257	Country Elevators	227,322
74,677	Bulk Wheat Storages	86,117
135,041	Administration Expenses	167,779
161,934	*Depreciation and Renewals	196,225
742,085		875,650
341,012	Interest on Loans	412,924
286	Amortization—Preliminary Expenses and Loan Flotation Expenses ..	61
	Sinking Fund Charges—	
2,657	National Debt Sinking Fund (Act No. 6266)	2,657
61,798	Debenture and Inscribed Stock Sinking Fund (Act No. 6266) ..	76,072
1,147,838		1,367,364
229,049	Net Revenue	292,361
404	Add Net Profit on realization of investments	6,565
229,453		298,926
259,884	Add Net Accumulation brought forward	264,513
489,337		563,439
	<i>Less Appropriations—</i>	
65,908	*Depreciation Reserve Fund	64,398
51,409	*General Reserve Fund	44,487
3,340	*Insurance Reserve Fund	3,203
102,687	*Renewals Reserve Fund	206,656
1,480	Transfer-Swan Hill Annex Bin .. .. .	..
224,824		318,744
264,513	Net Accumulation at 31st October	244,695

The following is an abridged statement of the Board's Balance-sheet:—

31.10.1963.		31.10.1964.
£		£ £
	Current Assets—	
1,147,014	Sundry Debtors, Accrued Interest and Advances	529,771
41,701	Cash	62,796
<hr/>		<hr/>
1,188,715		592,567
2,699,733	Investments	3,502,859
	Fixed Assets—at Cost—	
	Construction—	
		£
5,187,921	Country Elevators	6,032,990
464,863	Geelong Terminal	997,082
	Sunshine Sub-Terminal	346,865
		<hr/>
36,960	Wangaratta Mill and Equipment at Cost	7,376,937 36,973
	Equipment and Plant—	
1,034,160	Country Elevators	1,322,057
356,158	Geelong Terminal	435,175
	Sunshine Sub-Terminal	39,616
		<hr/>
		1,796,848
		<hr/>
		9,210,758
146,538	Equipment and Plant—Mobile	205,604
2,420	Marmalake No. 1 Emergency Store	2,420
97,191	Motor Vehicles, Office Furniture and Equipment	111,963
47,407	Freehold Land and Buildings	47,507
		<hr/>
		367,494
	Other Debit Balances—	
13,270	Preliminary and Loan Flotation Expenses	13,231
968	National Debt Sinking Fund—Cash in Fund	1,168
46	Obsolete Asset—Disposal Suspense .. .. .	..
		<hr/>
		14,399
<hr/>		<hr/>
11,276,350		13,688,077
	Current Liabilities—	
186,942	Sundry Creditors	539,796
	Loans—	
901,676	Government of Victoria	890,016
6,096,266	Public	7,549,654
		<hr/>
		8,439,670
	Reserves and Sinking Funds—	
	Cancelled Securities Reserves—	
165,592	National Debt Sinking Fund	177,474
84,104	Debentures and Inscribed Stock	61,516
301,390	Matured Public Loans	358,990
1,560,885	Depreciation Reserve Fund	1,807,894
2,420	Marmalake No. 1 Emergency Storage Reserve	2,420
5,012	Country Bulkhead Equipment Suspense .. .. .	..
82,152	Insurance Reserve Fund	97,428
907,759	General Reserve Fund	952,246
210,501	Debentures and Inscribed Stock Sinking Fund	258,974
221,686	Renewals Reserve Fund	357,690
36,029	Provision for Long Service Leave	37,411
		<hr/>
		4,112,043
<hr/>		<hr/>
3,577,530		13,688,077
	Suspense Accounts—	
	Border Wheat Agreements	6,775
115,414	Renewal of Assets	192,407
..	Oat Shipment	7,125
511	Rebagging Wheat	1,143
203	Geelong Pier .. .. .	..
128,796	Superannuation	144,341
4,417	Motor Vehicle Disposal .. .. .	..
82	Unclaimed Interest	82
264,513	Revenue Account—Net Accumulation	244,695
		<hr/>
<hr/>		<hr/>
11,276,350		13,688,077

In the light of the new agreement with the Australian Wheat Board, which is to operate from the 1964–65 season, certain accounting adjustments were made in 1963–64. Various assets which, formerly, had been shown at cost less depreciation, were restored to their original book values and the Depreciation Reserve increased commensurately. Expressed in monetary terms, the effect of these adjustments was to increase the book value of the fixed assets by £111,175 and the Depreciation Reserve by an equivalent sum.

The item in the abridged statement of balances, “Investments—£3,502,859”, represented investments in the Board’s own securities with a face value of £1,692,750; in those of other public authorities with a face value of £1,360,200; and in Fixed Deposits amounting to £450,000. The funds for the purchase of these securities were provided as follows:—

By—	£
General Funds	579,906
Insurance Reserve Fund	83,000
Depreciation Reserve Fund	1,558,950
Debentures and Inscribed Stock Sinking Fund	135,003
Superannuation Reserve Fund	124,000
Renewals Reserve Fund	120,000
General Reserve Fund	902,000
	<hr/>
	3,502,859
	<hr/>

Incomplete contracts totalling £1,280,506 have not been included in the balances shown in the statement.

HOME FINANCE TRUST.

The *Home Finance Act* 1962, No. 6933, which replaced, as from the 4th March, 1963, the prior relevant legislation, empowers the Home Finance Trust to raise money from lending institutions by way of deposit or bank overdraft for the purpose of making housing loans on the security of both first and second mortgage. In the terms of the Act, the Treasurer may, with the approval of the Governor in Council, execute guarantees in favour of the Commissioners of the State Savings Bank of Victoria or any person or body agreeing to deposit money with the Trust or in favour of any bank providing accommodation by way of overdraft.

The amount so agreed to be deposited or lent at 30th June, 1965, was £9,425,000 as compared with £8,575,000 at 30th June, 1964. Of the amount of £9,425,000 a sum of £550,000 has been deposited or lent for the purpose of loans by the Trust on the security of second mortgage. Details are:—

	£	£
The Commissioners of the State Savings Bank of Victoria .. .. .	..	4,625,000
Private Savings Banks	3,475,000	
„ Trading Banks	575,000	
	<hr/>	4,050,000
Insurance Companies .. .. .	..	750,000
		<hr/>
		9,425,000

The liability of the Trust on account of deposits and overdrafts, as shown in the summary of assets and liabilities herein, is reconciled below with the total of agreed loans:—

	£	£
Agreed Loans as above .. .. .	..	9,425,000
Less—Amount not yet drawn by Trust	825,000	
Amount repaid to lending institution	338,493	
	<hr/>	1,163,493
		<hr/>
Total liability of Trust to lending institutions		8,261,507

Loans approved by the Trust to borrowers amounted to £10,437,141 of which sum £492,833 related to second mortgages. Advances secured by first mortgage at 30th June, 1965, amounted to £7,774,585 (net), and, by second mortgage to £365,615 (net).

Operations for the year resulted in surpluses of £15,950 on account of first mortgages (Home Finance Fund No. 1) and £2,807 on account of second mortgages (Home Finance Fund No. 2).

Set out hereunder are particulars of the Trust's assets and liabilities as at 30th June, 1964, and 1965. The figures are subject to the completion of the audit.

30.6.1964		£	30.6.1965
£	<i>Assets</i>	£	£
7,134,756	Current ordinary loans secured by first mortgage	8,372,769	
503,185	Less repayments by mortgagors	631,884	7,740,885
		<hr/>	
229,090	Current ordinary loans secured by second mortgage	427,535	
14,041	Less repayments by mortgagors	61,920	
		<hr/>	365,615
63,400	Current loans (three year maximum) secured by first mortgage		33,700
17,025	Repossessed properties sold under contracts of sale	29,435	
2,057	Less payments of instalments of principal	4,173	
		<hr/>	25,262
10,087	Arrears—under mortgages and contracts of sale .. .. .	..	20,495
29,503	Sundry Debtors (interest accrued at date) .. .. .	..	36,134
	First mortgages on account of defaulting mortgagors paid out by Home Finance Fund No. 2 .. .. .	..	6,963
3,181	Home Finance Fund No. 2—Deficit .. .. .	..	374
172,531	Cash at Bank	3,024	
..	Cash on Fixed Deposit	130,000	
10	Cash on Hand	10	
		<hr/>	133,034
<hr/>			<hr/>
7,140,300			8,362,462
			<hr/>
	<i>Liabilities.</i>		
7,056,092	Deposits by lending institutions—repayment guaranteed by Treasurer of Victoria .. .. .	..	8,261,507
2,136	Prepayments by mortgagors of valuation and inspection fees, etc. .. .. .	..	1,137
584	Mortgagors' equities in properties subject to contracts of sale .. .. .	..	2,674
570	Sundry Creditors .. .. .	..	275
80,918	Home Finance Fund No. 1—Surplus .. .. .	..	96,869
			<hr/>
<hr/>			8,362,462

HOUSING COMMISSION.

The Commission is responsible for the improvement of housing conditions including the erection of suitable houses for letting or selling to eligible persons.

For the purposes outlined above, the State has made loan allocations to the Commission and the Commission, itself, has raised loan moneys by the issue of debentures. However, the major funds which have been allocated to the Commission for housing projects have been those which, since 1945–46, have been advanced by the Commonwealth in terms of a series of Commonwealth–State Housing Agreements. Also, many municipalities have, in various forms, assisted the Commission with cash contributions, rate refunds and gifts of land for housing projects of a special nature.

The audit of the accounts for 1964–65 is nearing completion and the analyses in this section of the report are submitted subject to the verification of the final statements of accounts.

A summary of the Commission's revenue and expenditure for 1963–64 and 1964–65 is furnished below :—

1963–64.		1964–65.	
£	REVENUE.	£	£
6,011,888	Rentals	6,180,218	
1,110,696	Gross Surplus—House Sales	1,262,345	
836,063	Interest—House Sales (net)	878,113	
89,466	„ Sundry	144,997	
44,076	Miscellaneous	48,624	
<u>8,092,189</u>			<u>8,514,297</u>
EXPENDITURE.			
2,734,429	Interest— <i>less</i> amounts capitalized and applied to House Sales	2,835,998	
845,163	Loan Redemption—Commonwealth and State Agreements	899,857	
2,051	Contribution to National Debt Sinking Fund	1,825	
4,000	„ „ Debenture Loan Sinking Fund	4,000	
2,044	Redemption of Debentures	2,144	
441,261	Administration—general	433,959	
233,590	„ House Sales	286,963	
46,483	Cost of rent collection in country areas, &c.	48,672	
994,950	Rates— <i>less</i> amount capitalized	1,012,976	
12,736	Insurable Risks	10,087	
104	Loan Conversion Expenses	110	
1,051,890	Provision for accruing maintenance	1,110,986	
7,370	„ „ irrecoverable rents	21,789	
81,547	Cost of Communal Services—Flats and Garden Maintenance	101,462	
241,236	Appropriation to House Purchasers' Death Benefit Fund	239,746	
824,409	Transfer to House Sales Reserve Suspense Account	855,476	
74,338	Maintenance and repairs on houses sold	62,437	
3,385	Maintenance (Rental) Bad Debts written off	9,562	
..	Central Heating and Hot Water Services	2,658	
10,509	Miscellaneous	14,081	
<u>7,611,495</u>			<u>7,954,788</u>
480,694	Operational Profit for the year	559,509	
495,485	<i>Less</i> appropriation to House Purchasers' Interest Receivable Reserve	544,964	
..	„ „ for Slum Reclamation and Clearance of Areas	150,000	
			<u>694,964</u>
<u>14,791</u>	Debit Balance—Commission's General Revenue Account Transferred to Accumulated Surplus Account		<u>135,455</u>

The reasons for the debit balance on Revenue Account, as at the close of each of the past two years, may be more readily seen from the following summary:—

1963-64		1964-65	
£		£	£
*59,434	Surplus—Miscellaneous Funds .. .. .	..	*60,004
120,476	Realized Profit—House Sales	220,640	
..	Less Appropriation for Slum Reclamation and Clearance of Areas ..	150,000	
			70,640
<u>179,910</u>			<u>130,644</u>
<i>Less—</i>			
28,616	Cost of Statutory Functions—non-revenue producing	27,651	
166,085	Loss—Rental Operations	238,448	
<u>194,701</u>			<u>266,099</u>
14,791	Debit Balance—General Revenue Account—as at close of year ..		135,455

* Includes notional interest on interest-free loans—1963-64, £12,162; 1964-65, £9,345.

Rental Charges.—The gross rental charges for the past two years are compared hereunder and reconciled with the figures given in the preceding summary of revenue and expenditure:—

	1963-64		1964-65.	
	£	£	£	£
Gross rental charges .. .. .	..	6,435,628	..	6,661,452
<i>Deduct—</i>				
Rental rebates allowed	385,892		438,102	
Losses from vacancies	37,848		43,132	
		<u>423,740</u>		<u>481,234</u>
Credit for Rentals—General Revenue Account ..		6,011,888		6,180,218

The increase of £225,824 in gross rental charges was due mainly to additional units becoming subject to tenancy. An increase in the number of units made available to pensioners was the chief cause of the rise of £52,210 in rental rebates. The amount involved in "losses from vacancies" rose, as indicated, from £37,848 to £43,132. Modernization of the older vacated units prior to re-letting, particularly in country centres, was the main factor contributing to this rise.

Sales of Houses.—For the year, 2,075 units were sold for a total sum of £9,079,215. Details are:—

	No.	Cost.	Selling Price.	Surplus.
		£	£	£
Cash Sales—State	2	2,157	6,890	4,733
Commonwealth—State Housing Agreement 1945	1	2,001	3,801	1,800
Commonwealth—State Housing Agreement 1956	3	12,988	13,579	591
Sales per War Service Homes Commission—C.S.H.A. 1945	15	35,197	60,069	24,872
Terms Sales—State	39	40,614	125,343	84,729
Commonwealth—State Housing Agreement 1945	777	2,277,097	3,180,713	903,616
Commonwealth—State Housing Agreement 1956	1,238	5,446,816	5,688,820	242,004
	<u>2,075</u>	<u>7,816,870</u>	<u>9,079,215</u>	<u>1,262,345</u>
Comparable figures—1963-64	1,825	6,726,530	7,837,226	1,110,696

The surplus shown in the above statement is the gross profit recorded in the Commission's House Trading Account. In addition to this profit, there was a surplus of £86,335 which arose from the re-possession of 167 units of which 144 were re-sold and the remainder reverted to tenancy.

