

1966
—
VICTORIA

SUPPLEMENTARY REPORT

OF THE

AUDITOR-GENERAL

FOR THE YEAR ENDED

30th JUNE, 1966

Ordered by the Legislative Assembly to be printed 30th November, 1966.

By Authority:

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REPORT OF THE AUDITOR-GENERAL OF VICTORIA

SUPPLEMENTAL TO THE REPORT PRESENTED ON 8TH NOVEMBER, 1966, IN RELATION TO THE TREASURER'S STATEMENT OF THE FINANCES FOR THE YEAR ENDED 30TH JUNE, 1966.

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.

On 14th February, 1966, decimal currency came into effect. Therefore, all financial amounts in this report are expressed in dollar currency. To facilitate comparison, all amounts shown in respect of previous years or quoted from statutes operative before 14th February, 1966, have been converted to decimal currency.

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 in respect of the year 1965-66 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, 1966, amounted to \$1,692,900.

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

1964-65.		1965-66.	
\$		\$	
1,340,405	Medical Departments	1,438,453	
118,878	Catering	123,938	
93,983	Housekeeping	90,923	
91,000	Engineer's Department	90,320	
..	General Services†	40,587	
50,025	Transport	56,078	
45,886	Laundry	44,203	
219,597	Administration	235,716	
391	Miscellaneous	225	
<u>1,960,165*</u>		<u>2,120,443*</u>	

The revenue for the past two years was :—

\$		\$	
1,600,000	Government Grant	1,692,900	
1,696	Donations	1,082	
41,688	Charges for Treatment of Doctors' Private Patients	55,764	
59,086	Pharmaceutical Benefits	66,602	
42,433	Hospital Benefits	37,593	
208,614	Patients' Fees	222,224	
19,176	Home Nursing Subsidy	20,315	
10,999	Miscellaneous	8,119	
<u>1,983,692*</u>		<u>2,104,599*</u>	

* Excludes Tasmanian Services.

† The item "General Services" is shown as a separate item in the accounts for the first time in 1965-66.

The following abridged balance-sheets set out the financial position of the Institute as at 30th June, 1965 and 1966 :—

30.6.1965.		30.6.1966.	
\$		\$	\$
	Current Liabilities—		
90,514*	Creditors		110,807†
	Funds—		
94,088	Maintenance Fund	71,814	
249,153	Other Funds (including various bequests)	227,701	
		<u>299,515</u>	
	Capital—		
3,921,562	Loan Fund—Act No. 6213	4,147,836	
367,805	Queen Victoria Hospital, donors, &c.	415,011	
<u>4,723,122</u>		<u>4,562,847</u>	
		<u>4,973,169</u>	

* Includes \$1,802 due to Tasmanian Government.

† Includes \$2,684 due to Tasmanian Government.

30.6.1965.		30.6.1966.	
\$		\$	\$
	Current Assets—		
107,039	Cash at Bank	132,912	
82,160	Debtors and Prepayments	79,148	
46,123	Stores and Materials on Hand	48,916	
		<u>260,976</u>	
	Investments—		
228,075	Research Fund	206,254	
21,830	Other Funds	22,443	
		<u>228,697</u>	
	Fixed Assets at cost—		
3,045,152	Buildings and Improvements	3,143,257	
35,955	Motor Cars	38,321	
66,725	Furniture and Furnishings	69,936	
1,090,063	Equipment	1,231,982	
<u>4,723,122</u>		<u>4,483,496</u>	
		<u>4,973,169</u>	

As shown above, the balance at credit of the Maintenance Fund was reduced from \$94,088 to \$71,814. This reduction was the result of writing off plant and equipment, \$13,530, and setting off the deficit for the year, \$15,844, against credits of \$101,188. This latter amount comprised the balance of the Maintenance Fund brought forward, \$94,088, and a sundry credit of \$7,100.

COAL MINE WORKERS PENSIONS TRIBUNAL.

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

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

		INCOME.							
1964-65.	\$							1965-66.	
								\$	\$
		Contributions—Acts Nos. 6221/6622—							
65,014	Government	..	..	..	..	..	..	65,539	
65,014	Mine Owners	..	..	..	..	..	..	65,539	
9,972	Mine Workers	..	..	..	..	..	..	8,922	
<u>140,000</u>								<u>140,000</u>	
52,594	Interest on Investments	..	..	..	..	..	..	..	52,839
<u>192,594</u>								<u>192,839</u>	
		EXPENDITURE.							
167,090	Pensions	..	..	..	..	..	..	..	155,520
4,536	Refunds of Contributions	..	..	..	..	..	..	..	2,074
6,984	Administration	..	..	..	..	..	..	..	7,502
<u>178,610</u>									<u>165,096</u>
13,984	Surplus for year	..	..	..	..	..	..	..	27,743
<u>13,984</u>									<u>27,743</u>

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

30.6.1965.							30.6.1966.		
\$							\$	\$	
<u>1,041,978</u>	Accumulated Funds	..	..	..	..	..	..	<u>1,069,721</u>	
		Represented by—							
23,374	Current Assets <i>less</i> Liabilities	..	..	..	..	..	..	..	42,101
604	Fixed Assets	..	..	..	..	..	..	..	620
1,018,000	Investments at cost..	..	..	..	..	..	..	..	1,027,000
<u>1,041,978</u>								<u>1,069,721</u>	

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 enable the determination of total contributions from these sources, the Authority is required to prepare annually an estimate of expenditure, which is subject to the approval of the Governor in Council. The estimate of total expenditure approved for the year ended 30th June, 1966, was \$2,081,444 from which was deducted \$8,534, the surplus of receipts over expenditure carried forward from the year ended 30th June, 1965, leaving net estimated expenditure of \$2,072,910. This was the amount received during the year from the contributors. Actual expenditure for the year exceeded the estimate of total expenditure by \$61,087, but miscellaneous receipts, \$78,427, including refunds, more than offset the excess, leaving a surplus of \$17,340 to be carried forward to the next year.

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

—	1962-63.	1963-64.	1964-65.	1965-66.
<i>Receipts.</i>	\$	\$	\$	\$
Surplus from previous year	20,308	29,286	19,578	8,534
Statutory contributions	1,466,144	1,567,326	1,704,534	2,072,910
Other receipts	78,800	68,914	73,470	78,427
	1,565,252	1,665,526	1,797,582	2,159,871
<i>Payments.</i>				
Salaries, wages and maintenance	905,838	1,011,382	1,085,538	1,324,269
Loan repayments	110,482	117,428	126,134	139,005
Loan interest	78,866	81,378	87,902	91,797
Land, buildings, rolling-stock and equipment	130,582	103,954	113,028	124,301
Motor replacement fund	134,868	153,492	167,682	183,704
Compensation fund	20,000	20,000	20,000	30,000
Other payments	155,330	158,314	188,764	249,455
Surplus carried forward to next year ..	29,286	19,578	8,534	17,340
	1,565,252	1,665,526	1,797,582	2,159,871

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

30.6.1965.		\$	30.6.1966.	\$	\$
	Source of Funds—				
	<i>External—</i>				
1,719,320	Loan Liability	1,870,316			
131,900	Less unexpended	1,262			
		<hr/>	1,869,054		
1,587,420	*New Headquarters Building Account .. .. .	..	243,381		
			<hr/>	2,112,435	
	<i>Internal—</i>				
	Excess of assets over liabilities transferred from Country Fire Brigades Board .. .. .	..	276,271		
276,271	Income and Expenditure Account—accumulated balance .. .. .	..	1,571,126		
1,388,744	Reserves .. .. .	..	2,317,332		
2,068,503	Funds	993,976			
	Less invested on account of Compensation, Superannuation and other Trust purposes	877,265			
		<hr/>	116,711		
172,954					
3,906,472					4,281,440
5,493,892					<hr/>
					6,393,875
	Represented by—				
	<i>Current Assets—</i>				
8,534	Cash .. .. .	..	17,340		
37,416	Sundry Debtors .. .. .	..	43,579		
117,910	Stocks—including uniforms issued .. .. .	..	127,988		
			<hr/>	188,907	
163,860					
	<i>Less—</i>				
	<i>Current Liabilities—</i>				
57,360	Sundry Creditors .. .. .	..	66,916		
			<hr/>	121,991	
106,500					
	<i>Investments—</i>				
172,954	Motor Replacement and Sale of Property Funds.. .. .	..		116,711	
	<i>Fixed Assets—</i>				
275,806	Land .. .. .	..	289,258		
1,539,866	Buildings .. .. .	..	2,105,333		
2,928,792	Rolling-stock .. .. .	..	3,274,060		
454,156	Plant and Machinery .. .. .	..	454,420		
15,818	Other .. .. .	..	32,102		
			<hr/>	6,155,173	
5,214,438					
5,493,892					<hr/>
					6,393,875

* Cash balances which are included in the general and specific funds have been set off against this account, resulting in a net liability to the Bank of \$114,226 at 30th June, 1966.