Generally, sales have been made on the basis of estimated costs. It will be appreciated that the early determination of actual costs is essential in order that the necessary adjustments might be made in the accounts.

The dwellings sold, 2,075, included a number of vacated rental units. In respect of these particular units, expenditure amounting to £62,437 was incurred by the Commission on accrued maintenance and repairs just prior to and in anticipation of sale. The selling price of each unit included the amount estimated to be expended on it in this way, but no deduction was made on account of any financial provision for maintenance accumulated over the period of tenancy.

The figures in the General Revenue Account relating to house sales are brought together below to show the net credit to revenue derived from this source:—

	£	£
Gross Surplus on Sales	1,262,345	
<i>Less</i> Transfer to House Sales Reserve Suspense Account	855,476	
	<hr/>	406,869
Interest receivable on terms	2,942,433	
<i>Less</i> Interest payable on houses sold	2,030,222	
	<hr/>	
Interest on House Sales (net)	912,211	
<i>Less</i> Appropriation to House Purchasers' Death Benefit Fund	239,746	
	<hr/>	672,465
Other House Sales revenue (included in Miscellaneous revenue in General Revenue Account) .. .. .	..	35,670
		<hr/>
		1,115,004
Administration—House Sales	286,963	
Maintenance and repairs on houses sold	62,437	
	<hr/>	349,400
		<hr/>
		765,604
<i>Less</i> Appropriation to Interest Receivable Reserve—House Purchasers	544,964	
Appropriation for Slum Reclamation Acquisition and Clearance of Areas	150,000	
	<hr/>	694,964
		<hr/>
Net Credit to General Revenue on account of House Sales		70,640
		<hr/>

It will be noted that the Commission has provided from its profits in respect of house sales, an amount of £150,000 to supplement other funds available for slum reclamation works and further, that, as a result of this provision, the net credit to General Revenue on account of House Sales together with certain miscellaneous credits to revenue was insufficient by £135,455 to meet the loss on rentals and the other revenue charges for the year.

The financial position of the Commission as at 30th June, 1964 and 1965, is summarized hereunder:—

30.6.1964.		30.6.1965.
£		£ £
782,510	<i>Current Assets—</i>	
205,889	Sundry Debtors	920,225
	Cash at Bank and in Transit	332,895
<u>988,399</u>		
2,816,056	<i>Investments</i>	1,253,120
		3,448,658
58,240,243	<i>Deferred Assets—</i>	
	House Purchase Debtors	65,270,479
	<i>Fixed Assets—</i>	
22,029,506	Estates—Cost of land, developmental and incidental expenses ..	24,667,743
117,553,224	Dwellings and Shops	126,076,378
314,300	Holmesglen Housing Factory—Land and Buildings	321,151
<u>139,897,030</u>		<u>151,065,272</u>
36,172,657	Less Suspense Account for estimated capital costs of land, houses and shops sold	40,863,819
<u>103,724,373</u>		<u>110,201,453</u>
3,826,347	Cost of properties acquired for Slum Reclamation	4,880,711
61,436	Store rooms, Offices, &c.	55,837
204,734	Plant, vehicles, office furniture, and equipment	246,487
504,891	Concrete House Project	495,886
1,200	Shares—31 Melrose Street Pty. Ltd.	500
<u>108,322,981</u>		<u>115,880,874</u>
185,054	<i>Deposit and Trust Account—</i> Cash at Bank and securities	198,324
	<i>Intangibles—</i>	
18,803	Loan Flotation Expenses—Less amount written off	18,478
36,005	Plans and Designs, &c.	41,173
189,667	Slum Reclamation—Unrecouped costs	189,678
6,518	Electronic Data Processing—Planning Costs	62,370
..	Industrial House Development—Development Costs	15,449
..	Overseas Delegation—Expenses	3,911
<u>250,993</u>		<u>331,059</u>
170,803,726	Total	186,382,514
	<i>Current Liabilities—</i>	
525,121	Sundry Creditors	499,697
	<i>Loans—</i>	
144,407,317	Government advances	156,738,931
432,213	Debenture issues	300,000
435,366	Death Benefit Fund advances	499,171
<u>145,274,896</u>		<u>157,538,102</u>
	<i>Advances and Subsidies—</i>	
1,242,209	Subsidy from Loan for Slum Reclamation	1,242,209
359,400	Subsidy from Municipalities	539,625
42,158	Gift of Flats—City of Prahran	42,158
<u>1,643,767</u>		<u>1,823,992</u>
	<i>Reserves and Sinking Funds, etc.—</i>	
87,787	Debenture Loans Redemption	50,000
191,541	Cancelled Securities—National Debt Sinking Fund	211,036
38,988	Debenture Loan Sinking Fund	45,191
7,342,299	Loan Redemption—Commonwealth and State Agreements	7,947,048
1,591,976	Accruing Maintenance Provision	1,533,332
40,000	Irrecoverable Rents Provision	40,000
7,926,296	House Sales Reserve Suspense Account	8,697,587
1,593,485	House Purchasers' Death Benefit Scheme	1,919,957
2,153,703	Land Realization Reserve	2,695,055
27,431	Shops Realization Reserve	41,041
2,178,839	Interest Receivable Reserve—House Purchasers	2,723,803
..	Appropriation of House Sales Profits for Slum Reclamation Works ..	150,000
..	General Reserve	39,932
<u>23,172,345</u>		<u>26,093,982</u>
2,543	<i>Accumulated Surplus</i>	228,417
	<i>Deposit and Trust Account—</i>	
185,054	Contractors' deposits and other trust moneys	198,324
<u>170,803,726</u>	Total	<u>186,382,514</u>

The comments which follow are furnished in explanation of certain items in the preceding financial summary.

Sundry Debtors, £920,225. Details are :—

	£
Rental Arrears	162,468
Works and Materials, &c., for other bodies and adjoining owners, &c.	289,048
Debtors on account of Shop and Land Sales (net)	355,141
Revenue Accruals, Prepayments and Advances, &c.	102,518
Anticipated Recoup on account of Sale of Administrative Building	11,050
	<hr/>
	920,225
	<hr/>

With respect to the amounts owing to the Commission, which are summarized above, the Commission's records disclose the following position :—

Rental Arrears, £162,468.—This is the amount shown in the control account in the Commission's general ledger. As yet, no reconciliation has been made as between this figure and the individual accounts in the rental ledger.

Works and Materials for other bodies, &c. £289,048.—This amount is due from semi-governmental authorities, adjoining owners, &c., and contractors for material supplied.

Debtors on account of Shop and Land Sales (net), £355,141.—The greater part of this sum represented the amount currently due within the terms of sale. As to the remainder, two debts amounting to £20,928 were of long standing. Included in these debts was an amount of £18,706, balance due to the Commission by a company for the purchase by it of land at North Melbourne for the prime purpose of the erection of flats. This amount overdue was the remainder of the debt to the Commission, the original of which has been subject to several reductions by the Commission over the period from 31st December, 1961, when it first became due and payable.

Revenue Accruals, Prepayments and Advances, £102,518.—This amount included certain rental and interest accruals, sundry cash advances and insurance prepayments, &c.

Anticipated Recoup on account of Sale of Administrative Building, £11,050.—This sum includes £10,973 at debit of the relevant account brought forward from the previous year. An explanation of this book debt is given at page 32 of my previous Supplementary Report.

Investments.—It will be noted that the book value of investments increased during the year from £2,816,056 to £3,448,658. Relevant details as at 30th June, 1965, are :—

	£
Interest-free advances—to other Public Authorities	252,813
Loan to a Public Authority	2,250
Loan to a Company on second mortgage	1,800
Investments—Sinking Fund	45,190
" Death Benefit Fund	1,896,605
Short-term Deposits	1,250,000
	<hr/>
	3,448,658
	<hr/>

House Purchase Debtors £65,270,479.—This item is a net figure, the sum of the amounts received from intending purchasers, £112,369, having been, for balance-sheet purposes, set off against the gross sum due from existing purchasers. Further, in connexion with these debtors, it is necessary to state that, in many instances, where, by agreement, additional services or extensions have been provided by the Commission subsequent to the date of sale, the costs involved have not yet been allocated as charges to the respective purchasers concerned. Therefore, the amount of the debit balance shown, £65,270,479, is understated to the extent of the sum of the costs in question. Early action should be taken to allocate these costs which, at present, are included in the Commission's asset—"Dwellings and Shops."

Concrete House Project.—The amounts £504,891, as at the 30th June, 1964, and £495,886, as at the 30th June, 1965, against this item are, in effect, the notional liabilities, as at the respective dates, of the Concrete House Project to the Commission. The decrease from £504,891 to £495,886, is explained as follows:—

	£	£
Liability of Concrete House Project to Commission on account of advances for improvements and for working capital as at 30th June, 1964 .. ..	..	504,891
<i>Add—</i>		
Increase in book value of Equipment, Plant, Tools, &c.	19,646	
Increase in Current Assets—Materials on hand, &c.	4,525	
	—————	24,171
		529,062
<i>Deduct—</i>		
Increase in Sundry Creditors and Accrued Wages	6,274	
Decrease in Sundry Debtors	25,908	
Increase in Reserve for Maintenance of Factory Building	994	
	—————	33,176
Item—"Concrete House Project" as at 30th June, 1965 .. ..	..	495,886

No charge is made against the Project for depreciation but notional interest at the rate of 4 per cent. per annum is charged on the book value of its land, buildings and road services, &c. In the summary of the Commission's Revenue Account for 1964–65 furnished in this Report, the credit for this interest is included in the item "Interest—Sundry" and the charge therefor is reflected in the costs of the prefabricated units constructed at the Project.

Shares—31 Melrose-street Pty. Ltd., £500.—The Commission is a shareholder to the extent of 500 shares in this service company formed to operate in respect of buildings consisting of eleven shops and six flats at Melrose-street, North Melbourne. These buildings were constructed by the Commission on land originally owned by it and several have been sold in units on a stratum title basis.

Electronic Data Processing Planning Costs, £62,370.—During the year, an electronic data processing system was installed. Early in May, 1965, the house purchasers' accounts were transferred to the new system and, currently, the tenants' accounts are progressively being brought within its ambit.

The total expenditure capitalized on account of the planning costs of the system amounted to £63,429. The Commission proposes to write off this sum over a seven year period. In the year under review, £1,059 was written off leaving the balance of £62,370 to be written off in future years. Other costs associated with the installation aggregated £38,633. This sum is included in the item, "Plant, vehicles, office furniture and equipment", shown in the Balance Sheet and represents the expenditure on furniture, fittings, equipment and on account of the provision of suitable accommodation.

Items Capitalized.—Expenditure on administration, rates, and interest deemed to be applicable to or incurred during construction has been capitalized. The amounts capitalized and the proportions thereof to the totals of the respective items for 1963–64 and 1964–65 are:—

	1963–64.		1964–65.	
	£	%	£	%
Rates	85,595	7·9	85,008	7·7
Interest	209,380	4·4	264,822	5·2
Administration	381,136	34·5	423,482	34·7
	—————		—————	
	676,111		773,312	

"Rates" are based on actual figures. "Administration" is determined primarily on the basis of an estimated allocation of salaries. Regard has also been had to administrative items which are clearly ascertainable as direct charges to either capital or revenue.

Loan Liability.—During the year, an additional £13,129,882 was made available to the Commission under the terms of the 1961 Commonwealth and State Housing Agreement, increasing total loans to £173,399,636. At 30th June, 1965, the liability in respect of loans was £157,538,102. Details are:—

<i>State Housing.</i>		£	£
From the Government of Victoria—Housing		1,135,023	
” ” ” ” ” Slum Reclamation		4,097,886	
” Debuture issues of the Commission		520,000	
		<hr/>	
		5,752,909	
Government Loan transferred to the Commission		30,000	
		<hr/>	5,782,909
<i>Less</i> Securities purchased out of National Debt Sinking Fund and cancelled		289,644	
Debentures redeemed under Housing Act		220,000	
Repayments on Slum Reclamation		986,313	
		<hr/>	1,495,957
			<hr/>
			4,286,952
<i>Commonwealth and State Housing Agreements.</i>			
Loan Advances received from the Commonwealth of Australia		167,616,727	
<i>Less</i> Repayments		14,864,748	
		<hr/>	152,751,979
<i>House Purchasers' Death Benefit Fund.</i>			
Loan to Commission			*499,171
			<hr/>
<i>Loan Liability as per Balance Sheet</i>			157,538,102
			<hr/>

* No security has been issued in respect of this loan.

It should be stated that the Commission is required to meet the debt charges on the liability to the Government of Victoria for housing. On the other hand, debt charges on the amount advanced for slum reclamation are being met from the general revenues of the State.

Provision for Maintenance.—As at the 30th June, 1964, the balance of the Accruing Maintenance Provision Account was £1,591,976. To this amount there was added in 1964–65 the sum of £1,110,986 by way of normal provision from Revenue Account for maintenance. The total expenditure on maintenance charged to the Account in 1964–65 was £1,169,630 leaving a balance at credit of the Account at the close of the year of £1,533,332.

The estimate of accruing maintenance has been based so far on the Maintenance Architect's assessments as applied to classified types of Commission houses.

Depreciation.—No provision has been made out of revenue for depreciation of houses. The expenditure from revenue on account of debt redemption has so far been regarded by the Commission as a reasonable substitute for depreciation, as it provides for amortization over a period of 53 years.

House Sales Reserve Suspense Account.—The primary purpose of this account is to represent at date the profit still to be realized on houses sold on terms. The transactions for the year are summarized below:—

		£	£
Balance at credit 1st July, 1964			7,926,296
<i>Add—</i>			
Transfer from General Revenue Account (unrealized profits on terms sales for the year)		855,476	
Adjustments to estimated unrealized profits on establishment of actual capital costs		19,175	
Net increase in unrealized profits on resale of repossessed units		80,195	
		<hr/>	954,846
			<hr/>
			8,881,142
<i>Less—</i>			
Adjustment in respect of realized profits of former years disclosed in 1964–65		173,829	
Sundry adjustments arising from cancellation of sales, reduction of sale prices, &c.		9,726	
		<hr/>	183,555
			<hr/>
Balance at credit 30th June, 1965			8,697,587
			<hr/>

The installation of a modern computer system has made available information which, in turn, has made possible the ascertainment of the actual realized profit arising from individual house sales on terms. Formerly, the annual appropriation to revenue on this account was calculated in accordance with a formula based on over-all sales. As a result of the detailed information available from the computer, the adjustment of £173,829, shown in the preceding summary, was necessary to correct the earlier calculations of realized profits.