ELECTRICITY COMMISSION.

The net income for the year, as shown in the Commission's Revenue Account, was \$3,694,469 compared with \$4,056,354 in 1964-65.

Factors which affected the year's result included—

- (i) an increase of \$12,373,057 from sales of electricity. Although the rate of growth of sales in 1965-66 was not as great as expected, due mainly to a lower level of activity in certain industries, income under this head benefited from increases involved in the operation for a full year of the State-wide standard tariffs introduced as from 1st January, 1965 ;
- (ii) after review, the basis of calculation of depreciation was varied, as from 1st July, 1965, by the adoption of the "remaining life" principle applied to generally shorter pre-assessed lives of fixed assets. This change had the effect of increasing the annual depreciation charge on existing assets by \$5,410,000. Included in the total depreciation charges was an amount of \$3,000,000 as a further special provision for accelerated depreciation of peak load steam power stations ;
- (iii) a special provision of \$5,000,000 by way of additional depreciation of the briquette factories at Morwell and Yallourn as compared with \$2,000,000 in the previous financial year ;
- (iv) an increase of \$2,761,668 in net interest charges ; and
- (v) increased costs of salaries, wages and associated charges.

The financial operations and results for the past two years are disclosed in the Revenue Accounts hereunder :—

1964-65.		1965-66.
\$		\$
157,435,266	Operating Income	169,548,000
111,222,948	Operating Expenditure	119,855,114
46,212,318	Excess of Operating Income over Operating Expenditure ..	49,692,886
50,320	Add—Miscellaneous Income	101,668
46,262,638		49,794,554
	Deduct—	
36,307,580	Interest	39,069,248
447,362	Loan Flotation Expenses	896,247
899,794	Miscellaneous Expenditure	884,590
2,551,548	Deferred Interest and other Expenditure on Works Under Construction Written Off .. .. .	..
	Unamortized Loan Flotation Expenses Written Off ..	250,000
2,000,000	Additional Depreciation of Briquette Factories ..	5,000,000
42,206,284		46,100,085
4,056,354	Balance of Income for Capital Works and Appropriations ..	3,694,469
	Appropriations—	
475,044	Consolidated Revenue of Victoria—Statutory transfer on Brown Coal Production	526,675
2,000,000	Contingency and General Reserve	2,000,000
1,581,310	Income Retained for Capital Works	1,167,794
4,056,354		3,694,469

The increase in Loan Flotation Expenses over the previous year was caused mainly by increased underwriting and brokerage charges, and the flotation of five public loans in 1965-66 compared with two in 1964-65.

After the allocation of relevant operating expense and overhead (including normal depreciation, interest and loan flotation expense), the preceding summary may be re-stated as follows to show sectional results for the year 1965-66 compared with the previous year :—

1964-65.		1965-66.	
\$		\$	
13,254,760	Profit on Electricity Supply	11,668,834	
79,864	Profit on Brown Coal Sales (Yallourn North)	99,690	
		<hr/>	11,768,524
1,294,628	Loss on Briquetting	1,587,196	
431,828	Loss on Tramways	453,937	
		<hr/>	2,041,133
<hr/>			<hr/>
11,608,168			9,727,391
	<i>Less—</i>		
3,000,266	Excess of Miscellaneous Expenditure over Income	782,922	
2,551,548	Deferred Interest and other Expenditure on Works under Construction Written Off		
	Unamortised Loan Flotation Expenses Written Off	250,000	
2,000,000	Special Depreciation of Briquette Factories	5,000,000	
		<hr/>	
7,551,814			6,032,922
<hr/>			<hr/>
4,056,354	Income in excess of Expenditure for year		3,694,469
<hr/>			<hr/>

In 1964-65, interest during construction, \$2,150,792, was included in the item "Excess of Miscellaneous Expenditure over Income" above. In 1965-66, such interest was not treated by the Commission as a separate item of expenditure but was charged to the appropriate operations. As a consequence, the sectional results set out above under 1965-66 are not wholly comparable with those under 1964-65. The comparison is affected by the amounts for interest during construction which have been charged into the 1965-66 accounts before the above-stated profits or losses, as the case may be, were calculated.

Further explanations relating to the operations and business results of each of the above-mentioned activities are given as follows :—

Electricity Supply—(Profit \$11,668,834). Operational statements of this department for the past three years show :—

	1963-64.	1964-65.	1965-66.
	\$	\$	\$
Sales—			
Domestic	39,286,846	43,454,830	47,705,455
Commercial and General	18,556,742	20,597,446	22,729,513
Industrial.. .. .	35,586,568	40,916,898	43,887,846
Traction	3,995,706	3,977,442	3,977,993
Bulk Supplies	28,070,254	31,993,044	35,529,757
Public Lighting and Unread Meters	2,323,210	2,995,102	2,477,255
	<hr/>	<hr/>	<hr/>
	127,819,326	143,934,762	156,307,819
	<hr/>	<hr/>	<hr/>
Operating Charges—			
Power Generation	64,729,686	67,731,566	77,624,877
Purchased Electricity	10,180,280	11,857,798	8,940,667
Transmission and Distribution	46,875,632	51,090,638	58,073,441
	<hr/>	<hr/>	<hr/>
	121,785,598	130,680,002	144,638,985
	<hr/>	<hr/>	<hr/>
Profit	6,033,728	13,254,760	11,668,834
	<hr/>	<hr/>	<hr/>

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

Branch.	1963-64.	1964-65.	1965-66.
	\$	\$	\$
Metropolitan	49,295,538	55,661,666	59,568,825
Mid-Western	2,759,046	2,721,332	2,934,141
Barwon	8,110,654	9,902,702	10,360,179
Northern	3,026,794	3,368,548	3,803,047
Eastern Metropolitan	15,623,402	18,018,460	20,039,178
Gippsland	6,775,576	7,301,086	7,681,749
Midland	1,737,676	1,849,412	1,985,224
Mallee	1,298,282	1,369,152	1,518,704
North-Eastern	6,761,284	7,284,306	8,096,517
South-Western	4,024,142	4,322,700	4,644,896
Wimmera	876,078	990,248	1,143,501
Kiewa	71,118	82,518	31,869
*Yallourn	189,968	..	..
Bulk Supplies—Metropolitan and other	100,549,558	112,872,130	121,807,830
	27,269,768	31,062,632	34,499,989
	127,819,326	143,934,762	156,307,819

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

Revenue of \$156,307,819 from sales of electricity during the year 1965-66 was an improvement of \$12,373,057 or 8.6 per cent. on sales revenue for the year 1964-65. The rate of growth was less than in the previous financial year when the increase of revenue from sales of electricity over the year 1963-64 was 12.6 per cent.

Operating charges in 1965-66 increased by \$13,958,983 or 10.07 per cent. over the figure for the previous financial year compared with an increase of 7.3 per cent. in 1964-65 over 1963-64. The main influences in the rate of increase of expenditure in 1965-66 were the higher depreciation rates and the charging of interest during construction to operations, both of which have been referred to previously. These factors were the main causes of the rise from 1.678c to 1.724c in the cost per kilowatt hour (kWh) sold.

Significant influences, other than mentioned previously, on the operating result of electricity supply included :—

- (i) an increase of 34,292 consumers in the year ;
- (ii) reduced annual increments in sales in the domestic, bulk supplies and industrial classes of consumers offset to some extent by a satisfactory sales increase in the commercial class ;
- (iii) the operation for a full year of Hazelwood Nos. 1 and 2 units with improving availability and lower cost per kWh ;
- (iv) increased costs per kWh of output from peak load thermal stations ; and
- (v) increased costs per kWh of output from hydro power stations.

The following comparative figures indicate the line losses of electricity in the course of transmission and distribution, the annual variation in the average kWh sold per consumer and the income per kWh sold :—

	1964-65.		1965-66.	
	Millions.	Millions.	Millions.	Millions.
Total kWh sent out from Power Stations and purchased		9059.851		9538.230
kWh sold—Victorian consumers	7877.617		8258.234	
—New South Wales (Interchange)	38.377		132.941	
—to Works	181.488	8097.482	183.845	8575.020
Average kWh sold per Consumer—			1964-65.	1965-66.
			kWh.	kWh.
Domestic			3,207	3,288
Commercial			8,132	8,683
Industrial			47,658	46,265
Income per kWh sold			1.826c	1.890c
Cost per kWh sold			1.678c	1.724c

Brown Coal Production and Distribution.—(Profit \$99,690). Coal won for the year amounted to 21,067,000 tons, almost all the increase of 2,065,000 tons over the output for 1964–65 being used for power production.

The summary which follows presents in comparative form the annual output obtained from the various open cuts for the past two years and, in parentheses, shows, in respect of each year, the production costs per ton.

	1964–65.	1965–66.
	Tons.	Tons.
Morwell	4,598,000 (\$1.52)	6,872,000 (\$1.20)
Yallourn	13,944,000 (\$0.78)	13,766,000 (\$0.81)
Yallourn North Extension	460,000 (\$1.53)	429,000 (\$1.41)
	<hr/>	<hr/>
	19,002,000	21,067,000
	<hr/>	<hr/>

Increased output from Morwell in 1965–66 resulted in reduced production costs per ton as compared with the previous year.

Distribution of the output was as follows :—

	1964–65.	1965–66.
	Tons.	Tons.
Power Production	12,813,000	14,934,000
Briquette Manufacture	5,766,000	5,705,000
Sales to Public	350,000	349,000
Sales to Gas and Fuel Corporation	73,000	79,000
	<hr/>	<hr/>
	19,002,000	21,067,000
	<hr/>	<hr/>

Operational statements of Yallourn North Extension Open Cut for the past two years are given hereunder :—

	1964–65.		1965–66.	
	\$	\$	\$	\$
Sales	745,994		722,134	
Operating Charges—				
Production	648,876		603,526	
Freight and Distribution	17,254		18,918	
	<hr/>	<hr/>	<hr/>	<hr/>
	666,130		622,444	
Profit	79,864		99,690	
	<hr/>	<hr/>	<hr/>	<hr/>

Portion of overburden removal costs, \$97,852, incurred in 1964–65 and charged to electricity operations in that year was, in 1965–66, included in brown coal production costs with a corresponding adjustment to electricity operations. This was referred to in the Report for the year 1964–65.

Briquetting.—(Loss \$1,587,196). Trading results for the past three years, excluding costs charged on internal transfers to works, are shown in the following statement :—

	1963–64.		1964–65.		1965–66.	
	\$	\$	\$	\$	\$	\$
Sales—						
Domestic	5,901,686		6,937,210		6,915,181	
Industrial	5,390,696		5,587,742		5,354,491	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	11,292,382		12,524,952		12,269,672	
Manufacturing Costs	8,115,222		8,888,980		8,875,563	
Distribution and Selling	4,441,084		4,930,600		4,981,305	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	12,556,306		13,819,580		13,856,868	
Loss		1,263,924		1,294,628		1,587,196
		<hr/>		<hr/>		<hr/>

The statement shows that income declined in 1965-66, compared with 1964-65. Quantity sales declined by 52,974 tons and the average industrial price was slightly lower, but a full year's effect was felt of the increase in the price of domestic briquettes as from 1st January, 1965. Increased expenditure resulted mainly from higher costs of coal, higher salaries and wages and increased expenses of promotion.

Last year, reference was made in the Report to decisions of the Commission to make a special depreciation provision of \$12,000,000 over five years and thereby reduce the remaining "depreciation lives" of the Morwell and Yallourn briquette factories. A special provision of \$5,000,000 shown as a separate item in the Revenue Account for 1965-66 followed a similar provision of \$2,000,000 in the 1964-65 accounts. The costs as shown in the preceding statement do not include these special provisions, but, as the allocation of interest charges is based on the depreciated value of assets, the \$2,000,000 additional depreciation provision in 1964-65 resulted in a lower charge for interest in 1965-66.

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

	1963-64. Tons.	1964-65. Tons.	1965-66. Tons.
Sales	1,180,065	1,259,458	1,206,484
Transferred to Works	729,380	631,303	634,970
Total Distribution	1,909,445	1,890,761	1,841,454
Losses—Deterioration, transit, &c.	12,123	522	3,738
Stock variation	—38,942	1,476	37,622
Production	1,882,626	1,892,759	1,882,814

Tramways.—(Loss \$453,937). Separate figures for the year in respect of operations at Ballarat and at Bendigo show :—

	Ballarat. \$	Bendigo. \$	Total. \$
Operating Charges	370,426	331,886	702,312
Traffic Receipts, &c.	152,559	95,816	248,375
Loss	217,867	236,070	453,937

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

	1963-64. \$	1964-65. \$	1965-66. \$
Expenditure—Operation	400,078	425,548	455,173
Maintenance	155,658	170,642	177,610
Administration, &c.	49,804	65,196	69,529
Income—Traffic Receipts, &c.	244,140	229,558	248,375
Loss	361,400	431,828	453,937
Number of Passengers carried	4,945,140	4,727,654	4,332,771
Number of Tram miles	839,595	827,940	830,428
Passengers per Tram mile	5.89	5.71	5.22
Expenses per Passenger	12.24c	13.99c	16.21c
Income per Passenger	4.93c	4.76c	5.73c

Compared with the previous year, revenue increased by \$18,817. As the number of passengers dropped by 394,883, or 8.4 per cent., the revenue increase was entirely due to a fares increase which operated from 1st October, 1965. Declining traffic and increasing costs are resulting in greater annual losses.

Accumulated losses on operations, including those of the Geelong system which was discontinued in March, 1956, amounted, at 30th June, 1966, to \$7,776,681 with an addition of \$351,526 on account of capital written off.

Depreciation.—Reference has been made earlier to the change in principle adopted as from 1st July, 1965, in fixing the annual charge for depreciation.

The following comparative statement shows depreciation charges for the past three years including special provisions made in respect of peak load steam power stations and briquette factories :—

	1963-64.	1964-65.	1965-66.
	\$	\$	\$
Normal provision—charged to operations ..	21,355,062	23,318,102	31,189,167
Special provision—charged to operations ..	5,900,000	4,000,000	3,000,000
Special provision deducted from net income from operations .. .. .	..	2,000,000	5,000,000
Indirect—charged to Fixed Assets	1,044,184	1,010,486	1,048,821
	<u>28,299,246</u>	<u>30,328,588</u>	<u>40,237,988</u>
Amortization—Development of Open Cuts—charged to operations	553,182	549,672	557,098
	<u>28,852,428</u>	<u>30,878,260</u>	<u>40,795,086</u>

The balance-sheet discloses that at 30th June, 1966, the provision for depreciation had increased by \$34,665,572 as compared with 30th June, 1965. This net increase is explained hereunder :—

	\$
Balance—30th June, 1965	192,025,068
Add Provision for year as per statement above	40,237,988
	<u>232,263,056</u>
Less Retirements and Adjustments	5,572,416
	<u>226,690,640</u>

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, 1966, these annual credits amounted to \$22,700,000 but, due to various amounts charged thereto, the balance of the “Special Provision” at 30th June, 1966, was \$21,235,468. This sum is included in the over-all balance of \$226,690,640 shown above.

Interest.—Compared with the previous year, there was a net increase of \$2,816,122 in this item.

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

	1963-64.	1964-65.	1965-66.
	\$	\$	\$
On—Capital Liabilities	34,977,770	36,773,382	39,402,684
Consumers’ and other Advances for Construction	1,953,518	2,198,170	2,467,878
Provident Fund Advances	307,564	678,690	1,102,768
Current Liabilities	203,332	201,926	201,630
	<u>37,442,184</u>	<u>39,852,168</u>	<u>43,174,960</u>
Deduct Interest earned on Investments	2,529,632	2,803,512	3,310,182
	<u>34,912,552</u>	<u>37,048,656</u>	<u>39,864,778</u>

These totals were allocated in the accounts as under :—

	\$	\$	\$
Revenue Account	34,145,386	36,307,580	39,069,248
Fixed Assets—Indirect interest included in charges for services	767,166	741,076	795,530
	<u>34,912,552</u>	<u>37,048,656</u>	<u>39,864,778</u>

Balance-sheet.—The Commission's balances as at 30th June, 1965 and 1966, are summarized hereunder :—