House Purchasers' Death Benefit Fund.—House purchasers, unless disqualified by age, may be admitted to participation in the House Purchasers' Death Benefit Scheme, for the purpose of which an appropriation is made from interest receivable under contracts for the sale of houses on terms. Operations during the year and the position of the Fund as at 30th June, 1965, are summarized below :—

	£	£
Balance as at 30th June, 1964	1,593,485	
Add Appropriation for year (Section 109 Act No. 6275)	239,746	
Income from Investments	92,336	
Premiums	7,233	
	<hr/>	339,315
		<hr/>
		1,932,800
Deduct Payments on Account of Deceased Purchasers		12,843
		<hr/>
Balance as at 30th June, 1965		1,919,957
		<hr/>

The sum of the investments of the Fund, £1,896,605, includes an amount of £499,171 set aside in an account in the Commission's books styled the "Loan Advance—Death Benefit Fund." In turn, the Fund's investments are included in the Commission's Balance Sheet item—"Investments £3,448,658".

In respect of the advance of £499,171, it should be pointed out that there is a contra of a like amount in the Commission's Balance Sheet under the item "Loans". In consideration of this advance, the Fund is being credited with interest from the Commission's ordinary revenues at rates comparable with those which would have been obtained if the sum had been invested outside the Commission's undertaking. The Commission's action in this regard would appear to imply that the amount of the advance is, in fact, an investment of the Fund but, as yet, the Commission has not obtained Treasurer's approval as required by Section 89 of the Housing Act. Further, I would again point out that the Actuary appointed pursuant to the provisions of Section 109 (3) of the *Housing Act* 1958 to investigate the state and sufficiency of the Fund as at 30th June, 1961, questioned in his report on the investigation, the advisability of this investment.

Realization Reserves—Land, £2,695,055 ; Shops, £41,041.—Land has been sold during the year to Government departments, statutory authorities, church and charitable institutions, private home builders and building organizations and industries. A number of shops, also, has been sold in various estates. Profits from the sale of land and shops account for the increase of £541,352 in the sum at credit of the Land Realization Reserve and of £13,610 in the sum at credit of the Shops Realization Reserve.

Interest Receivable Reserve—House Purchasers £2,723,803.—The stated purpose of the Reserve is to provide, on account of each sale on terms, for the payment of interest on the relevant proportion of the Commission's loan liability over the period commencing immediately after the date of final payment by the purchaser concerned, in terms of his Contract of Sale, and ending at the date of redemption of the outstanding proportion of the Commission's loan from the Commonwealth or State in respect of the unit involved.

The balance at credit of the Reserve was increased from £2,178,839 at the beginning of the year to £2,723,803 at the close of the year by transfer from revenue of £544,964.

Accumulated Surplus, £228,417.—The variations in this account during the year are explained below :—

	£	£
1st July, 1964—Balance .. .. .	..	2,543
<i>Add—</i>		
Amount written back to Revenue from Loan Redemption Reserve ..	187,601	
Adjustment to House Sales Reserve Suspense Account in respect of realized profits of former years	173,829	
	<hr/>	361,430
		<hr/>
		363,973
<i>Less—</i>		
Debit Balance—General Revenue Account	135,455	
Amortization adjustment in respect of previous financial year	101	
	<hr/>	135,556
		<hr/>
30th June, 1965—Balance .. .. .	..	228,417
		<hr/>

Irregular payment to Contractor.—It was reported to me by the Housing Commission that, due to the failure of a Clerk of Works to site-check certain house construction works in progress, a contractor was overpaid a sum assessed to be £6,716. This particular contractor has since become bankrupt and, consequently, recovery of the amount involved is doubtful. On disclosure of the irregularity, the Commission terminated the services of the Clerk of Works concerned and, subsequently, I called upon him to show cause why he should not be surcharged with the said amount of £6,716. However, at this stage, I have not proceeded with further action pursuant to the provisions of Section 36 of the *Audit Act* 1958 for the reason that the actual amount of the loss to the Commission has not yet been finally determined.

LATROBE VALLEY WATER AND SEWERAGE BOARD.

Functions of the Latrobe Valley Water and Sewerage Board include the maintenance of adequate supplies of water and the disposal of industrial and domestic waste.

Expenditure on capital works has been met mainly from the State's Loan Fund. Advances from the Treasury in 1964-65 amounted to £368,642 (Water £289,991, Sewerage £78,651). Other advances by the State amounting to £142,437 (Water £42,317, Sewerage £100,120) were made to the Board during the year for the purpose of design, construction and operation of water and sewerage works in the Churchill township. Total advances to the Board to 30th June, 1965, amounted to £8,787,547; (Water £5,736,612, Sewerage £3,050,935).

Liability for interest at 3 per cent. per annum and for repayment rests upon the Board.

The accounts of the Board to 30th June, 1965, have been audited. For purposes of comparison, figures for the previous year are given in the abridged statements which follow.

FARM REVENUE ACCOUNT.

1963-64.							1964-65.	
£							£	£
	<i>Income—</i>							
2,768	Rental Board Properties .. .. .	..	..	..	..	..	2,491	
1,379	Sale of Effluent .. .. .	..	..	..	..	..	198	
39,321	Profit—Sheep Trading Account .. .. .	..	..	..	..	..	41,140	
14,764	Profit—Cattle Trading Account .. .. .	..	..	..	..	..	9,049	
58,232								52,878
	<i>Expenditure—</i>							
25,779	Farm Operation and Maintenance .. .. .	..	..	..	..	..	32,227	
8,687	Production of Fodder .. .. .	..	..	..	..	..	5,184	
25,504	Interest on Loans .. .. .	..	..	..	..	..	27,729	
553	Interest on Overdraft .. .. .	..	..	..	..	..	532	
6,449	Depreciation Provision .. .. .	..	..	..	..	..	7,406	
9,760	Administrative and Sundry Expenses .. .. .	..	..	..	..	..	11,314	
1,446	Maintenance Farm Dwellings .. .. .	..	..	..	..	..	3,598	
78,178								87,990
19,946	Deficit on Farm Account transferred to General Revenue .. .. .	..	..	..	..	..	35,112	

GENERAL REVENUE ACCOUNT.

£							£	£
	<i>Income—</i>							
287,597	Water Charges .. .. .	..	..	..	..	..	332,309	
110,389	Disposal Charges .. .. .	..	..	..	..	..	124,617	
5,475	Maintenance Outfall Sewer (Tar Removal Costs) .. .. .	..	..	..	..	..	5,612	
3,663	Rents and Income—Board Properties .. .. .	..	..	..	..	..	3,239	
2,596	Other .. .. .	..	..	..	..	..	30,812	
409,720								496,589
	<i>Expenditure—</i>							
209,700	Interest on Loans .. .. .	..	..	..	..	..	218,226	
4,975	Interest on Overdraft .. .. .	..	..	..	..	..	4,793	
46,018	Depreciation .. .. .	..	..	..	..	..	49,792	
50,287	Maintenance and Operation of Works .. .. .	..	..	..	..	..	58,976	
3,189	Maintenance of Staff Residences .. .. .	..	..	..	..	..	2,528	
55,103	Other Expenses .. .. .	..	..	..	..	..	49,483	
369,272								383,798
40,448	Surplus for year .. .. .	..	..	..	..	..	112,791	
19,946	Deficit on Farm Revenue Account .. .. .	..	..	..	..	..	35,112	
*20,502	<i>Net result for year</i> .. .. .	..	..	..	..	..	†77,679	

* Surplus on Water Fund £25,382; Deficit on Sewerage Fund £4,880.

† Surplus on Water Fund £92,120; Deficit on Sewerage Fund £14,441.

The Board's balances as at the 30th June, 1964, and 1965, are summarized hereunder :—

30.6.1964 £		30.6.1965 £
Current Assets—		
3,102	Cash at Bank	2,718
38,515	Stores, Tools, &c.	31,723*
5,125	Wool and/or Ensilage on hand	5,654
102,937	Livestock on hand (at market value less selling charges).. .. .	127,653
6,473	Debtors and prepayments	41,454
226,508	Investments on account of Depreciation Reserve	209,202
		<u>280,117</u>
Fixed Assets—		
7,654,415	Works (including Works in Progress)	8,129,352
120,299	Plant and Equipment.. .. .	114,445
162,765	Land, Buildings, Residences	163,635
34,461	Office and Laboratory Equipment	35,751
7,971,940		8,443,183
278,975	Less Depreciation Reserve	337,315
7,692,965		<u>8,105,868</u>
Intangibles—		
..	Stores, Tools, &c., Suspense Account	6,385
261,855	Interest on Works during Construction	261,855
4,802	Asset Realization Account	3,498
8,342,282		<u>271,738</u>
		<u>8,866,925</u>
Current Liabilities—		
150,503	Bank Overdraft	175,904
5,658	Sundry Creditors	618
190	Treasurer of Victoria—Interest	468
2,881	Contractors' Deposits and other Trust moneys	2,718
8,034,872	Loan Liability to the State of Victoria	179,708
8,194,104		<u>8,462,560</u>
		<u>8,642,268</u>
The excess of assets over liabilities is represented by :—		
74,835	Capital Expenditure borne by the State	77,501
2,500	Grant by Government of Victoria	2,500
20,000	Appropriation for Plant Renewals	21,134
50,843	Accumulated Surplus	123,522
148,178		<u>224,657</u>
8,342,282		<u>8,866,925</u>

* After deduction of £6,385 in suspense for writings-off, etc.

LOCAL AUTHORITIES SUPERANNUATION BOARD.

The Board operates under the provisions of the *Local Authorities Superannuation Act 1958* and is responsible for the administration of three separate schemes to provide retiring allowances for permanent employees of local governing bodies. The salient features of these schemes are given below :—

Insurance.—Under this scheme an employee was required to effect, with an approved company, a policy of endowment insurance, the amount of the policy being that obtainable for an annual premium equivalent to 7 per cent. of the salary of the employee. No new policies are being written under this scheme as, substantially, it has been superseded by the Benefit Contracts Scheme.

Provident Fund.—The purpose of the Fund is to provide a lump sum, payable to or in respect of any employee upon his withdrawal, retirement or prior death where he is ineligible, in whole or in part, to contribute to either the Insurance or the Benefit Contracts schemes. The annual contribution payable in respect of any such employee is 7 per cent. of so much of his salary as is subject to the Provident Fund scheme.

Benefit Contracts.—Under the authority of the *Local Authorities Superannuation (Amendment) Act 1960*, the Board was empowered to enter into contracts with eligible persons to provide benefits by way of superannuation, annuities, retiring allowances or payments on death. The scheme came into operation as at 1st March, 1961, and to date, benefits provided have been by way of lump sum payment upon withdrawal, retirement or death. The annual premium payable in respect of each permanent employee is 7 per cent. of his salary. Benefits are paid in accordance with tables contained in Regulations under the Act.

Premiums and contributions under all three schemes are payable annually in advance by the employing Authority, which is then entitled to recover from each employee, by instalments over the ensuing year, one-half of the amount paid on the employee's behalf or such lesser proportion as is mutually agreed.

Administrative costs of the Board are met from the Management Account, the income of which is derived from commissions received from the underwriting insurance company, interest received from the investment of funds at credit of the account, and allocations from the Benefit Contracts Account and the Provident Fund.

The audit of the accounts to 28th February, 1965, is in course. Subject to the completion of the audit, the accounts for the year are compared hereunder with those for the previous year.

INSURANCE ACCOUNT.

		1963-64.	1964-65.
	<i>Receipts.</i>	£	£
Balance at Bank, 1st March		5,135	14,277
Premiums		18,381	10,618
Surrender Values		12,400	6,137
Death Claims		12,823	5,925
Matured Policies		102,390	133,798
Taken-over Policies		75	..
Investments Temporary—Redeemed		29,000	10,000
Other .. .. .		..	181
		180,204	180,936
	<i>Payments.</i>		
Premiums		19,253	11,276
Death Claims		12,808	6,318
Matured Policies		99,393	131,344
Surrender Values		13,409	6,645
Taken-over Policies		64	58
Investments Temporary—Purchased		21,000	10,000
Balance at Bank, 28th February		14,277	15,295
		180,204	180,936

PROVIDENT FUND.

	1963-64.		1964-65.	
	<i>Receipts.</i>		<i>Payments.</i>	
	£	£	£	£
Balance at Bank, 1st March	3,154	13,662		
Contributions	185,974	188,017		
Interest on Investments	52,670	56,288		
Other (including Investments Redeemed)	262,894	429,370		
	<u>504,692</u>	<u>687,337</u>		
Death Claims	10,411	14,113		
Resignations and Retirements	141,502	173,696		
Additional Interest	4,117	4,725		
Investments	334,000	489,400		
Other	1,000	2,000		
Balance at Bank, 28th February	13,662	3,403		
	<u>504,692</u>	<u>687,337</u>		

The position of the Fund at 29th February, 1964 and 28th February, 1965, was :—

	1964.	1965.
	£	£
Contributors' credits	913,419	970,956
Unallotted Interest	55,745	60,988
Contributions paid in advance, &c.	11,546	..
Contributions payable to Benefit Contracts Account, &c.	272	..
	<u>980,982</u>	<u>1,031,944</u>
Represented by—		
Cash at Bank	13,662	3,403
Investments	966,390	1,026,420
Contributions due, &c.	930	2,121
	<u>980,982</u>	<u>1,031,944</u>

BENEFIT CONTRACTS ACCOUNT.

	1963-64.		1964-65.	
	<i>Income.</i>		<i>Expenditure.</i>	
	£	£	£	£
Contract Premiums	933,272	952,835		
Interest on Investments	265,660	304,981		
	<u>1,198,932</u>	<u>1,257,816</u>		
Death Benefits	85,912	114,193		
Withdrawal Benefits	156,410	229,791		
Contribution to Management Account	48,965	72,305		
Other	121	7		
	<u>291,408</u>	<u>416,296</u>		
Surplus	907,524	841,520		

As at 29th February, 1964 and 28th February, 1965, the funds of the Benefit Contracts Account amounted to—

	1964. £	1965. £
	4,550,787	5,392,307
and were represented by—		
Investments	4,556,472	5,407,592
Less Excess of Current Liabilities over Current Assets	5,685	15,285
	<u>4,550,787</u>	<u>5,392,307</u>

MANAGEMENT ACCOUNT.