30.6.65.		30.6.66.
\$		\$
	Fixed Assets—	
856,138,992	Assets in Service at cost	931,674,878
192,025,068	Deduct Provision for Depreciation	226,690,640
<hr/>		<hr/>
664,113,924		704,984,238
3,908,640	Deduct Consumers' Contributions	4,596,864
<hr/>		<hr/>
660,205,284		700,387,374
55,212,898	Assets not yet in service—at cost	62,475,394
15,436,530	Development of Open Cuts—balance of cost	14,972,854
<hr/>		<hr/>
730,854,712		777,835,622
<hr/>		
4,380,032	Long Term Debtors (Real Estate Sales)	4,381,112
<hr/>		
	Deferred Charges—	
1,479,930	Unamortized Loan Flotation Expenses	1,229,930
415,686	Other	224,283
<hr/>		<hr/>
1,895,616		1,454,213
<hr/>		
54,783,654	Investments at Cost	55,324,809
<hr/>		
	Current Assets—	
481,516	Balances at Bank and Cash in hand	760,672
14,137,554	Consumers' and other Accounts Receivable	14,717,877
10,537,766	Unread Meters—Estimated Income	11,254,726
10,964,358	Materials and Fuel at Cost	12,740,743
<hr/>		<hr/>
36,121,194		39,474,018
<hr/>		<hr/>
828,035,208		878,469,774
<hr/>		
	Less Current Liabilities—	
303,028	Bank Overdraft .. .. .	..
16,848,896	Accounts Payable and Accruals (other than Interest)	15,776,111
8,192,340	Interest Accrued	8,612,496
1,396,830	Consumers' Deposits and Service Charges in advance	1,506,965
<hr/>		<hr/>
26,741,094		25,895,572
<hr/>		<hr/>
801,294,114		852,574,202

The Commission's balances were financed as follows :—

\$		\$	\$
182,746,764	State Treasury (net)	193,247,096	
535,057,662	Commission Loans (net)	560,260,599	
1,655,292	Loans of Acquired Undertakings	1,710,920	
<hr/>		<hr/>	
719,459,718			755,218,615
<hr/>			
58,307,128	Consumers' and other Advances for Construction (including Provident Fund)		70,479,149
<hr/>			
	Reserves—		
2,744,408	Obsolescence	2,600,508	
19,201,550	Contingency and General	21,526,826	
1,581,310	Income Retained for Capital Works	2,749,104	
<hr/>		<hr/>	
23,527,268			26,876,438
<hr/>			<hr/>
801,294,114			852,574,202

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

	30.6.64.	30.6.65.	30.6.66.
	\$	\$	\$
Coal Production	57,401,452	58,544,762	63,195,403
Briquette Production and Distribution ..	40,235,352	40,808,932	42,853,176
Power Production—			
Thermal Stations	241,665,906	263,665,034	308,977,699
Hydro Stations	79,244,522	79,259,382	82,116,755
Transmission System	147,060,162	167,709,138	173,704,544
Distribution	197,995,400	217,547,364	225,116,288
General Service Assets	77,828,530	83,817,278	98,186,407
	<u>841,431,324</u>	<u>911,351,890</u>	<u>994,150,272</u>
Deduct Provision for Depreciation	167,468,888	192,025,068	226,690,640
	<u>673,962,436</u>	<u>719,326,822</u>	<u>767,459,632</u>
Deduct Consumers' Contributions	3,450,006	3,908,640	4,596,864
	<u>670,512,430</u>	<u>715,418,182</u>	<u>762,862,768</u>
Development of Open Cuts—Balance of Cost ..	15,496,706	15,436,530	14,972,854
	<u>686,009,136</u>	<u>730,854,712</u>	<u>777,835,622</u>

Expenditure on Fixed Assets for the year, which is summarized below under operational heads, amounted to \$88,821,522 as compared with \$76,279,442 in 1964-65 :—

	\$	\$
Coal Production—		
Overburden Removal and Disposal	204,665	
Coal Winning and Transportation	2,332,335	
	<u>2,537,000</u>	
Briquette Production and Distribution		700,827
Power Production—		
Morwell	216,810	
Yallourn	592,293	
Yallourn " W "	62,326	
Hazelwood	26,873,287	
Kiewa	40,513	
Other	55,051	
	<u>27,840,280</u>	
Transmission		25,835,452
Distribution—		
Metropolitan	5,876,658	
Provincial and Country	16,582,977	
	<u>22,459,635</u>	
General Service Assets—		
Plant and Equipment	2,555,242	
Offices, Stores, &c.	4,835,498	
	<u>7,390,740</u>	
Other		2,057,588
		<u>88,821,522</u>

The expenditure of \$88,821,522 was offset by retirements and adjustments in the year amounting to \$6,023,140, making the net increase in assets \$82,798,382.

Investments.—During the year, the Commission's investments, excluding deposits held on account of contractors, increased by \$538,312.

Investments held at 30th June, 1965 and 1966, were as follows :—

	30. 6. 1965.	30. 6. 1966.
	\$	\$
General—		
Government and semi-Government Securities	37,443,188	41,919,637
Short Term—		
Short Term Money Market and "Buy Back" secured by Government Guaranteed Securities, and Commercial Bills	7,600,000	3,637,468
Bank Deposits	1,600,000	800,000
	<u>46,643,188</u>	<u>46,357,105</u>
Sinking Fund—		
Government and semi-Government Securities	8,073,126	8,897,521
	<u>54,716,314</u>	<u>55,254,626</u>

The amount of \$46,357,105 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 \$70,479,149—a net increase of \$12,172,021. Details are :—

	Increase for Year.	Balance. 30. 6. 1966.
	\$	\$
Consumers' Advances for Construction (Self Help)	4,490,618	47,815,388
Advances for Construction of Offices and Showrooms	328,508	1,664,568
Advances from Provident Fund	7,352,895	20,999,193
	<u>12,172,021</u>	<u>70,479,149</u>

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

	\$	\$
Contributions received	7,840,907	
Interest credits	2,353,768	
	<u>10,194,675</u>	
Less refunds of instalments and expired deposits, and transfers to consumers' accounts as payments for supplies of electricity		5,704,057
Net Increase		<u>4,490,618</u>

Loans.—The loan liability increased by \$35,758,897 compared with an increase of \$37,183,826 in 1964–65.

The increase in 1965–66 may be explained as follows :—

	\$	\$
Loan Liability at 30th June, 1965		719,459,718
1965–66—		
Net increase in Commission Loans	25,202,937	
" " " Treasury Loans	10,500,332	
" " " Loans of Acquired Undertakings	55,628	
	<u>35,758,897</u>	
Loan Liability at 30th June, 1966		<u>755,218,615</u>

The loan liability at 30th June, 1966, as shown above, does not include \$6,000,000 advanced by the Treasury in June, 1966. This sum was not received by the Commission until July, 1966.

Including settlements of \$1,279,180 on account of loans authorized in 1964–65, loan moneys raised by the Commission during the year amounted to \$60,367,365. The sources of those moneys were—

	\$
Public Loans	37,797,285
Private Loans	21,535,980
Area Loans	250,000
Retired Staff Loans	784,100
	<hr/>
	60,367,365
	<hr/>

The difference of \$35,164,428 between the total raisings of \$60,367,365, detailed immediately above, and the net increase of \$25,202,937 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 \$193,247,096 to the Treasury was determined after the deduction of \$20,885,593, the Commission's equity in the National Debt Sinking Fund. The increase in this equity during 1965–66 was \$1,709,315, in respect of which a credit of \$325,276 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, 1965	1,655,292
Increase—Acquisition of Shire of Walpeup electrical undertaking	301,879
	<hr/>
	1,957,171
Less—recoups by Commission of redemption payments made by municipalities	246,251
	<hr/>
Balance 30th June, 1966	1,710,920
	<hr/>

Transfer to Consolidated Revenue.—In compliance with Section 82A of the *State Electricity Commission Act 1958*, the Commission provided out of profits for 1965–66 the sum of \$526,675, calculated at 2·5 cents per ton on coal production during 1965–66, to meet the statutory payments to Consolidated Revenue in 1966–67.

Income Retained for Capital Works.—This reserve was first created by transfer of the balance remaining in the Revenue Account at the close of the 1964–65 year after other appropriations had been made. It has been augmented by the transfer of \$1,167,794 from the Revenue Account at the close of the 1965–66 year and now stands at \$2,749,104.

Electricity Commission Provident Fund.—Financial statements of this Fund for the year ended 30th June, 1966, have been audited.

As indicated hereunder, income for the year increased by \$1,567,900 :—

	1964–65.	1965–66.
	\$	\$
Commission Contributions	2,674,826	3,446,281
Officers' Contributions	1,782,366	2,225,443
	<hr/>	<hr/>
	4,457,192	5,671,724
Interest on Investments	2,241,970	2,595,338
	<hr/>	<hr/>
Total Income	6,699,162	8,267,062
	<hr/>	<hr/>

As a result largely of additional Fund investments, interest earnings also increased.

Including \$204,815 for refunds on account of resignations, benefit payments for the year amounted to \$2,254,552 compared with \$2,167,728 in 1964-65.

The surplus for the year, \$6,012,510, increased the balance at credit of the Fund to \$48,487,426 at the close of the year.

Current assets of \$942,535, comprising accruals of interest (\$844,685) and contributions (\$97,850) exceeded Fund liabilities on account of accrued benefits by \$895,407.

The remainder of the Fund was represented by :—

	\$	\$
Loan Advances to the Commission	21,000,693	
Investments—Commission Inscribed Stock	25,656,300	
	<hr/>	46,656,993
Debentures and Loans to Co-operative Housing Societies .. .. .	.. .. .	786,054
Shares—Ordinary .. .. .	.. .. .	148,972
		<hr/>
		47,592,019
		<hr/>

The above statement discloses that 98 per cent. of this remainder is invested in the Commission.

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 :—

1964-65. \$		1965-66. \$	\$
	Income—		
	Sales—		
26,935,252	Gas	27,464,710	
8,807,290	Residual Products and Appliances	8,657,230	
<u>35,742,542</u>			<u>36,121,940</u>
	Expenditure—		
	Gas—		
15,279,320	Manufacture	14,751,169	
7,955,264	Distribution	8,711,653	
8,112,116	Residual Products, Appliances and Selling Expenses	8,526,783	
1,285,372	Management	1,470,347	
8,276	Audit Fees	12,166	
12,828	Directors' Fees	13,560	
622,256	Planning, Research and Development	685,090	
595,866	Superannuation and Retiring Allowances	597,183	
497,840	Long Service Leave	514,693	
405,830	Interest temporarily capitalized written off (balance) .. .. .	..
92,294	Other costs	87,733	
<u>34,867,262</u>			<u>35,370,377</u>
875,280	Profit on Trading .. .. .	..	751,563
50,000	Contingency Reserve .. .. .	..	50,000
<u>825,280</u>	Net Profit for year carried to Profit and Loss Appropriation Account .. .. .	..	<u>701,563</u>

The quantity of gas sold for the year was 87,532,303 therms returning 31·38 cents per therm compared with, in 1964-65, 85,728,348 therms for a unit return of 31·42 cents.

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

	\$	\$
Balance carried forward 30th June, 1965	17,572	
Net Profit for year from Profit and Loss Account	701,563	
Available for Appropriation .. .. .	..	719,135
Natural Gas Conversion Reserve	200,000	
Additional Provision for Retiring Allowances	200,000	
Preference Dividend at 4 per cent. per annum for half year ended 31st December, 1965	157,639	
Preference Dividend to be paid—		
4 per cent. per annum for half year ended 30th June, 1966	157,639	
	<u>..</u>	<u>715,278</u>
Balance carried forward .. .. .	..	<u>3,857</u>

The following is a statement of the Corporation's balances at 30th June, 1966, 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.

1964-65.		1965-66.
\$		\$ \$
	Shareholders' Funds—	
	Subscribed Capital—	
7,881,952	3,940,976 4 per cent. Cumulative Preference Shares of \$2 each (see explanatory note No. 1 herein) ..	7,881,952
8,000,000	4,000,000 Ordinary Shares of \$2 each subscribed by the State of Victoria	8,000,000
<hr/>		<hr/>
15,881,952	Subscribed Capital (Fully Paid)	15,881,952
	Reserves—	
1,766,316	Land Revaluation Reserve	1,766,316
392,106	National Debt Sinking Fund (Treasury allocation of Commonwealth contributions)	441,079
207,336	Contingencies Reserve	257,336
100,000	Reserve for Increased Cost of Replacement of Fixed Assets	100,000
100,000	Dividend Equalization Reserve (Preference Shares) ..	100,000
300,000	Natural Gas Conversion Reserve	500,000
		<hr/>
		3,164,731
17,572	Profit and Loss Appropriation Account	3,857
<hr/>		<hr/>
18,765,282		19,050,540
	Deferred Liabilities—	
10,042,850	Advances from State of Victoria	10,044,320
660,556	Less securities purchased and cancelled by the National Debt Commission	734,620
<hr/>		<hr/>
9,382,294		9,309,700
	Debentures and Debenture Stock (Secured)—	
2,423,064	Redeemable within twelve months	4,754,271
68,564,104	Redeemable after twelve months	68,522,333
<hr/>		<hr/>
70,987,168	\$ Contingent Liabilities—	\$ 73,276,604
<hr/>		<hr/>
99,134,744	1,499 Uncalled amount on Shares held in another company	1,499
<hr/>		<hr/>
1,329,248	1,329,248 Commitments under Contracts for Capital Expenditure and Bank Guarantees	1,580,179
	Fixed Assets—	
113,599,654	Freeholds, Leaseholds, Machinery, Plant, Equipment and Capital Work in Progress (at cost)	120,839,508
24,164,148	Less Provision for Depreciation and Amortization (see explanatory note No. 3 herein)	28,217,430
<hr/>		<hr/>
89,435,506	Carried forward	92,622,078

1965.		1966.
\$		\$ \$ \$
89,435,506	Brought forward	.. .. 92,622,078
	Current Assets—	
320,158	Cash in hand and at Banks	446,156
5,030,000	Short-term Deposits	4,890,187
5,599,444	Trade and Other Debtors (<i>less</i> provision for Bad and Doubtful Debts and Consumers' Deposits)	5,612,183
4,117,930	Stocks at Cost or Valuation	4,377,688
99,244	Prepayments	62,785
<u>15,166,776</u>		<u>15,388,999</u>
	Less Current Liabilities—	
3,726,100	Trade and Other Creditors	4,274,104
597,600	Bank Overdraft	435,677
18,344	State of Victoria (Balance of advances for purchase of preference shares)	13,590
	„ Provisions—	
818,464	Long Service Leave (see explanatory note No. 2 herein)	1,133,097
255,978	Retiring Allowances (see explanatory note No. 4 herein)	440,751
270,400	Deferred Repairs (see explanatory note No. 5 herein)	218,557
157,640	Preference Dividend	157,639
<u>5,844,526</u>		<u>6,673,415</u>
9,322,250	Net Current Assets.. ..	8,715,584
	Investment—	
1,500	Company Shares (at cost)	1,901
	Intangibles—	
375,488	Unamortized Debenture Issue Expenses	297,281
<u>99,134,744</u>		<u>101,636,844</u>

DIRECTORS' EXPLANATORY NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1966.

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 \$1,133,097 is sufficient to meet the liability for Long Service Leave due at this date and also includes a further provision for past service cost which is being progressively provided from Revenue. The provision however is substantially insufficient to cover the actuarial estimate of the Corporation's total Long Service Leave obligation in respect of all employees with a minimum of one year's service.

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 \$418,596 (1965, \$752,000) 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 1966, \$30,406, (1965, \$606,218) 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, 1966, \$440,751, includes appropriations totalling \$400,000 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 \$218,557 shown in the balance-sheet under the above heading includes \$141,500 unused from the provision made at 30th June, 1965.

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 account.

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, 1965.	1965-66.	Total.	Charged in State's Accounts.
	\$	\$	\$	
Acquisition of Shares—				
Subscription for 4,000,000 Ordinary Shares of \$2	8,000,000	..	8,000,000	Loan Fund
Purchase of Preference Shares	7,018,894	60,000	7,078,894	
	15,018,894	60,000	15,078,894	
Advances—				
Advance for Capital Works	10,000,000	..	10,000,000	Loan Fund
Loan Flotation Expenses	44,320	2,457	46,777	
	10,044,320	2,457	10,046,777	
Preference Share Dividend Guarantee—				
Advanced to the Corporation	354,694	..	354,694	Consolidated Revenue
Less Repayments	354,694	..	354,694	
	
Total Investments and Advances by the State ..	25,063,214	62,457	25,125,671	
Cost to the State on account of the above—				
Interest on Loans	11,111,476	986,685	12,098,161	Consolidated Revenue
Sinking Fund Contribution	757,986	62,690	820,676	
	11,869,462	1,049,375	12,918,837	
Less Recoups, &c., from Corporation—				
Interest on Advances	4,930,666	466,126	5,396,792	
Sinking Fund Contribution	268,446	25,092	293,538	
Dividends on Preference Shares	3,142,222	280,969	3,423,191	
	8,341,334	772,187	9,113,521	
Net Cost to the State	3,528,128	277,188	3,805,316	

The transfer of preference shares by sale is restricted to sale at par to the State. At 30th June, 1966, the State was the registered owner of 3,532,592 shares. The transfer of a further 60 shares was in course and \$13,590 was held by the Corporation for future purchases.

No dividend has been paid on the ordinary shares. 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, 1965, was \$1,246,020, a decrease of \$116,458 compared with that of the previous year. Appropriations to Sinking Fund, Insurance Fund and Long Service Leave Provision accounted for \$147,730, leaving a net surplus of \$1,098,290.