	<i>Income.</i>	
	1963-64. £	1964-65. £
Commission	1,020	561
Interest on Investments	11,329	6,293
Contribution from Benefit Contracts Account	48,965	72,305
Contribution from Provident Fund	1,000	2,000
Other	5,032	8,059
	<u>67,346</u>	<u>89,218</u>

	<i>Expenditure.</i>	
Board Members' Fees	462	586
Salaries	27,781	35,987
Other Administration Charges	24,928	40,512
Rates, &c.	1,327	2,134
Depreciation	7,681	6,795
	<u>62,179</u>	<u>86,014</u>
Surplus	5,167	3,204

As at balancing date in each of the two years, accumulated funds of the Management Account were :—

	1964. £	1965. £
Accumulated Funds	406,083	407,295
Asset Replacement Reserve	20,156	15,899
	<u>426,239</u>	<u>423,194</u>
Represented by—		
Current assets less liabilities	32,184	8,194
Investments	235,700	85,144
Freehold property	121,046	302,654
Furniture, equipment and office machines	31,326	21,518
Motor Car	1,660	1,371
Prepayments, &c.	4,323	4,313
	<u>426,239</u>	<u>423,194</u>

MELBOURNE AND METROPOLITAN BOARD OF WORKS.

The audit of the books and accounts of the Board for the year ended 30th June, 1965, has been completed and the statements of accounts for the year have been duly certified by me.

The Board's Revenue Accounts for the past three years are compared hereunder :—

	1962-63.	1963-64.	1964-65.
	£	£	£
Rates and Charges—			
Water Supply	5,573,383	5,837,043	6,079,948
Sewerage	5,091,008	5,260,895	5,462,646
Drainage and Rivers	836,748	851,858	871,751
	11,501,139	11,949,796	12,414,345
Farm—			
Gross profit on cattle	140,058	156,596	171,264
„ „ „ sheep	65,936	73,725	62,813
Rent	3,531	3,199	2,657
Sundry Trading Operations	3,801	3,275	2,469
	213,326	236,795	239,203
Gross Revenue	11,714,465	12,186,591	12,653,548
Working Expenses—			
Management	1,332,409	1,503,066	1,509,948
Maintenance	2,118,522	2,249,503	2,401,044
Interest (including overseas exchange)	5,920,195	6,671,176	7,428,173
	9,371,126	10,423,745	11,339,165
Gross Surplus	2,343,339	1,762,846	1,314,383
General Expenditure—			
Loan Flotation Expenses	159,320	66,217	131,413
Staff Gratuities	72,080	58,053	90,506
Contributions to Superannuation Fund	66,438	74,840	75,918
Depreciation—Furniture and Fittings, &c.	24,835	42,237	41,083
Pensions (cost of living allowance in superannuation payments)	41,601	60,941	65,784
Main Drainage Works	415,023	..	..
	779,297	302,288	404,704
Statutory Expenditure—			
Contributions to Municipalities	16,992	16,992	16,992
Fees for valuations .. .. .	..	..	16,405
Carried forward	796,289	319,280	438,101

	1962-63.	1963-64.	1964-65.
	£	£	£
Brought Forward	796,289	319,280	438,101
Provisions and Transfers to Reserves—			
Contributions to—Renewals Fund	236,927	275,481	304,914
" " —Sinking Fund	440,018	464,128	485,695
" " —Loans Redeemed Reserve	306,982	382,389	494,218
" " —Rates Equalization Reserve	550,000	310,000	..
	1,533,927	1,431,998	1,284,827
Total Expenditure	2,330,216	1,751,278	1,722,928
Net Surplus	13,123	11,568	..
Net Deficit .. .. .	..	..	408,545
Add Accumulated Surplus brought forward	7,481	20,604	32,172
Add Transfer from Rates Equalization Reserve .. .. .	..	..	408,545
Accumulated Surplus at 30th June, carried forward	20,604	32,172	32,172

It will be seen that the operations during 1964-65 resulted in a deficit of £408,545 and that this deficit was met by an allocation of an equivalent amount from the Rates Equalization Reserve.

The following summary shows the variations in the valuations of properties rateable to the Board and the annual collectable revenue over the past five years:—

Financial Year.	Revenue from Water Rates and Charges.	Revenue from Metropolitan General Rate and Other Charges.	Revenue from Drainage and Rivers Rate and Other Charges.	Assessment Valuations (Net Annual Values).
	£	£	£	£
1960-61.. .. .	4,106,083	4,154,576	672,492	80,424,384
1961-62.. .. .	5,179,234	4,586,541	750,738	88,419,281
1962-63.. .. .	5,573,383	5,091,008	836,748	101,184,296
1963-64.. .. .	5,837,043	5,260,895	851,858	104,125,943
1964-65.. .. .	6,079,948	5,462,646	871,751	106,325,342

In accordance with the provisions of the *Valuation of Land (Rates) Act 1963*, No. 7019, with effect from 28th May, 1963, the Board used in 1964-65 as the basis of assessment of its rates:—

- (i) in respect of the municipalities of Bulla, Eltham and Sunshine, the valuation for 1961-62; and
- (ii) in respect of all other municipalities, the valuation for 1962-63.

Notwithstanding the use of these bases of valuation, the aggregate of net annual values on which the rates were assessed continued to rise as a result of supplementary valuations.

The rates levied in each of the years shown in the summary, and the maximum rates allowable as from 12th August, 1959, were:—

	Rate Levied.	Maximum Rate Allowable.
	s. d.	s. d.
Metropolis generally—		
Water Rate	0 8	0 9
Metropolitan General Rate	1 2	1 4
Drainage and Rivers Rate	0 2	0 3
Dandenong-Springvale Area (from and inclusive of 1958-59)—Water Rate	0 10	1 0
Chelsea Area (from and inclusive of 1962-63)—Water Rate	1 0	1 0

In addition to the rates levied as shown above, certain municipalities in the vicinity of the metropolitan area have, in agreement with the Board, levied rates in respect of water supplied by the Board. Each rate so levied included an amount payable to the Board and an amount to be retained by the municipality, e.g., the Water Rate levied in the Shire of Whittlesea was 1s. 6d. in the £ of which, on collection, 3d. was retained by the Council and the balance paid to the Board.

Interest charges continued to be a heavy burden on the Board's revenue, the proportion of interest and exchange to gross revenue from rates and charges being 59·84 per centum as compared with 55·83 per centum in the previous year. In this regard, it will be noted that the actual charge to revenue on account of interest and exchange rose from £6,671,176 in 1963-64, to £7,428,173 in 1964-65.

Interest charged included amounts credited to the Board's several funds as follows—Renewals Fund £177,684; Sinking Fund £604,326; and Superannuation Fund £95,926. Exchange on interest remitted overseas amounted to £32,545.

The main credits during the year to Special Funds and the balances of those Funds at 30th June, 1965, are shown hereunder:—

	Contribution from Revenue.	Interest Credited.	Total Revenue Additions to Fund.	Credit Balance at 30th June, 1965.
	£	£	£	£
Sinking Funds	497,792	604,326	1,102,118	13,188,631
Loans Redeemed Reserve	494,218	..	494,218	1,704,832
Renewals Fund	304,914	177,684	482,598	8,398,378
Superannuation Fund	80,764	95,926	176,690	2,007,843
Insurance Account .. .. .	..	..	..	450,930
	<u>1,377,688</u>	<u>877,936</u>	<u>2,255,624</u>	<u>25,750,614</u>

In addition to the Funds listed above, there are other Provisions and Reserves with credit balances to the sum of £17,117,326 as at 30th June, 1965. Thus, the sum of the Board's Funds and Reserves as at that date was £42,867,940. Of this sum, £24,392,234 was invested, £1,704,832 was applied to loan redemption and £16,770,874 was utilized in the Board's undertaking.

Town Planning, Metropolitan Highways, &c.—The Metropolitan Improvement Rate remained unchanged at 4d. and was assessed on properties with an aggregate net annual value of £109,215,635.

Details of the Planning and Highways Revenue Account for the past three years are given below:—

	1962-63.	1963-64.	1964-65.
	£	£	£
Revenue—			
Metropolitan Improvement Rate and Sundry Income	1,792,646	1,851,469	1,954,513
Less Expenditure—			
Management	251,866	315,077	276,652
Maintenance	32,138	35,805	29,895
Interest	24,524	24,240	24,907
Contribution to Sinking Fund	12,097	12,097	12,097
Proportion of Statutory and General Charges .. .. .	..	..	17,046
	<u>320,625</u>	<u>387,219</u>	<u>360,597</u>
Balance—surplus transferred to Planning and Highways Reserve	1,472,021	1,464,250	1,593,916

As indicated above, there was, as between 1963-64 and 1964-65, a decrease of £38,425 in the charge to "Management". In 1963-64, this charge included £15,746, the Board's contribution towards meeting the expenses of the Metropolitan Transportation Committee, whereas, in 1964-65, the Board's contribution of £63,553 for this purpose was capitalized.

At 30th June, 1965, the credit balances in the accounts of the Board relating to its Planning and Highways functions were:—

	£
Loan Liability—Loan 476	400,000
Sinking Fund	52,140
Planning and Highways Reserve.. .. .	9,401,997
	<u>9,854,137</u>

These balances were represented by the following assets and/or expenditure—

	£	£
Metropolitan Improvement Fund—		
Cash at Bank	56,267	
Cash held temporarily in Metropolitan General Fund (estimate)	44,656	
		<u>100,923</u>
Securities—Short Term	1,135,000	
„ Commonwealth Inscribed Stock	1,000,000	
		<u>2,135,000</u>
Arrears—Rates and Charges (estimate)		51,837
Sundry Debtors—Rent		905
Reserved Land—held temporarily under Section 57, Act No. 6849	4,029,756	
Compensation under Section 42, Act No. 6849	216,293	
		<u>4,246,049</u>
Planning, Highways and Foreshore Works—Expenditure		3,319,423
		<u>9,854,137</u>

Assets and Liabilities and Funds.—The statement hereunder shows the Assets and Liabilities and Funds of the Board at 30th June, in each of the past three years:—

	1963.	1964.	1965.
	£	£	£
Current Assets—			
Cash in hand and at bank	607,858	537,782	593,497
Securities—Short Term	4,655,000	5,520,000	6,595,000
Arrears of Rates and Charges	652,964	581,345	523,710
Sundry Debtors	484,642	473,993	697,698
Stores and Materials on hand	1,035,931	1,111,259	1,680,597
Livestock on hand	201,562	237,889	230,076
Reserved Land—Planning and Highways—			
Acquired Land	2,732,394	3,255,713	4,029,756
Compensation for loss on sales	127,033	167,297	216,293
	<u>10,497,384</u>	<u>11,885,278</u>	<u>14,566,627</u>
Fixed Assets—			
Planning and Highways Works	2,986,392	3,135,909	3,319,423
Water Supply Works	60,726,938	65,240,949	69,353,893
Sewerage Works	52,973,341	61,143,873	69,614,461
Sewerage House Connexions	396,909	396,909	396,909
Main Drainage and River Improvement Works	10,024,613	11,144,333	12,491,259
Buildings, Water Meters, and other items	5,064,084	5,356,689	5,629,270
	<u>132,172,277</u>	<u>146,418,662</u>	<u>160,805,215</u>
Less Renewals Fund	7,596,399	7,979,895	8,398,378
	<u>124,575,878</u>	<u>138,438,767</u>	<u>152,406,837</u>
Plant and Tools	1,106,635	1,445,571	1,705,968
Motor Vehicles	291,954	344,082	425,769
Furniture and Fittings	193,361	188,698	181,644
	<u>126,167,828</u>	<u>140,417,118</u>	<u>154,720,218</u>
Investments—			
External—Stock—Commonwealth, &c.	13,351,500	14,801,500	14,991,500
Internal—Stock—Melbourne and Metropolitan Board of Works	2,770,079	2,790,674	2,810,334
	<u>16,121,579</u>	<u>17,592,174</u>	<u>17,801,834</u>
Total Assets	<u>152,786,791</u>	<u>169,894,570</u>	<u>187,088,679</u>

	1963.	1964.	1965
	£	£	£
Current Liabilities—			
Loan Interest, Matured Debentures and Inscribed Stock	1,143,615	1,277,428	1,319,164
Sundry Creditors and Deposits	1,154,718	1,189,419	1,654,828
	<u>2,298,333</u>	<u>2,466,847</u>	<u>2,973,992</u>
Deferred Liabilities—			
Superannuation Fund	1,816,248	1,923,068	2,007,843
Provision for Furlough	312,453	366,612	399,742
	<u>2,128,701</u>	<u>2,289,680</u>	<u>2,407,585</u>
Loan Liability—			
Government of Victoria	623,590	705,791	701,573
Public Loans	122,295,778	135,573,947	148,943,552
	<u>122,919,368</u>	<u>136,279,738</u>	<u>149,645,125</u>
Total Liabilities	<u>127,346,402</u>	<u>141,036,265</u>	<u>155,026,702</u>
Excess of Assets over Liabilities, represented by—			
Sinking Fund	11,032,618	12,048,377	13,136,491
Loans Redeemed Reserve	828,225	1,210,614	1,704,832
General Reserve	4,419,323	4,618,378	5,010,456
	<u>16,280,166</u>	<u>17,877,369</u>	<u>19,851,779</u>
Less Fixed Assets Retired .. .. .	..	39,370	56,638
	<u>16,280,166</u>	<u>17,837,999</u>	<u>19,795,141</u>
Planning and Highways Sinking Fund	24,799	38,136	52,140
Planning and Highways Reserve	6,313,103	7,785,470	9,401,997
Rates Equalization Reserve	1,174,794	1,485,546	1,077,001
Exchange Reserve	688,500	688,500	688,500
Deferred Maintenance Reserve	103,605	103,605	103,605
Provision for Water Charges Adjustment	125,000	125,000	125,000
Insurance Account	463,806	456,796	450,930
Distributable Expense Variance Account	246,012	305,081	335,491
Accumulated Surplus	20,604	32,172	32,172
	<u>25,440,389</u>	<u>28,858,305</u>	<u>32,061,977</u>

As indicated in the summary, the Board's investments—long and short-term—increased by £1,284,660 (net). This increase was due to the additions in provisions and reserves already referred to herein.

The increase of £392,078 in the General Reserve was accounted for as follows:—

	£
Increase in estimated value of privately constructed water mains taken over by the Board, less reimbursements made by the Board	297,321
Contributions towards cost of works	13,303
Profit on disposal of motor vehicles	7,219
Capital gain on revaluation of Stock	75,850
	<u>393,693</u>
Less—Loss on realization of Plant, &c.	1,615
	<u>392,078</u>

The Board's statutory loan authority for its normal functions, is £200,000,000 against which the actual loan liability at 30th June, 1965, was £149,645,125.

During the year, from loan moneys and the Board's internal resources, fixed assets were increased by £14,721,583. Major increases were:—

	£
Reservoir and Conduit Construction, &c.	708,114
Water Supply—extension large mains	1,354,546
" " reticulation, water meters, &c.	2,311,854
Construction and Amplification—sewage disposal, &c.—Farm	279,676
Sewerage—extension mains, treatment works, &c.	7,988,103
" Pumping Stations	202,808
Main Drains and River Improvements—extensions, &c.	1,346,926
Metropolitan Main Highways	142,502
Foreshore Improvement	41,012

MELBOURNE AND METROPOLITAN TRAMWAYS BOARD.

The annual audit of the accounts to 30th June, 1965, conducted by my officers pursuant to the provisions of the *Melbourne and Metropolitan Tramways Act* 1958 has been completed and the continuous audit of the accounts, also provided for in the Act, has been carried out for the Board by a chartered accountant. The audits are, by arrangement, complementary in character.

The Board's statements of operations for the past two years disclose the following results :—

						Year ended 30.6.1964.		Year ended 30.6.1965.	
						£		£	
Operations—									
Tramways	..	..	..	..	Deficit	190,721	Deficit	247,518
Omnibuses	..	..	..	..	Deficit	286,461	Deficit	298,715
						Deficit on operations (net)	477,182	546,233	
Properties and Miscellaneous	..				Net Credit	43,553	Net Credit	33,899	
						433,629		512,334	
Interest on Investments	..	..	..	..	..	79,021		81,632
Result for year						Deficit	354,608	Deficit	430,702

The results for the two years were arrived at after making provision for depreciation and, in addition, provisions as shown hereunder :—

						Year ended 30.6.1964.		Year ended 30.6.1965.
						£		£
Provision for—								
Long Service Leave	..	..	..	..	..	112,624		120,101
Retiring Gratuities	..	..	..	..	..	216,803		218,231
Accrued Sick Leave	..	..	..	..	..	55,976		60,705
Public Liability Claims	..	..	..	..	..	103,480		115,186
Obsolescence in Stores Stock	..	..	..	..	..	3,794		3,150
						492,677		517,373

The provisions for long service leave, retiring gratuities, accrued sick leave and public liability claims equalled the amounts expended for these purposes during the year. This was consistent with the practice followed in the previous year.

The Board's balances as at the 30th June, 1964, and 1965, are summarized hereunder :—

30.6.1964.						30.6.1965.			
£	Current Assets—					£	£		
47,662	Balances at Bank and Cash in Hand	..	..	..	..	58,202			
120,319	Sundry Debtors	..	..	..	..	137,929			
403,609	Stores on Hand and Work in Progress	..	..	..	..	366,379			
571,590							562,510		
Fixed Assets—									
7,432,484	Permanent Way, Overhead Construction, Transmission Lines					7,678,121			
4,759,358	Rolling Stock	..	..	..	..	5,438,534			
2,239,442	Land and Buildings	..	..	..	..	2,388,601			
1,450,611	Plant, Furniture, and Fittings, &c.	..	..	..	..	1,569,771			
15,881,895						17,075,027			
7,818,447	Less Provision for Depreciation	..	..	..	..	8,051,400			
8,063,448							9,023,627		
8,635,038	Carried forward	..	..	..	..		9,586,137		

30.6.1964.						30.6.1965.	
£					£	£	£
8,635,038	Brought forward	..	..	..	..		9,586,137
1,002,761	Intangible Assets	..	..	..	..	1,002,701	
589,452	Less Provision for Amortization	..	..	..	..	609,505	
413,309							393,196
1,581,629	Investments	..	..	..	..		1,479,521
10,629,976	Total Assets	..	..	..	..		11,458,854
Current Liabilities—							
382,812	Sundry Creditors	..	..	..	..	378,159	
35,384	Contractors' and other Deposits	..	..	..	41,169		
16,441	Less Deposits other than Cash	..	..	..	20,410		
401,755						20,759	
							398,918
Accrued Liabilities—							
142,142	Interest on Loans	..	..	..	..	140,992	
163,453	Other	..	..	..	..	198,288	
305,595							339,280
9,248,470	Loans	..	..	..	..		10,475,212
Specific Provisions—							
100,000	Provision for Fire Damage	..	..	..	..	100,000	
85,000	„ „ Public Liability Claims	..	..	..	..	85,000	
250,000	„ „ Accrued Sick Leave	..	..	..	..	250,000	
762,660	„ „ Retiring Gratuities	..	..	..	..	762,660	
250,000	„ „ Long Service Leave	..	..	..	..	250,000	
9,475	„ „ Stores Obsolescence	..	..	..	..	11,465	
1,457,135							1,459,125
11,412,955	Total Liabilities	..	..	..	..		12,672,535
The excess of Liabilities over Assets is represented by—							
861,765	The Accumulated Deficit brought forward	..	..	..	..	861,765	
	Plus—Deficit for year	..	..	..	..	430,702	
	Accumulated Deficit at 30th June, 1965	..	..	..	..		1,292,467
78,786	Less—Grants from Commonwealth of Australia for Tramlines constructed at its request	..	..	..	..		78,786
782,979							1,213,681

The provision for depreciation and amortization is regarded as covering not only those two particular items but also the Board's sinking fund commitments. Supplementary records are kept by the Board to substantiate the Sinking Fund component of such provision. Details are :—

	30.6.1964.	30.6.1965.
	£	£
Provision for depreciation and amortization	7,703,909	7,940,745
Sinking Fund	703,990	*720,161
Total Provision	8,407,899	8,650,906

* NOTE.—Of the investments of the Board amounting to £1,479,521, as at 30th June, 1965, investments to the sum of £720,161 were accepted as being held on behalf of the Sinking Fund.

MELBOURNE HARBOR TRUST.

Pursuant to the provisions of Section 119 of the Melbourne Harbor Trust Act, I am responsible for the annual audit of the receipts and disbursements of the Trust. In previous reports, I expressed the opinion that the scope of the audit by my Office should be extended to include the Trust's Revenue Account and Balance Sheet, and this aspect has been the subject of enquiry by the Committee of Public Accounts. Their recommendations were reported to the House on 23rd September, 1964.

The officer of my staff who conducts the audit accepts, for the purposes of the audit, the continuous checking of receipts and vouching of disbursements performed by the Trust's auditors—a firm of chartered accountants. A summarized comparison of the receipts and disbursements for the years ended 31st December, 1963, and 1964, is given hereunder:—

1963.		1964.
£		£ £
	Operational Receipts—	
2,225,296	Wharfage Rates	2,788,448
444,104	Tonnage Rates	804,768
339,418	Rent, &c., from Lands	357,484
139,631	Rent of Sheds	322,773
249,034	Special Berth and Appropriation Fees, &c.	296,311
58,373	Storage, Receiving and Delivery Fees	69,179
701,026	Crane Hire	816,982
889	Plant Hire	1,086
16,914	Towage	21,576
28,639	Cargo Lights	30,602
43,678	Sale, Electric Energy	47,249
134,497	Miscellaneous	162,954
<hr/>		<hr/>
4,381,499		5,719,412
	Operational Disbursements—	
871,268	Management and General Expenses	921,695
745,060	Port Operating Expenses	863,620
540,313	Maintenance—Dredging and Properties	689,316
819,369	Interest	831,520
1,087	Loan Flotation Expenses	175
12,667	Damage to Trust Plant	24,851
14,116	Refunds of Revenue	20,110
<hr/>		<hr/>
3,003,880		3,351,287
	Appropriations—	
		£
530,089	Consolidated Revenue	703,542
228,783	Sinking Fund	575,091
		<hr/>
		1,278,633
<hr/>		<hr/>
3,762,752		4,629,920
618,747	Operational Surplus	1,089,492
	Other Disbursements (net)—	
..	Stocks	22,631
24,612	Sundry Debtors .. .. .	..
21,719	Investments	653,134
5,978	Employees' Housing	5,117
6,391	Suspense Account .. .. .	..
		<hr/>
		680,882
<hr/>		<hr/>
560,047	Carried forward	408,610

1963.								1964.
£								£
560,047	Brought forward ..	..	..	..	..	..	..	408,610
	Other Receipts (net)—							
26,779	Sales Property, Plant, &c.	..	..	..	..	..	..	23,335
..	Sundry Debtors	..	..	..	..	..	..	123,194
42,188	Superannuation..	..	..	..	..	..	..	43,484
43,666	Stocks of Materials	..	..	..	..	..	..	..
..	Suspense Account	..	..	..	..	..	..	2,131
<u>672,680</u>								<u>192,144</u>
1,016,300	Loan Moneys Received	..	..	..	..	..	..	1,125,150
745,000	Less Loans Redeemed	..	..	..	..	..	..	<u>750,000</u>
<u>271,300</u>								<u>375,150</u>
943,980								<u>975,904</u>
55,346	Cash Overdrawn, 1st January	..	..	..	..	..	..	<u>57,251</u>
888,634	Available for New Works	..	..	..	..	..	..	918,653
945,885	New Works	..	..	..	..	..	..	<u>1,196,071</u>
<u>57,251</u>	Cash Overdrawn, 31st December	..	..	..	..	..	..	<u>277,418</u>

The loan liability decreased by £31,187 to £14,886,337 at 31st December, 1964.

METROPOLITAN FIRE BRIGADES BOARD.

The figures herein relating to 1964-65 are submitted subject to audit.

The Board's revenue consists primarily of contributions provided by Fire Insurance Companies and Municipalities. In 1964-65, the funds so provided were—Fire Insurance Companies, £1,421,357, and Municipalities, £710,600.

	1961-62.	1962-63.	1963-64.	1964-65.
<i>Revenue.</i>	£	£	£	£
Surplus from previous year	122,865	218,391	106,599	80,743
Statutory contributions	1,851,410	1,770,014	1,940,100	2,131,957
Other	72,691	65,604	56,242	61,493
	2,046,966	2,054,009	2,102,941	2,274,193
<i>Expenditure.</i>				
Salaries, Wages and Maintenance, &c.	1,644,460	1,750,769	1,819,315	1,966,205
Loan Repayments	10,274	11,121	10,388	10,905
Transfers to Funds and Interest on Loans	173,841	185,520	192,495	200,186
	1,828,575	1,947,410	2,022,198	2,177,296
Surplus carried forward to next year	218,391	106,599	80,743	96,897

The financial position of the Board as at 30th June, 1964, and 30th June, 1965, is summarized hereunder:—

30.6.1964.		30.6.1965.
£		£
	Source of Funds—	
	External—	
345,383	Loan liability	334,479
345,383		
	Internal—	
1,303,530	Excess of assets over liabilities	1,941,880
1,833,113	Funds	2,129,806
1,464,825	Less invested on account of Superannuation and other Trust purposes	1,661,905
368,288		467,901
1,671,818		2,409,781
2,017,201		2,744,260
	Represented by—	
	Current Assets—	
42,967	Cash .. .. .	..
60,454	Sundry Debtors and Advances	68,064
96,393	Stock on Hand	95,682
746	Work in progress	637
200,560		164,383
	Less—	
	Current Liabilities—	
835	Sundry Creditors	1,039
..	Cash Deficit	55,546
835		56,585
199,725		107,798
317,142	Investments	521,002
	Fixed Assets—	
1,111,916	Land and Buildings	1,712,354
125,078	Plant, Machinery and Equipment	133,228
263,340	Rolling Stock	269,878
2,017,201		2,115,460
		2,744,260

It will be seen that the book value of " Land and Buildings " increased in the year from £1,111,916 to £1,712,354—a rise of £600,438. This rise was mainly the result of a revaluation of the assets under this head. By resolution of the Board, such assets are now recorded in the Board's books on the following bases :—

- (i) stations in commission as at 31st December, 1961, at their respective municipal valuations as at that date ; and
- (ii) stations erected and additions made to stations in the period subsequent to that date, at cost.

PORTLAND HARBOR TRUST.

Pursuant to the provisions of the *Portland Harbor Trust Act 1958*—the Principal Act—the exclusive management and control of the Port of Portland are vested in the Commissioners of the Trust.

In 1963 and again in 1965, the Commissioners' statutory charter was extended, respectively, by the *Portland Harbor Trust (Grain Terminal) Act 1963* and the *Portland Harbor Trust (Amendment) Act 1965* to provide authority for the Commissioners to erect and operate a grain terminal at Portland. The basic storage was completed late in the financial year but further equipment has yet to be installed. Limited operations commenced in May, 1965, and a small amount by way of revenue from handling charges was earned. During the operating period, the Trust incurred certain costs and had to meet interest charges. Certain moneys held but not immediately required to finance construction were invested. Interest on these investments together with operating revenue was insufficient to meet the expenses of the terminal, and the net deficit for the year was £17,176. In addition, Sinking Fund charges amounting to £1,168 were met in the year.

The statement of revenue and expenditure and the abridged Balance-sheet herein summarize the financial results of the whole of the operations of the Trust. After taking into consideration a State contribution of £355,500 and the provisions for sinking fund and accruing long service leave, there was a net surplus of £41,464 from the year's operations. This compares with a surplus of £56,392 in 1963-64.

Particulars of revenue and expenditure for the past two years are:—

1963-64.							1964-65.	
£							£	£
	Operating Revenue—							
65,112	Wharfage Rates	..	..	..	..	..	58,359	
10,780	Tonnage Rates	..	..	..	..	..	12,156	
18,664	Haulage	..	..	..	..	..	21,986	
244	Slipway Charges	..	..	..	..	..	228	
21,041	Shipping Services	..	..	..	..	..	19,802	
15,852	Rent	..	..	..	..	..	12,937	
..	Handling Charges—Grain Terminal	..	..	..	..	..	2,609	
131,693								128,077
	Operating Expenditure—							
29,214	Administrative	..	..	..	..	..	29,450	
29,930	Maintenance	..	..	..	..	..	33,477	
37,113	Shipping Services	..	..	..	..	..	45,818	
..	Grain Terminal Expenses	..	..	..	..	..	1,940	
7,785	Depreciation	..	..	..	..	..	6,239	
104,042								116,924
27,651	Operating Surplus	..	..	..	..	..	..	11,153
	Non-operating Revenue—							
7,531	Interest	..	..	..	..	..	12,766	
566	Licences	..	..	..	..	..	641	
29	Other	..	..	..	..	..	66	
8,126								13,473
35,777								24,626

1963-64.		1964-65.	
£		£	£
	Non-operating Expenditure—		
280,452	Loan Interest	310,853	
55	Loan Flotation Expenses, &c.	1,029	
<hr/>			
280,507			311,882
<hr/>			
244,730	Excess of Expenditure over Revenue		287,256
	Appropriations—		
626	Long Service Leave	3,284	
21,202	Sinking Fund	23,496	
<hr/>			
21,828			26,780
<hr/>			
266,558			314,036
322,950	Contribution by State from Consolidated Revenue for maintenance of port facilities and for other purposes		355,500
<hr/>			
56,392	Surplus for year		41,464
<hr/>			
84,263	Accumulated Surplus at 30th June		125,727

Loan interest shown in the above statement relates only to the interest payable in respect of inscribed stock and debentures issued by the Trust. Section 30 of the *Portland Harbor Trust Act 1958* requires the Trust to meet interest charges and National Debt Sinking Fund contributions in respect of advances which have been made by the Treasurer, but so far the Treasurer has approved of payment of these amounts being deferred. At 30th June, the amounts so deferred were interest, £728,809, and National Debt Sinking Fund contributions, £37,207.