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

					1964.	1965.
	<i>Revenue.</i>				\$	\$
Operating Revenue—						
Harbor Revenue	..	..	..	..	2,284,958	2,237,866
Shipping Services	..	..	..	..	615,928	722,424
Other	..	..	..	..	88,236	105,944
Non-operating Revenue—						
Interest	..	..	..	..	112,496	156,890
Sale of Scrap Materials	..	..	..	..	1,148	1,424
Total Revenue	..	..	..	..	<u>3,102,766</u>	<u>3,224,548</u>
	<i>Expenditure.</i>					
Operating Expenses—						
Administration, &c.	..	..	..	..	233,062	296,466
Shipping Services	..	..	..	..	515,986	621,632
Maintenance	..	..	..	..	193,764	189,974
Depreciation and Amortization	..	..	..	..	414,568	432,130
Non-operating Expenses—						
Superannuation	..	..	..	..	36,648	40,244
Interest	..	..	..	..	343,206	390,712
Miscellaneous	..	..	..	..	3,054	7,370
Total Expenditure	..	..	..	..	<u>1,740,288</u>	<u>1,978,528</u>
Net Revenue	..	..	..	..	<u>1,362,478</u>	<u>1,246,020</u>
Appropriations—						
Sinking Fund	..	..	..	..	71,852	76,830
Insurance Fund	..	..	..	..	50,000	50,000
Long Service Leave	..	..	..	..	51,696	20,900
Total Appropriations	..	..	..	..	<u>173,548</u>	<u>147,730</u>
Net Surplus	..	..	..	..	<u>1,188,930</u>	<u>1,098,290</u>

The analysis of the Trust's balance-sheets hereunder indicates the Trust's substantial internal resources—

31.12.64.		31.12.1965.
\$		\$ \$
	Source of Funds—	
	External—	
7,185,212	Loan Liability	7,683,070
	Internal—	
5,387,724	Endowments	5,409,962
9,260,136	Net Revenue Account—Accumulated Surplus	10,358,426
1,112,964	General Reserve	1,163,166
	Specific Reserves and Funds	1,504,884
	Less Investments	1,418,440
67,626		86,444
15,828,450		17,017,998
23,013,662		24,701,068
	Represented by—	
	Current Assets—	
1,060	Cash	25,344
3,043,034	General and Short Term Investments	2,019,478
295,420	Sundry Debtors and Prepayments	209,582
67,206	Stores (at cost)	42,614
3,406,720		2,297,018
	Less—Current Liabilities—	
	Sundry Creditors and Accruals	363,710
	Contractors' Deposits and Retentions	208,804
517,042	Bank Overdraft	572,514
2,889,678		1,724,504
	Deferred Assets—	
33,576	Various advances, &c.	40,228
	Fixed Assets (at Cost less Depreciation)—	
152,816	Land (Purchased and Vested)	92,638
1,680,614	Buildings and Improvements	1,977,838
16,403,598	Harbor Works	18,969,086
1,625,286	Floating Plant	1,649,242
189,108	Other Plant and Vehicles	203,076
38,986	Furniture and Fittings	44,456
20,090,408		22,936,336
23,013,662		24,701,068

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

Endowments.—The addition of \$22,238 was due mainly to the receipt of \$22,000 from Alcoa of Australia Pty. Ltd. in respect of a variation in the contract for the construction of the pierhead at Point Henry.

General Reserve.—The increase of \$50,202 in this Reserve resulted from surpluses arising out of sales of land and fixed assets, and transfers from the Superannuation Fund of the Trust's contributions together with interest thereon in respect of officers who resigned during the year.

Specific Reserves and Funds.—Relevant particulars are—

	Sinking Fund.	Insurance Reserve Fund.	Provision for Long Service Leave.
	\$	\$	\$
Balance forward 1st January, 1965	426,338	788,660	67,626
Allocation from revenue	76,830	66,786	27,366
Interest on investments	22,948	43,088	..
Surplus from realization of inscribed stock .. .. .	..	10	..
	526,116	898,544	94,992
Less—debits .. .. .	..	6,220	8,548
Balance 31st December, 1965	526,116	892,324	86,444
		1,504,884	

GRAIN ELEVATORS BOARD.

A new financial agreement covering the period 1st November, 1964, to 31st October, 1969, has been entered into with the Australian Wheat Board. This agreement, broadly, states that the Grain Elevators Board will be paid, for the use of its storage facilities, a remuneration based on—

- (a) a Capital Facilities Allowance of 7½ per cent. on structures and 12½ per cent. on Plant and Equipment, and
(b) reimbursement of Operating Costs.

A clause in the agreement requires other bulk handling authorities utilizing Grain Elevators Board facilities to share the cost of the remuneration payable by the Australian Wheat Board. Under the provisions of Act No. 7092, the Grain Elevators Board was authorized to handle bulk barley. The Australian Barley Board has utilized Grain Elevators Board facilities and consequently a supplementary agreement was entered into with that Board. The terms of each agreement require an audit certificate to support the apportionment of the remuneration receivable by the Grain Elevators Board in relation to each year's operations.

Wheat receipts for the 1964–65 season totalled 79,495,249 bushels while 1,355,691 bushels of barley were handled.

The statement of revenue and expenditure given below shows a net revenue for the 1964–65 accounting period of \$488,262.

		<i>Revenue.</i>			
1963–64.		\$		1964–65.	
\$				\$	\$
	Australian Wheat Board—				
1,725,784	Recoupable expenditure for operating and maintenance		1,724,966		
1,258,178	Capital Facilities Allowance		1,778,244		
			3,503,210		
	Australian Barley Board—				
812	Recoupable expenditure for operating and maintenance		38,244		
8,250	Capital Facilities Allowance		166,612		
			204,856		
2,993,024	Total Revenue—Grain Handling			3,708,066	
88,938	Interest Received			65,000	
3,081,962				3,773,066	
			<i>Expenditure.</i>		
	Operating and Maintenance—				
396,414	Geelong Terminal		432,100		
454,644	Country Elevators		721,280		
172,234	Bulk Wheat Storages		193,390		
..	Sunshine Sub-terminal		16,380		
			1,363,150		
335,558	Administration Expenses		400,060		
1,358,850			1,763,210		
392,450	*Depreciation and Renewals		420,756		
825,848	Interest on Loans		1,057,790		
122	Amortization—Loan Flotation Expenses		122		
	Sinking Fund Charges—				
5,312	National Debt Sinking Fund		5,312		
152,146	Debentures and Inscribed Stock Sinking Fund		206,286		
2,734,728			3,453,476		
347,234	Net Revenue				319,590
13,130	Add Net Profit on realization of assets .. .. .				..
..	Less Net Loss on realization of assets				3,210
360,364					316,380
529,026	Add—Net Accumulation brought forward				489,390
88,974	Interest earned on General Reserve Fund Investment				98,000
6,406	Interest earned on Insurance Reserve Fund Investment				8,968
13,312	Interest earned on Renewals Reserve Fund Investment				13,312
128,796	Interest earned on Depreciation Reserve Fund Investment				172,602
1,126,878					1,098,652
	Less Appropriations				
128,796	*Depreciation Reserve Fund		172,602		
88,974	*General Reserve Fund		95,508		
6,406	*Insurance Reserve Fund		8,968		
413,312	*Renewals Reserve Fund		13,312		
..	Office Building Reserve		320,000		
637,488			610,390		
489,390	Net Accumulation at 31st October				488,262

* Approved by the Honorable the Treasurer.