The following is an abridged statement of the Trust's Balance-sheet:—

30.6.1964.		30.6.1965.	
£		£	£
72,177	Current Liabilities		93,297
	Deferred Liabilities—		
5,000	Treasury Advance	5,000	
7,517,320	Loan Funds	8,196,578	
7,153	Other	10,181	
<hr/>			
7,601,650			8,211,759
	Funds of the Trust—		
51,258	Endowments	42,090	
186,738	Sinking Fund	219,808	
<hr/>			
237,996		261,898	
84,263	Accumulated Surplus	125,727	
<hr/>			
322,259			387,625
<hr/>			
7,923,909			8,692,681
	Current Assets—		
41,729	Cash	82,133	
79,314	Stores	54,987	
24,166	Other	23,211	
<hr/>			
*612,347	Investments		160,331
	Fixed Assets—		
48,198	Property Vested (<i>less</i> Written Off)	39,030	
4,331	Other (<i>less</i> Depreciation)	3,258	
7,113,824	Harbor Construction Works and Plant (<i>less</i> Depreciation)	7,221,625	
..	Grain Terminal Construction Works and Plant	588,798	
<hr/>			
7,923,909			7,852,711
			8,692,681

* Includes investments on account of Sinking Fund

Loan Funds at 30th June, 1965, comprised advances from the Treasurer, £2,041,450 (including £12,450 discount and expenses on loans) and £6,155,128 raised by the Trust by the issue of Inscribed Stock and Debentures.

Deferred Liabilities do not include interest accrued on advances from the Treasurer. At 30th June, the amount involved was £728,809.

The Endowment Fund, which is chiefly represented by the property initially vested in the Trust, is being reduced over the period of construction parallel with the writing down of certain vested property. This item is being written down progressively as the components, e.g., piers, wharves, &c., are absorbed into new works or dismantled during the course of construction of the harbor.

Stores consist of conventional goods to a value of £41,513, and subsidiary stores £13,474. Conventional stores are checked selectively by the audit and are supported by a certificate of the Chief Storekeeper. Subsidiary stores consist of the stockpiles of rock and aggregate and are supported by a certificate of the Engineer.

Investments, £679,639, include funds not immediately required by the Trust and lodged with the Trust's bankers either for a fixed period or at call and specific investments on account of funds and provisions.

Funds equivalent to the amount of the Sinking Fund are invested in suitable securities.

PUBLIC TRUSTEE.

The powers and duties of the Public Trustee are prescribed by the *Public Trustee Act 1958*. Funds of the estates administered by him are outside the ambit of the Public Account, all receipts being paid into a "Common Fund" under his direct control as authorized by the Act. The comparative statement below shows the composition of the Common Fund at the close of each of the past three years.

	30.6.1963.		30.6.1964.		30.6.1965.	
	£	%	£	%	£	%
Inscribed Stock	2,718,400	41	2,868,500	40	2,723,500	34
Bank Deposit Stock	350,000	5	350,000	5	350,000	4
Municipal Debentures	565,165	9	604,778	8	605,187	8
Mortgages	2,521,978	39	3,134,559	44	3,929,175	49
Loan to Co-operative Housing Society ..	145,858	2	133,252	2	120,452	2
Cash at Bank and in Hand	243,587	4	52,023	1	234,978	3
	<u>6,544,988</u>	<u>100</u>	<u>7,143,112</u>	<u>100</u>	<u>7,963,292</u>	<u>100</u>

In addition to funds held in the Common Fund, the Public Trustee controls investments and property with a recorded value of £12,374,440 at 30th June, 1965.

The Act requires that interest received from the investment of moneys forming part of the Common Fund shall be paid into an Account called the "Interest Suspense Account". From this Account, there is payable, in each year:—

- (i) to the credit of the respective estates represented in the Common Fund, interest at rates determined from time to time by the Public Trustee; and
- (ii) such amount as the Public Trustee deems necessary for credit to the Estates Guarantee and Reserve Account for the purpose of meeting certain contingencies including losses which might arise on the sale of investments of the Common Fund.

At the end of the financial year, the remainder at credit to the Interest Suspense Account is payable to Consolidated Revenue towards administrative costs.

Operations through the Suspense and Reserve Accounts for the financial years 1963-64 and 1964-65 were:—

INTEREST SUSPENSE ACCOUNT.

1963-64.		1964-65.	
£		£	£
407,553	Income from investments .. .. .	..	471,111
	Appropriations—		
206,298	Interest allocated to estates	286,019	
30,000	Provision for interest payable to estates	30,000	
70,000	Estates Guarantee and Reserve Account .. .. .	..
101,255	Consolidated Revenue	155,092	
407,553			471,111

ESTATES GUARANTEE AND RESERVE ACCOUNT.

1963-64.		1964-65.	
£		£	£
403,610	Balance at 1st July .. .. .	..	497,577
70,000	Transfer from Interest Suspense Account .. .. .	..	..
23,967	Interest credited on balance .. .. .	..	31,953
..	Capital profit on realization of Common Fund investments .. .. .	..	22
497,577			529,552
..	Less Legal fees	11	
..	Capital loss on realization of Common Fund investments	459	
497,577	Balance at 30th June .. .. .	..	529,082

It will be noted that, in 1964-65, no allocation was made to the Estates Guarantee and Reserve Account from the Interest Suspense Account. In respect of that year, the Public Trustee did not deem it necessary to make any such allocation on the grounds that the Estates Guarantee and Reserve Account is, on present indications, now adequate to meet anticipated losses on the realization of investments or to meet any other costs properly chargeable to the Account. It may be that the question of the adequacy of the existing balance at credit of the Account should be the subject of actuarial investigation.

Moneys standing to the credit of the Reserve Account are invested as part of the Common Fund, and the account is credited with a share of the earnings of the Fund.

Receipts from the management of estates by way of fees and commission, as well as the interest contribution already mentioned, are paid into Consolidated Revenue from which operating expenses are met. On this basis, the net result of operations for the year was a surplus of £62,539 compared with a surplus of £14,353 in the preceding year. Particulars are:—

1963-64. £	Receipts.	1964-65. £	1963-64. £	Payments.	1964-65. £
132,526	Fees and Commission	142,929	177,831	Salaries, pay in lieu of long service leave, overtime and payroll tax	190,374
101,255	Surplus — Interest Suspense Account	155,092	1,173	Publicity	1,174
			32,725	Rent	32,768
			7,699	Other expenses (net)	11,166
			14,353	Surplus for the year	62,539
<u>233,781</u>		<u>298,021</u>	<u>233,781</u>		<u>298,021</u>

The Public Trustee is the medium for the collection of amounts from various sources on account of Consolidated Revenue. Probate duty on estates which he administers is assessed and collected by him. He also receives amounts on account of maintenance of certain patients in public mental hospitals.

Amounts paid by the Public Trustee to Consolidated Revenue and to Treasury Trust Fund from all sources during the last three years were—

	1962-63.	1963-64.	1964-65.
	£	£	£
Consolidated Revenue—			
Fees and Commission	118,192	132,526	142,929
Probate Duty	133,038	230,444	252,228
Surplus from Interest Suspense Account	103,858	101,255	155,092
Maintenance—Patients in Mental Hospitals	33,114	33,531	24,195
Stationery, Postages recouped	5,019	5,301	7,260
Sundry Receipts	2,331	751	2,334
	<u>395,552</u>	<u>503,808</u>	<u>584,038</u>
Transfers to Treasury Trust Fund—			
Unclaimed Moneys—after 6 years	34,573	49,225	50,580
Unpresented cheques, &c.	649	1,620	..
	<u>35,222</u>	<u>50,845</u>	<u>50,580</u>

RURAL FINANCE AND SETTLEMENT COMMISSION.

The Commission administers several Acts, and appropriate particulars as to its financial authority and operations under each of these Acts are furnished below.

THE RURAL FINANCE ACT 1958.

Loans under Part III. of Act.—In accordance with the provisions of this part, the Commission makes advances by way of loan, at the lowest possible rates of interest, to existing or proposed country industries, both primary and secondary. In these terms, loans made during the year amounted to £2,025,690. At the close of the year, £10,819,362 was held by borrowers of which £8,900,995 was held in respect of primary industries and £1,918,367 on account of secondary industries.

Rate of Interest on Loans from State.—From the commencement of operations up to and inclusive of the year 1963–64, the annual rate of interest charged by the State on its loans to the Commission was less than that payable by the State on loans raised on its behalf by the Commonwealth. Concessions granted on this basis varied from 1½ per centum in 1952 to ½ per centum in 1963–64. In respect of the year 1964–65, the Honorable the Treasurer determined that no such concession would apply.

Advances under Part IV. of Act—Under this Part, the Commission is empowered to advance moneys to or for the benefit of any farmer for the purpose of carrying into effect a composition or scheme of arrangement between him and his creditors. Any such advance is made out of the Rural Rehabilitation Fund established pursuant to the provisions of Section 48 of the Act. No such advances were made during 1964–65.

All repayments of advances are credited to the Fund. Where interest is payable by a farmer in respect of an advance, such interest forms part of the Commission's income. Interest receivable by the Commission under this heading and included in the year's revenue totalled £8,004.

The position of the Rural Rehabilitation Fund is summarized hereunder :—

	£	£
Grants from Commonwealth Government .. .. .	..	2,392,000*
Add Amounts received from farmers to 30th June, 1964 .. .. .	.. 3,122,728	
Repayments of advances, 1st July, 1964, to 30th June, 1965 .. .. .	.. 104,712	
	—————	3,227,440†
		5,619,440
Less Payments re debt adjustment to 30th June, 1965 .. .. .	.. .. .	3,642,788
Unexpended balance 30th June, 1965 .. .. .	.. .. .	1,976,652

* Of the advances from this amount, £50,356 (net) has been written off as bad debts.

† Includes mortgage interest £9,702 received prior to 26th April, 1950.

This fund is held in the Treasury ; no interest is payable thereon to the Commission.

Annual Statements of Accounts.—As required by the relevant legislation, the Commission has prepared a Profit and Loss Account for the financial year ended 30th June, 1965, and a Balance Sheet as at that date in respect of its operations under Parts III and IV of the Act. Comparative details for the past two years are summarized hereunder:—

1964.		INCOME.								1965.	
£										£	
552,804	Interest .. .. .	..	..	..	..	..	..	..	..	587,312
10,096	Application and Legal Fees ..	..	..	..	..	..	..	..	..	10,603
<hr/>										<hr/>	
562,900										597,915	
<hr/>										<hr/>	
		EXPENDITURE AND PROVISIONS.									
67,125	Administration .. .. .	..	..	..	..	..	..	..	..	71,631
379,546	Interest on Loan Indebtedness ..	..	..	..	..	..	..	..	..	451,450
19,159	Interest on Redeemed Securities ..	..	..	..	..	..	..	..	..	22,152
2,414	Provision for Long Service Leave ..	..	..	..	..	..	..	..	..	1,260
6,100	Provision for Superannuation ..	..	..	..	..	..	..	..	..	6,158
<hr/>										<hr/>	
474,344										552,651	
<hr/>										<hr/>	
88,556	Operating Profit for Year .. .. .	..	..	..	..	..	..	..	..	45,264
19,599	Add Interest on Investments .. ..	..	..	..	..	..	..	..	..	31,255
<hr/>										<hr/>	
108,155										76,519	
<hr/>										<hr/>	
<i>Less—</i>											
25,057	National Debt Sinking Fund—Contribution ..	..	..	..	..	..	..	..	..	26,631
4,553	Discounts and Expenses on Loans .. ..	..	..	..	..	..	..	..	..	2,869
61	Bad Debts written off .. .. .	..	..	..	..	..	..	..	..	1,011
40,733	Provision for Doubtful Debts .. .. .	..	..	..	..	..	..	..	..	19,772
<hr/>										<hr/>	
70,404										50,283	
<hr/>										<hr/>	
37,751	Net Profit Transferred to General Reserve ..	..	..	..	..	..	..	..	..	26,236
<hr/>										<hr/>	

At 30th June, 1964, and 30th June, 1965, funds available to the Commission were:—

30.6.1964.										30.6.1965.	
£										£	
Loan Funds—											
10,104,039	Loan Liability—Treasurer of Victoria (net) .. .. .	..	..	..	..	..	..	..	..	10,525,013
Other Funds—											
9,328	Advances <i>Farmers Debts Adjustment Act 1943</i> —Treasurer of Victoria ..	..	..	..	..	..	..	..	..	7,542
2,341,644*	Funds provided by Grant under <i>Commonwealth Loan (Farmers Debts Adjustment) Act 1935</i> .. .. .	..	..	..	..	..	..	..	..	2,341,644*
9,702	Interest on Mortgages prior to 26th April, 1950 .. .. .	..	..	..	..	..	..	..	..	9,702
<hr/>										<hr/>	
2,358,888										2,358,888	
7,964	Trust Account—Amounts in suspense .. .. .	..	..	..	..	..	..	..	..	20,643
8,731	Sundry Creditors .. .. .	..	..	..	..	..	..	..	..	7,296
495,405	Reserve—National Debt Sinking Fund (including Commonwealth contributions) .. .. .	..	..	..	..	..	..	..	..	567,062
24,593	Provision for Long Service Leave .. .. .	..	..	..	..	..	..	..	..	24,170
94,434	Provision for Superannuation .. .. .	..	..	..	..	..	..	..	..	151,935
209,483	Provision for Doubtful Debts .. .. .	..	..	..	..	..	..	..	..	229,255
48,460	Settlers' Proceeds Held .. .. .	..	..	..	..	..	..	..	..	55,930
12,718	Inter-Fund Adjustment Account .. .. .	..	..	..	..	..	..	..	..	Dr. 731
40,000	Loan Equalization Account .. .. .	..	..	..	..	..	..	..	..	180,000
366,092	General Reserve .. .. .	..	..	..	..	..	..	..	..	382,565
16,160	Profit and Loss Appropriation Account .. .. .	..	..	..	..	..	..	..	..	57,933
<hr/>										<hr/>	
13,788,753										14,559,959	
<hr/>										<hr/>	

* Excludes £50,356 (net), Bad Debts written off.

The purpose of the General Reserve (£382,565) is to meet any loss or deficiency incurred in the course of business by the Commission. So far as practicable, this Reserve is, until required, invested in securities approved by the Treasurer.

The funds shown in the preceding statement were applied as follows:—

30.6.1964.		30.6.1965.
£		£
	Loans and Advances—	
10,095,018	Loans under Part III.— <i>Rural Finance Act 1958</i>	10,819,362
479,406	Advances under <i>Farmers Debts Adjustment Act 1935</i> , and Part IV.— <i>Rural Finance Act 1958</i>	374,694
9,328	Advances under <i>Farmers Debts Adjustment Act 1943</i>	7,542
		11,201,598
159,801	Interest Due and Accrued	187,644
	Cash at Treasury, &c.—	
1,871,940	Rural Rehabilitation Fund	1,976,652
3,137	National Debt Sinking Fund	2,900
		1,979,552
	Fixed Assets—	
8,347	Furniture and Office Equipment <i>less</i> Depreciation	7,437
16,228	Motor Cars <i>less</i> Depreciation	18,055
	Residences and Offices	975
		26,467
1,154	Charges paid in Advance	386
	Cash—	
204,472	At bank and in hand	26,470
510,000	Cash at Call	600,000
		626,470
	Investment Pool (at cost) on account of	
429,922	Provisions and General Reserve	537,842
		14,559,959
<u>13,788,753</u>		<u>14,559,959</u>

Interest due and accrued, £187,644, shown above, comprised interest due, £93,841, and interest accrued, £93,803.

As indicated in my previous report, the Commission agreed, in respect of a certain company engaged in secondary industry, to consolidate existing matured loans and interest arrears amounting to £234,246. Subject to that company complying with certain conditions, the Commission further agreed that the consolidated loan, although payable on demand, would not be called up until 31st December, 1967. Subsequent to this arrangement, a meeting of creditors appointed an Official Manager and a Committee of Management pursuant to the provisions of Section 201 of Part IX. of the *Companies Act 1961*. At 30th June, 1965, the Company was indebted to the Commission as explained hereunder:—

	Consolidated Loan.	Interest.	Total.
	£	£	£
Balance 1st July, 1964	233,182	14,012	247,194
Plus charges raised 1964-65 .. .. .	..	9,327	9,327
	<u>233,182</u>	<u>23,339</u>	<u>256,521</u>
Liability at 30th June, 1965	233,182	23,339	256,521

Government Agency Department.—Under Section 35 of the *Rural Finance Act*, the Treasurer is empowered to direct the Commission to take charge of the administration of any money provided from the Public Account for any special purpose. The Commission is required to establish an Agency Department to give effect to any such direction. Operations in this Department during the year 1964-65 were:—

	£	£	£
Receipts—			
From Treasurer of Victoria—			
Loan Fund	250,000		
Decentralization Fund	69		
		<u>250,069</u>	
From borrowers—			
Repayments of Principal	94,680		
Interest on Advances	19,005		
		<u>113,685</u>	
Add Cash at Bank—1st July, 1964		14,823	
		<u>378,577</u>	
Carried forward			378,577

	£	£	£
Total Receipts brought forward			378,577
Less Payments—			
To Settlers—			
Bush Fire Relief	57,790		
Flood Relief	8,300		
Sunraysia District (Capital Improvements and Replacements) ..	752		
Lake Corangamite Area (Flood Relief)	6,000		
Tresco District (Capital Improvements)	529		
Tobacco Growers	5,402		
Orchardists (Hail Damage)	1,556		
		80,329	
,, Secondary Industries	133,796		
,, Treasurer of Victoria—Instalments of Principal and Interest ..	113,685		
		247,481	
		327,810	
Cash at Bank—30th June, 1965			50,767

SOLDIER SETTLEMENT ACT 1958.

Section 17 of the *Soldier Settlement Act* 1958 authorized the borrowing of £65,000,000 for the purpose of a land settlement scheme for eligible ex-servicemen and for advances to discharged servicemen to assist them in the purchase of individually selected farms (single units).

In the period from the inception of the Soldier Settlement Scheme in the year 1945–46 to 30th June, 1965, a sum of £65,454,851 has been allocated for soldier settlement. Of this sum, £58,256,148 has been made available from State Loan Fund and £7,198,703 by the Commonwealth in the nature of special assistance loans.

According to the books of the Commission, its loan liability on account of soldier settlement as at 30th June, 1965, was £28,904,958.

With the exception of £366,674 paid to the Commonwealth as part redemption of its special assistance loans, repayments by settlers and other credits of a capital nature have been credited to Loan Fund. During 1964–65, £1,827,287 was so credited bringing the total repayments to 30th June, 1965, to £25,634,552.

Principal assets of the Commission at 30th June were:—

	£	£
Estates purchased and developed and in respect of which settlers have not yet received interim leases		192,474
Land and Improvements held by settlers under—		
(a) Purchase Lease	19,962,175	
(b) Interim Lease	1,797,360	
		21,759,535
Advances to finance single unit farms		5,169,721
Advances to effect improvements and for purchase of stock, &c.		141,879
Unpaid balances under Contracts of Sale		234,605
Buildings and Working Plant at cost less Depreciation		38,742

In addition to the assets listed above, there is another item of substantial size in the Commission's books. The amount of this item, £942,977, purports to be the sum due from the Commonwealth Government for the balance of its share of excess costs. In this connexion, it should be explained that the basis of the Commonwealth contribution towards excess costs incurred in writing down settlers' liabilities was determined in accordance with an arrangement made on 11th July, 1952. This arrangement was to apply to interim claims but there was an understanding that the Commonwealth would review the basis of its contribution on the submission of final claims. Although this review has been requested on several occasions in the past, the Commonwealth's acknowledgment of the balance shown above has not yet been signified.

In respect of Soldier Settlement, the Commission's Profit and Loss account for 1964-65 shows:—

<i>Expenditure—</i>	£	£	£
Interest	1,610,900		
Interest Capitalized written back	59,138		
	—————	1,670,038	
<i>Less</i> Interest transferred and borne by the State		492,359	
		—————	
		1,177,679	
Administrative Costs		122,081	
Shire Rates		32	
Rents and Interest remitted	440		
<i>Less</i> Commonwealth share	220		
		—————	
		220	
Provision for Long Service Leave		2,477	
Provision for Superannuation		11,952	
		—————	
			1,314,441
<i>Income—</i>			
Interest earned		567,882	
Rents, Fees and Sundries		5,921	
Contribution by Commonwealth—account Shire Rates		2,294	
		—————	
			576,097
Deficit for 1964-65			—————
			738,344

The total accumulated deficit to 30th June, 1965, amounted to £8,921,614. This deficit is almost wholly caused by remissions of rent and interest, the difference between the concessional rate of interest at 2 per cent. charged to settlers as fixed by the Act and the current rates payable on Government loans, the costs and expenses of raising the loans and the cost of administration of the scheme. The aggregate concessions thus granted towards the settlement of discharged servicemen by this State to the 30th June, 1965, have been calculated by the Commission to be £9,494,664.

In addition to land settlement, the Soldier Settlement Commission did, by agreement with the Commonwealth Director of War Service Land Settlement, undertake the administration of re-establishment loans under the *Commonwealth Re-establishment and Employment Act* 1945, while, from 1st July, 1946, the administration of agricultural allowances under the same Act was taken over from the Repatriation Commission. Expenditure incurred in respect of these functions is being reimbursed from time to time by the Commonwealth.

LAND SETTLEMENT ACT 1959.

The *Land Settlement Act* 1959 provided for the application from Loan Fund of amounts not exceeding, in the aggregate, £10,000,000 for a land settlement scheme which was to be open, in terms of the Act, to applications by all adult British subjects.

From its inception in 1959-60 to the close of the year under review, a sum of £9,221,473 has been allocated for the purposes of the scheme.

According to the books of the Commission, the Commission's loan liability on account of land settlement, as at 30th June, 1965, was £8,437,029—a reduction of £784,444. This reduction was the result of—

- (i) repayments to Loan Fund Credit Account amounting to £436,014 ; and
- (ii) amounts transferred and borne by the State pursuant to Section 41 of the Act totalling £348,430.

Assets of the Commission at 30th June were:—

	£	£
Estates purchased and developed not yet disposed of .. .. .	..	7,620,510
Unpaid balances under Contracts of Sale .. .. .	..	10,172
Land and improvements held under purchase lease—Division 4 .. .. .	..	1,173,269
Advances to Settlers—Division 6 .. .. .	..	203,487
Other assets—		
Buildings and working plant at cost <i>less</i> depreciation	403,007	
Plant, materials and services not yet allocated	58,109	
		<u>461,116</u>
		<u>9,468,554</u>

The Profit and Loss Account for the period ended 30th June, 1965, excluding livestock transactions, shows:—

	£	£
<i>Expenditure—</i>		
Interest and Loan-raising Expenses .. .. .	..	380,271
<i>Less</i> Interest Capitalized	311,630	
,, Interest transferred and borne by the State under Section 41	9,969	
		<u>321,599</u>
		58,672
Administrative Costs .. .. .	..	74,123
Provision for Long Service Leave .. .. .	..	1,504
Provision for Superannuation .. .. .	..	7,258
Shire Rates .. .. .	..	3,992
		<u>145,549</u>
<i>Income—</i>		
Interest earned, agistment, &c. .. .. .	..	109,933
Deficit at 30th June, 1965 .. .. .	..	35,616
		<u>145,549</u>

The accumulated deficit to 30th June, 1965, before taking into account profits from livestock trading, amounted to £457,583. This deficit is almost wholly caused by remissions of rent and interest, the difference between the concessional rate of interest at 4 per cent. charged to settlers as fixed by the Act and the current rates payable on Government loans, the costs and expenses of raising the loans and the cost of administration of the scheme.

During the year, trading in livestock showed a profit of £26,339, increasing accumulated profit from this activity to £131,512 at 30th June, 1965.

RURAL FINANCE AND SETTLEMENT INSURANCE FUND.

The Rural Finance and Settlement Insurance Fund was established pursuant to the provisions of Section 29 of the *Rural Finance and Settlement Commission Act 1961*, as amended.

The income and expenditure of the Fund for the year are shown below:—

	£	£
<i>Income—</i>		
Balance at 1st July, 1964	682,502	
<i>Less—</i> Transfer of surplus to Rural Finance and Settlement Fund	182,502	
		<u>500,000</u>
Premiums Raised 1964–65 .. .. .	..	92,016
Interest on Investments .. .. .	..	23,810
		<u>615,826</u>
<i>Expenditure—</i>		
Claims outstanding at 1st July, 1964, met in 1964–65	12,676	
Current Claims admitted—1964–65	21,429	
		<u>34,105</u>
Administration Expenses .. .. .	..	5,975
Statutory contribution to Country Fire Authority .. .. .	..	7,793
		<u>47,873</u>
Balance at 30th June, 1965 .. .. .	..	<u>567,953</u>

THE STATE SUPERANNUATION BOARD.

The Superannuation Fund.—The State Superannuation Board is responsible, under the provisions of the *Superannuation Act 1958*, for the administration of the Fund, from which are provided, on a contributory basis, retiring benefits for the Public and Teaching Services, the employees of the Railways and certain statutory bodies and, in terms of the *Superannuation Act 1963*, for certain members of the Police Force.

In consideration of the transfer of certain members of the Police Force from the Police Pensions scheme to the State Superannuation scheme, the *Superannuation Act 1963* authorized the transfer from the Police Pensions Fund to the State Superannuation Fund, of such moneys and securities (if any) as are certified by the Government Statist to be appropriate in all the circumstances. As at 30th June, 1965, no such transfer had been made.

The receipts and disbursements for the current year, compared with those for the two previous years, are summarized below :—

—	Year Ended 30th June, 1963.	Year Ended 30th June, 1964.	Year Ended 30th June, 1965.
<i>Receipts.</i>	£	£	£
Balance (including Investments)	38,637,255	41,970,187	45,086,430
Contributions from Officers (Net)	2,666,444	2,957,471	3,377,071
Contributions from Consolidated Revenue	4,403,457	4,657,857	4,947,397
Interest	2,019,160	2,207,698	2,400,759
Underwriting Commission	13,750	7,406	7,837
Reserve Units Account (Net) .. .. .	..	9,814	64,651
Assurance Premiums (Net) .. .. .	..	243	..
	47,740,066	51,810,676	55,884,145
<i>Disbursements.</i>			
Pensions	5,735,831	6,093,021	6,503,015
Retrenchments .. .. .	..	..	6,189
Assurance Premiums (Net)	639	..	14
Lump Sum Payments (Limited Contributors)	1,159	2,366	677
Interest on Advance from State Treasury	32,250	28,859	..
Repayment of Advance from State Treasury .. .. .	..	600,000	..
	5,769,879	6,724,246	6,509,895
The Balance was	41,970,187	45,086,430	49,374,250
Of which there was invested	*41,969,723	*45,009,786	*49,365,316
Leaving a cash balance of.. .. .	464	76,644	8,934

* Face value of Investments { 1962-63 £41,795,171.
1963-64 £44,802,534.
1964-65 £49,153,064.

Receipts for the year exceeded disbursements by £4,287,820. Net investments during the year amounted to £4,355,530, and the cash balance at the close of the year was £8,934.

Explanations of the major variations indicated in the preceding statement are given below :—

Contributions from Officers.—The increase of £419,600 under this head was a net figure. Actually, gross contributions rose by £500,191 and refunds of contributions by £80,591. The gross increase was largely accounted for by the increase of £278,615 in contributions from “electing members” of the Police Force.

Contributions from Consolidated Revenue.—The rise of £289,540 in these contributions represented the increase in the Government recoup commensurate with the increase in the aggregate amount of pensions paid in the year. It is of interest to note that this amount included the sum of £40,861 on account of pensions of certain members and ex-members of the Police Force in terms of the *Superannuation Act 1963*.

Interest.—All funds held by the Board in excess of current requirements for the payment of pensions and refunds of contributions, &c., are invested in authorized securities. Investments were increased by £3,040,063 in 1963–64 and a further sum of £4,355,530 was invested during 1964–65. These substantial additional investments mainly accounted for the increase of £193,061 in interest earned by the Fund during 1964–65.