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

31.10.64.		31.10.1965.
\$		\$ \$ \$
	Current Assets—	
1,059,542	Sundry Debtors, Accrued Interest and Advances	862,116
125,592	Cash	347,532
<hr/>		<hr/>
1,185,134		1,209,648
7,123,732	Investments	8,432,094
	Fixed Assets—at Cost—	
	Construction—	
12,198,918	Country Elevators	14,640,526
2,024,344	Geelong Terminal	3,147,342
693,520	Sunshine Sub-Terminal	904,988
		<hr/>
		18,692,856
	Equipment and Plant—	
2,844,356	Country Elevators	3,483,892
906,362	Geelong Terminal	1,262,710
79,444	Sunshine Sub-Terminal	146,516
		<hr/>
		4,893,118
4,840	Marmalake No. 1 Emergency Store	4,840
223,926	Motor Vehicles, Office Furniture and Equipment	231,206
62,780	Freehold Land and Buildings	62,780
		<hr/>
		298,826
		<hr/>
		23,884,800
	Other Debit Balances—	
26,462	Preliminary and Loan Flotation Expenses	25,840
2,336	National Debt Sinking Fund—Cash in Fund	2,012
		<hr/>
		27,852
<hr/>		<hr/>
27,376,154		33,554,394
<hr/>		<hr/>
	Current Liabilities—	
1,079,592	Sundry Creditors	704,352
	Loans—	
1,780,032	Government of Victoria	1,755,418
15,099,308	Public	20,423,994
		<hr/>
		22,179,412
	Reserves and Sinking Funds—	
	Cancelled Securities Reserves—	
354,948	National Debt Sinking Fund	378,738
123,032	Debentures and Inscribed Stock	207,446
717,980	Matured Public Loans	717,980
3,615,788	Depreciation Reserve Fund	4,163,814
4,840	Marmalake No. 1 Emergency Storage Reserve	4,840
..	Office Building Reserve	320,000
194,856	Insurance Reserve Fund	232,460
1,904,492	General Reserve Fund	2,000,000
517,948	Debentures and Inscribed Stock Sinking Fund	655,442
715,380	Renewals Reserve Fund	664,788
74,822	Provision for Long Service Leave	80,498
		<hr/>
		9,426,006
<hr/>		<hr/>
26,183,018		22,179,412
	Suspense Accounts—	
13,550	Border Wheat Agreements	15,150
384,814	Renewal of Assets	421,174
14,250	Oat Shipment .. .. .	..
2,286	Rebagging Wheat	2,482
288,682	Superannuation	317,392
164	Unclaimed Interest	164
		<hr/>
		756,362
489,390	Revenue Account—Net Accumulation	488,262
<hr/>		<hr/>
27,376,154		33,554,394
<hr/>		<hr/>

The item in the abridged statement of balances, " Investments—\$8,432,094 " represented investments in the Board's own securities with a face value of \$3,385,500 ; in those of other public authorities with a face value of \$3,446,594 ; and in Fixed Deposits amounting to \$1,600,000. The funds for the purchase of these securities were provided as follows :—

By—	\$
General Funds	1,726,594
Insurance Reserve Fund	166,000
Depreciation Reserve Fund	3,717,900
Debentures and Inscribed Stock Sinking Fund	469,600
Superannuation Reserve Fund	308,000
Renewals Reserve Fund	240,000
General Reserve Fund	1,804,000
	<u>8,432,094</u>

Incomplete contracts totalling \$1,216,342 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 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 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, 1966, was \$20,000,000 as compared with \$18,850,000 at 30th June, 1965. Of the amount of \$20,000,000, a sum of \$1,300,000 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 .. .. .	.. .. .	9,450,000
Private Savings Banks	7,510,000	
„ Trading Banks	1,150,000	
	<hr/>	8,660,000
Insurance Companies .. .. .	.. .. .	1,890,000
		<hr/>
		20,000,000

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 .. .. .	.. .. .	20,000,000
Less—Amount not yet drawn by Trust	1,350,246	
Amount repaid to lending institution	1,002,632	
	<hr/>	2,352,878
Total liability of Trust to lending institutions		<hr/>
		17,647,122

Loans approved by the Trust to borrowers amounted to \$22,641,956 of which sum \$1,395,360 related to second mortgages. Advances secured by first mortgage at 30th June, 1966, amounted to \$16,612,143 (net), and, by second mortgage, to \$845,469 (net).

Operations for the year resulted in surpluses of \$48,025 on account of first mortgages (Home Finance Fund No. 1) and \$4,538 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, 1965, and 1966. The figures are subject to the completion of the audit.

30.6.1965		30.6.1966.
\$	<i>Assets.</i>	\$
16,745,538	Current ordinary loans secured by first mortgage	18,194,680
1,263,768	Less repayments by mortgagors	1,589,537
		<hr/>
		16,605,143
855,070	Current ordinary loans secured by second mortgage	1,089,830
123,840	Less repayments by mortgagors	244,361
		<hr/>
		845,469
67,400	Current loans (three year maximum) secured by first mortgage	7,000
58,870	Repossessed properties sold under contracts of sale	75,370
8,346	Less payments of instalments of principal	10,882
		<hr/>
		64,488
40,990	Arrears—under mortgages and contracts of sale	60,444
72,268	Sundry Debtors (interest accrued at date)	72,480
13,926	First mortgages on account of defaulting mortgagors paid out by Home Finance Fund No. 2	13,214
748	Home Finance Fund No. 2—Deficit .. .. .	..
6,048	Cash at Bank .. .. .	..
260,000	Cash on Fixed Deposit .. .. .	..
20	Cash on Hand	20
		<hr/>
16,724,924		17,668,258
		<hr/>
	<i>Liabilities.</i>	
16,523,014	Deposits by lending institutions and accommodation by way of overdraft—repayment guaranteed by Treasurer of Victoria	17,416,325
2,274	Prepayments by mortgagors of valuation and inspection fees, etc.	1,360
5,348	Mortgagors' equities in properties subject to contracts of sale	5,020
550	Sundry Creditors .. .. .	..
193,738	Home Finance Fund No. 1—Surplus	241,763
..	Home Finance Fund No. 2—Surplus	3,790
		<hr/>
		245,553
		<hr/>
16,724,924		17,668,258

HOSPITALS SUPERANNUATION BOARD.

This Board was constituted under the provisions of the *Hospitals Superannuation Act 1965*, No. 7354. It is responsible for the administration of the Hospitals Superannuation Fund established under the same Act for the purpose of providing, on a contributory basis, a scheme of superannuation for employees of participating hospitals and benevolent institutions.

In addition to allowing for future admissions to the scheme, the Act provides for the transfer of certain institutions from participation in a scheme of superannuation administered by the Victorian Hospitals' Association to the scheme to be administered by the Board. In respect of employees of institutions so transferring, there was to be transferred to the Hospitals Superannuation Fund, on 1st July, 1966, the day fixed as the "Fund opening day", such assets of the superannuation scheme of the Victorian Hospitals' Association as the Government Actuary specifies.

Pursuant to Section 15 (1) of the Act, a Management Account, kept in relation to the Fund, was established by the Board. A summary of transactions in this Account from its inception to 30th June, 1966, is given below :—

<i>Income—</i>	\$
Grant from Hospitals and Charities Commission (Section 8 of Act No. 7354) ..	27,500
Bank Interest	117
	27,617
<i>Expenditure—</i>	
Administration	1,762
Salaries and Wages	3,879
Board Members' Fees	280
Building Maintenance, Fuel and Power	159
Actuarial Fees and Expenses	7,433
Sundries	53
Operating Surplus—Accumulation Fund	14,051
	27,617

As at 30th June, 1966, the Accumulation Fund, \$14,051, was represented by :—

	\$
Cash at Bank	10,044
Cash in Hand	1,040
Office Equipment	797
Office Furniture, Furnishings and Fittings	1,999
Sundry small capital items	171
	14,051

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.

A summary of the Commission's revenue and expenditure for 1964-65 and 1965-66 is furnished below :—

1964-65.		1965-66.	
		REVENUE.	
\$		\$	\$
12,360,436	Rentals	12,983,300	
2,524,690	Gross Surplus—House Sales	2,459,528	
..	Gross Profit—Land Sales for Residential Purposes	12,382	
1,756,226	Interest—House Sales (net)	1,762,052	
289,994	„ Sundry	161,333	
97,248	Miscellaneous	113,565	
<u>17,028,594</u>		<u>17,492,160</u>	
		EXPENDITURE.	
5,671,996	Interest— <i>less</i> amounts capitalized and applied to House Sales	5,574,121	
1,799,714	Loan Redemption—Commonwealth-State Agreements	1,833,710	
3,650	Contribution to National Debt Sinking Fund	3,737	
8,000	„ „ Debenture Loan Sinking Fund	8,000	
4,288	Redemption of Debentures .. .. .	..
867,918	Administration—General	1,049,736	
573,926	„ House Sales	606,860	
..	„ Land Sales—Residential	4,092	
97,344	Cost of rent collection in country areas, &c.	103,224	
2,025,952	Rates— <i>less</i> amount capitalized	2,056,937	
20,174	Insurable Risks	24,834	
220	Loan Conversion Expenses	126	
2,221,972	Provision for accruing maintenance	2,462,893	
43,578	„ „ irrecoverable rents	21,440	
202,924	Cost of Communal Services—Flats and Garden Maintenance	237,132	
..	Operating Costs—Laundries	2,818	
479,492	Appropriation to House Purchasers' Death Benefit Fund	484,661	
1,710,952	Transfer to House Sales Reserve Suspense Account	1,560,905	
124,874	Maintenance and repairs on houses sold	164,892	
19,124	Maintenance (Rental) Bad Debts written off	9,832	
5,316	Central Heating and Hot Water Services	20,185	
28,162	Miscellaneous	51,956	
<u>15,909,576</u>		<u>16,282,091</u>	
1,119,018	Operational Profit for the year .. .. .	..	1,210,069
1,089,928	<i>Less</i> appropriation to House Purchasers' Interest Receivable Reserve	992,398	
300,000	„ „ for Slum Reclamation and Clearance of Areas	300,000	
		<u>1,292,398</u>	
<u>270,910</u>	Debit Balance—Commission's General Revenue Account Transferred to Accumulated Surplus Account .. .. .	..	82,329

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 :—

1964-65.		1965-66.	
\$		\$	
120,008	Surplus—Miscellaneous Funds .. .. .	..	141,550
..	Net Profit—Residential Land Sales .. .. .	..	11,038
441,280	Realized Profit—House Sales	502,864	
300,000	Less Appropriation for Slum Reclamation and Clearance of Areas ..	300,000	
		<u>202,864</u>	
<u>261,288</u>			<u>355,452</u>
<i>Less—</i>			
55,302	Cost of Statutory Functions—non-revenue producing	53,994	
476,896	Loss—Rental Operations	383,787	
		<u>437,781</u>	
<u>270,910</u>	Debit Balance—General Revenue Account as at close of year .. .. .	..	<u>82,329</u>

* Includes notional interest on interest-free loans—1964-65; \$18,690 ; 1965-66, \$22,955.