Married Women Teachers' Pensions Fund.—The *Teaching Service Act 1958* provides that any woman in permanent employment in the teaching service who marries may elect to continue in permanent employment and, further, that any married woman who has at any time been in the employment of the teaching service, or of any other teaching service approved by the Tribunal, may apply to the Tribunal for appointment to permanent employment in the teaching service.

Married women are not entitled to become or remain contributors to the State Superannuation Fund but may elect to become contributors to the Married Women Teachers' Pensions Fund. To provide retirement benefits by way of pensions or, under certain circumstances, lump sum payments, this Fund has been established on a contributory basis. Contributors, through the medium of deductions from salary, pay into the Fund a sum equal to 5 per cent. of their respective salaries and the State, at the end of each financial year, pays into the Fund from Consolidated Revenue an amount equal to the total of all contributions paid by contributors in that year.

The Superannuation Board which administers the scheme may invest the Fund in any securities in which the Superannuation Fund may be invested.

A summary of the transactions for the year is given hereunder.

	£	£
Balance brought forward (including investments) .. .. .	..	220,618
Receipts—		
Contributions from Teachers .. .. .	..	19,307
Contribution from Consolidated Revenue .. .. .	..	19,239
Interest on Investments .. .. .	..	11,777
Profit on Redemption of Investments .. .. .	..	114
		<hr/>
Funds Available .. .. .	..	271,055
		<hr/>
Payments—		
Pensions .. .. .	..	490
Contributions Refunded—		
Teachers .. .. .	..	1,288
Consolidated Revenue .. .. .	..	1,177
		<hr/>
Lump Sum Payment .. .. .	..	912
Interest on Contributions Refunded .. .. .	..	328
		<hr/>
Total Payments .. .. .	..	4,195
		<hr/>
Leaving a Balance of .. .. .	..	266,860
Of which was Invested .. .. .	..	*266,848
		<hr/>
Leaving a Cash Balance of .. .. .	..	12
		<hr/>

* Face value of Investments, £267,050.

VICTORIAN INLAND MEAT AUTHORITY.

The audit of the accounts of the Authority for the year ended 30th June, 1965, is in course, and the figures given below are subject to the completion thereof.

Transactions for 1964-65 resulted in a profit of £54,321 after providing £7,100 for long service leave, as compared with a profit of £51,068 in 1963-64. A summarized statement of trading operations for the two years is as follows:—

1963-64.		REVENUE.								1964-65.	
£	Sales—									£	
1,045,943	Meat, Offal and By-products .. .. .	..	..	..	..	..	..	..	..	1,315,185	
83,214	Hides, Skins and Wool .. .. .	..	..	..	..	..	..	..	..	74,561	
537,337	Storage, Treatment and General Receipts .. .. .	..	..	..	..	..	..	..	..	579,131	
33,227	Stock Increase .. .. .	..	..	..	..	..	..	..	..	..
<hr/>											
1,699,721										1,968,877	
2,358	Interest on Investments .. .. .	..	..	..	..	..	..	..	..	682	
<hr/>											
1,702,079										1,969,559	
<hr/>											
1963-64.		EXPENDITURE.								1964-65.	
725,275	Purchases of Livestock and Meat .. .. .	..	..	..	..	..	..	..	..	743,046	
775,908	Working Expenses—Wages, Fuel, Freight, Stores, &c. .. .. .	..	..	..	..	..	..	..	..	939,219	
56,691	General Expenses—Rent, Rates, Pay-roll Tax, &c. .. .. .	..	..	..	..	..	..	..	..	78,846	
26,722	Administration—Head Office, Salaries, &c. .. .. .	..	..	..	..	..	..	..	..	31,655	
27,094	Depreciation .. .. .	..	..	..	..	..	..	..	..	29,084	
..	Stock Decrease .. .. .	..	..	..	..	..	..	..	..	52,567	
<hr/>											
1,611,690										1,874,417	
33,721	Interest—Treasurer of Victoria .. .. .	..	..	..	..	..	..	..	..	33,721	
5,600	Provision for Long Service Leave .. .. .	..	..	..	..	..	..	..	..	7,100	
51,068	Profit .. .. .	..	..	..	..	..	..	..	..	*54,321	
<hr/>											
1,702,079										1,969,559	
<hr/>											

* Of this amount, the sum of £80,000 was appropriated to Reserves.

Variations in balance-sheet items over the past three years may be seen in the summary hereunder :—

	At 30th June—		
	1963.	1964.	1965.
	£	£	£
Current Liabilities	168,872	168,021	239,910
Loan for Fixed Assets	681,075	681,075	801,075
Capital	290,034	290,034	290,034
Reserves	42,088	45,553	77,683
Accumulated Profit .. .. .	..	868	25,189
	1,182,069	1,185,551	1,433,891
Current Assets	186,405	229,408	157,249
Fixed Assets <i>less</i> Depreciation	945,464	956,143	1,276,642
Accumulated Loss	50,200	..	..
	1,182,069	1,185,551	1,433,891

The State has provided working capital for the Authority and to 30th June, 1965, the total advanced for this purpose was £112,499.

Reference was made in previous reports to the temporary financial accommodation provided by the Commonwealth Bank on the security of the current assets of the Authority and a Government guarantee limited to £50,000. It was necessary again in 1964–65 for the Authority to obtain temporary finance under this arrangement.

The *Victorian Inland Meat Authority (Amendment) Act 1965*, extended the limit of advances by the Treasurer of Victoria from £700,000 to £1,400,000.

Additional advances totalling £120,000 were made by the State to the Authority for capital works. With this addition, the Authority's loan liability on account of fixed assets was increased to £801,075 as at the close of the year.

MARKETING BOARDS.

The *Marketing of Primary Products Act* 1958 provides the machinery under which Boards may be constituted for the marketing of those primary products which, by proclamation of the Governor in Council, have been declared commodities under and for the purposes of the Act.

The legislation specifically provides that a Board so constituted shall not be deemed to represent the Crown for any purpose whatsoever, and thus no liability can accrue to the State as a result of the transactions of any such Board.

Five Boards, namely the Chicory, Egg and Egg Pulp, Maize, Onion and Tobacco Leaf Marketing Boards are actively operating under the Act. On the other hand, it is expected that the Seed Beans Marketing Board, which virtually ceased operations some time ago, will shortly be wound up. By statutory direction the accounts of these Boards are subject to my audit and comments on and summaries of the accounts, with the exception of those of the Seed Beans Marketing Board, follow:—

Chicory Marketing Board.

The accounts for the last complete pool period, that ended on 31st March, 1965, have been audited. The operation of this and the two previous pools and the financial position of the Board as at 31st March, 1965, are embodied in the following summary of the Board's affairs.

The Board's assets were:—

	£	£
Sundry Debtors	493	
Income accrued due	24	
Stock of seed and stencils on hand	25	
Plant (at cost less depreciation)	256	
Cash at Bank	6,659	
	7,457	7,457

Against these assets the pool balances and liabilities were:—

	Pools.				
	1962.	1963.	1964.		
	£	£	£		
Proceeds of Sales	36,669	37,314	348		
Deduct expenses	4,655	7,163	49		
	32,014	30,151	299		
<i>Plus</i> Stock on Hand	Nil	Nil	Nil		
	32,014	30,151	299		
<i>Less</i> Paid to growers	32,014	28,243	299		
	..	Cr. 1,908	..	Cr.	1,908
Sundry Creditors					107
					2,015
As at 31st March, 1965, there was an excess of assets over liabilities of ..					5,442

Egg and Egg Pulp Marketing Board.

This Board administers the marketing of eggs in Victoria. Some of the "floors" through which eggs are received are owned by the Board and others are operated on its behalf by agents. The Board carries on pulping operations in its own factories.

The audit of the accounts of the Board in respect of the pool period ended 3rd July, 1965, has been completed. It should be pointed out that the figures in my previous report relating to the pool year ended 4th July, 1964, were published prior to the completion of audit. Subsequently, certain amendments were found to be necessary and the accounts for 1963-64 were adjusted accordingly.

The operations of the pools during the accounting periods for 1963-64 and 1964-65 were:—

1963-64.				1964-65.	
£		£		£	£
5,826,021	Advances to Producers (Current production)	5,727,563			
49,021	Purchases of Eggs and Pulp from other sources	3,764			
<u>5,875,042</u>		<u>5,731,327</u>			
<i>Less Producers' Contributions on Account of—</i>					
422,012	Pool Expenses	651,788			
369,655	Grading and Selling Expenses	414,724			
79,418	Dockage	109,747			
<u>871,085</u>		<u>1,176,259</u>			
<u>5,003,957</u>	Net Advances to Producers				4,555,068
<i>Disposal of Eggs—</i>					
5,033,939	Sold in Shell on Local Market	4,678,047			
152,459	Sold in Shell on Overseas Market	96,581			
128,237	Sold in Shell on Interstate and Other Markets	162,819			
570,625	Converted to Pulp and Sold	661,088			
20,255	Increase in Stock in Hand .. .. .	..		
<u>5,905,515</u>		<u>5,598,535</u>			
..	Decrease in Stock in hand	13,545			
<u>5,905,515</u>	Total Value of Disposals	<u>5,584,990</u>			
<i>Less Expenses—</i>					
914,611	Grading, Selling, Manufacturing and Administrative Costs	988,969			
<u>4,990,904</u>	Net Proceeds of Pool				4,596,021
..	Excess of Proceeds over Advances to Producers				40,953
<u>13,053</u>	Excess of Advances to Producers over Proceeds .. .. .				..

The following is a statement of the Board's balances at 3rd July, 1965. Comparative figures at the end of the preceding pool period are also given.

The Board's Funds were—

4.7.1964.		3.7.1965.	
£		£	£
216,757	Reserve Fund .. .. .	..	182,022
234,065	Surplus Distribution 1947-48 (<i>ex</i> Commonwealth) .. .. .	..	234,065
<i>Undistributed Pool Balances—</i>			
2,281	1960-61 .. .. .	..	..
18,483	1962-63 .. .. .	..	..
..	1964-65	40,953	..
<u>471,586</u>		<u>40,953</u>	40,953
			<u>457,040</u>
31,734	<i>Less Pool Deficits—</i> 1961-62 .. .. .	..	..
13,053	1963-64 .. .. .	..	..
<u>44,787</u>			..
<u>426,799</u>			<u>457,040</u>

Represented by—

4.7.1964 £		3.7.1965 £	£
	<i>Current Assets—</i>		
126	Cash on Hand and at Bank		240
	<i>Stocks on Hand—</i>		
154,750	Eggs and Egg Products at valuation	141,206*	
32,791	Packing materials at valuation	23,023	
4,061	Supplies at cost or valuation	5,865	
<u>191,602</u>			<u>170,094</u>
170,444	Debtors	208,306	
1,697	Less Provision for Doubtful Debts	5,736	
<u>168,747</u>			<u>202,570</u>
<u>360,475</u>			<u>372,904</u>
	<i>Less Current Liabilities—</i>		
137,695	Creditors	140,820	
172,284	Reserve Bank of Australia	165,533	
3,697	Provision for Long Service Leave	12,165	
<u>313,676</u>			<u>318,518</u>
<u>46,799</u>	Working Capital		<u>54,386</u>
	<i>Fixed Assets—</i>		
67,598	Freehold Properties	66,246	
152,392	Leasehold Properties	149,385	
72,111	Plant and Equipment	161,054	
10,502	Motor Vehicles	11,831	
10,690	Office Machinery and Equipment	14,138	
66,707	Plant under Construction (cost to date) .. .. .	..
<u>380,000</u>			<u>402,654</u>
<u>426,799</u>			<u>457,040</u>

* Includes an amount of £25,698 in respect of 474,432 pounds weight of pulp which was valued at the equivalent of the lowest anticipated net export return per pound but which, subsequent to the close of the year, was sold on the domestic market at current local prices.

Maize Marketing Board.

A summary of the financial operations of the Board for the accounting period ended 14th May, 1965, is as follows:—

Total number of bushels marketed	120,630
	£
Gross proceeds of sales	93,321
Freight, Commission, &c.	12,828
Administration expenses	2,592
Amount paid to growers	77,714
Taken to Reserve	187
	<u>93,321</u>

Onion Marketing Board.

The audit of the final accounts in respect of the last complete pool period, that ended on 15th November, 1964, is in course. Subject to the completion thereof, details of the operations in this and the previous pool period are:—

	Pool.	
	1963.	1964.
	tons.	tons.
Total Onions acquired	18,484	11,273
	£	£
Proceeds from sales	448,792	428,949
Administration and marketing expenses	34,555	26,131
Payments to growers	411,591	394,769

The average return per ton to the growers was £22 5s. in 1963 and £35 in 1964.

Tobacco Leaf Marketing Board.

A summary of the financial operations of the Board for its first accounting period, viz., from 22nd April, 1964, to 31st March, 1965, is set out hereunder:—

	£	£
Gross proceeds from 1964 sales of tobacco leaf		6,536,120
<i>Applied to</i> —Brokers' Commission	114,386	
Freight	32,517	
Receiving and Warehousing Charges	28,236	
Commonwealth Tax Levy	27,821	
Growers' Liens, Orders, &c.	352,403	
Other expenses	11,309	
Marketing Board charge	101,312	
Net proceeds to growers	5,868,136	6,536,120

The Board's charge of £101,312 against the sales proceeds, together with other income of £227, was expended as shown hereunder:—

	£	£
Administration expenses	2,181	
Travelling expenses	4,388	
Crop Insurance premium	24,510	
Marketing Commission paid to Victorian Tobacco Growers' Association	49,021	
General expenses	7,523	
Balance	13,916	101,539

The Board's balances as at 31st March, 1965, are summarized hereunder:—

<i>Assets</i> —	£
Cash	13,854
Sundry Debtors	136
Office Machines and Furniture	592
	<u>14,582</u>
<i>Liabilities</i> —	
Accumulated Fund	13,916
Sundry Creditors	666
	<u>14,582</u>

ACKNOWLEDGMENT.

I wish to record my appreciation of the helpful co-operation which the members and staff of the several Authorities referred to herein have accorded me in the discharge of my duties over the whole period of my tenure of office. Also, I desire to extend my thanks to the Government Printer and his staff who, on all occasions over that period, have so kindly responded to my requests for the prompt printing of my annual reports to the Legislative Assembly.

R. W. GILLARD,
Auditor-General.

Melbourne, 5th November, 1965.