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 :—

		1964-65.		1965-66.	
		\$	\$	\$	\$
Gross rental charges		13,322,904		13,980,580	
<i>Deduct—</i>					
Rental rebates allowed		876,204		963,537	
Losses from vacancies		86,264		33,743	
		<u>962,468</u>		<u>997,280</u>	
Credit for Rentals—General Revenue Account		12,360,436		12,983,300	

The increase of \$657,676 in gross rental charges was due to additional units becoming available for tenancy, the revision of rentals on re-letting vacated premises and increases in certain rentals which became operative as from 30th January, and 10th April, 1966. An increase in the number of units made available to pensioners was the chief cause of the rise of \$87,333 in rental rebates. Largely as a result of fewer units becoming vacant during modernization work on the premises, there was a decrease in the amount involved in “losses from vacancies”.

Sales of Houses.—For the year, 2,244 units were sold for a total sum of \$20,505,365. Details are :—

	No.	Cost.	Selling Price.	Surplus.
		\$	\$	\$
Cash Sales—				
State	2	3,973	13,200	9,227
Commonwealth—State Housing Agreement 1945 ..	7	37,747	53,216	15,469
Commonwealth—State Housing Agreement 1956 ..	6	52,009	55,678	3,669
Sales per War Service Homes Commission—C.S.H.A. 1945	19	76,454	147,648	71,194
Terms Sales—				
State	21	42,710	134,772	92,062
Commonwealth—State Housing Agreement 1945 ..	723	4,124,298	5,869,662	1,745,364
Commonwealth—State Housing Agreement 1956 ..	1,466	13,708,646	14,231,189	522,543
	<u>2,244</u>	<u>18,045,837</u>	<u>20,505,365</u>	<u>2,459,528</u>
Comparable figures—1964-65	2,075	15,633,740	18,158,430	2,524,690

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 \$153,789 from the sale during the year of 147 repossessed units.

Generally, sales have been made on the basis of estimated costs. The dwellings sold, 2,244, included a number of vacated rental units. In respect of these particular units, expenditure amounting to \$164,892 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 an estimate of the amount needed 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 from this source :—

	\$	\$
Gross Surplus on Sales	2,459,528	
Less Transfer to House Sales Reserve Suspense Account ..	1,560,905	
	<hr/>	898,623
Interest receivable on terms	6,630,515	
Less Interest payable on houses sold	4,860,614	
	<hr/>	
Interest on House Sales (net)	1,769,901	
Less Appropriation to House Purchasers' Death Benefit Fund	484,661	
	<hr/>	1,285,240
Other House Sales revenue (included in Miscellaneous revenue in General Revenue Account)		83,151
		<hr/>
		2,267,014
Less Administration—House Sales	606,860	
Maintenance and repairs on houses sold	164,892	
	<hr/>	771,752
		<hr/>
		1,495,262
Less Appropriation to Interest Receivable Reserve—House Purchasers	992,398	
Appropriation for Slum Reclamation and Clearance of Areas	300,000	
	<hr/>	1,292,398
		<hr/>
Net Credit to General Revenue on account of House Sales ..		202,864
		<hr/>

The Commission has again provided from its profits in respect of house sales an amount of \$300,000 to supplement other funds available for slum reclamation works. 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 \$82,329 to meet the loss on rentals and the other revenue charges for the year.

Residential Land Sales.—During the year under review, the Commission put into effect a change of policy in relation to the accounting for profits arising out of the sale of land for residential purposes. In previous years, profits from all sales of land were treated as capital profits and credited to a Land Realization Reserve Account. In 1965–66, profits on sales of residential land were credited to revenue, while profits from the sale of land for industrial, commercial and purposes other than residential were, as in prior years, treated as capital profits. The new procedure had the effect of reducing the overall debit balance in the Revenue Account for the year by an amount of \$11,038. This is a net amount after setting off certain losses on individual sales and deducting administrative and other expenses.

There appears to be no justifiable reason, from an accounting point of view, why profits from sale of land, irrespective of whether the purchaser intends to utilize the land for commercial, industrial, residential or any other purpose, should not be treated in the accounts of the Commission on a similar basis. It is questionable, also, whether there has been any change in circumstances sufficient to justify the variation of previous procedures.

The financial position of the Commission as at 30th June, 1965 and 1966, is summarized hereunder :—

30.6.65.		30.6.66.
\$		\$ \$
1,840,450	<i>Current Assets—</i>	
665,790	Sundry Debtors	
	Cash at Bank and in Transit	2,170,150
<u>2,506,240</u>		<u>437,377</u>
6,897,316	<i>Investments</i>	2,607,527
		7,934,007
130,540,958	<i>Deferred Assets—</i>	
	House Purchase Debtors	146,592,815
	<i>Fixed Assets—</i>	
49,335,486	Estates—Cost of land, developmental and incidental expenses	52,787,926
252,152,756	Dwellings and Shops	272,878,974
642,302	Holmesglen Housing Factory—Land and Buildings	662,982
<u>302,130,544</u>		<u>326,329,882</u>
81,727,638	Less Suspense Account for estimated capital costs of land, houses and shops sold	95,708,999
<u>220,402,906</u>		<u>230,620,883</u>
9,761,422	Cost of properties acquired for Slum Reclamation	11,699,086
111,673	Store rooms, Offices, &c.	101,900
492,974	Plant, vehicles, office furniture and equipment	517,925
991,773	Concrete House Project	821,789
1,000	Shares—31 Melrose Street Pty. Ltd.	400
<u>231,761,748</u>		<u>243,761,983</u>
396,648	<i>Deposit and Trust Account—Cash at Bank and securities</i>	412,496
	<i>Intangibles—</i>	
36,956	Loan Flotation Expenses—Less amount written off	39,044
82,346	Plans and Designs, &c.	112,988
379,356	Slum Reclamation—Unrecouped costs	395,535
124,740	Electronic Data Processing—Planning Costs	192,307
30,898	Industrial House Development—Development Costs .. .. .	..
7,822	Overseas Delegation—Expenses	3,911
<u>662,118</u>		<u>743,785</u>
372,765,028	Total	402,052,613
	<i>Current Liabilities—</i>	
999,394	Sundry Creditors	656,420
	<i>Loans—</i>	
313,477,862	Government advances	335,848,974
600,000	Debenture issues	600,000
998,342	Death Benefit Fund advances	1,563,508
<u>315,076,204</u>		<u>338,012,482</u>
	<i>Advances and Subsidies—</i>	
2,484,418	Subsidy from Loan for Slum Reclamation	2,484,418
1,079,250	Subsidy from Municipalities	1,489,250
84,316	Gift of Flats—City of Prahran	84,316
<u>3,647,984</u>		<u>4,057,984</u>
	<i>Reserves and Sinking Funds, &c.—</i>	
100,000	Debenture Loans Redemption	100,000
422,071	Cancelled Securities—National Debt Sinking Fund	480,842
90,382	Debenture Loan Sinking Fund	103,465
15,894,096	Loan Redemption—Commonwealth—State Agreements	17,130,205
3,066,664	Accruing Maintenance Provision	3,360,968
80,000	Irrecoverable Rents Provision	80,000
17,395,173	House Sales Reserve Suspense Account	19,335,116
3,839,915	House Purchasers' Death Benefit Scheme	4,531,678
5,390,110	Land Realization Reserve	5,618,126
82,082	Shops Realization Reserve	225,499
5,447,607	Interest Receivable Reserve—House Purchasers	6,440,005
300,000	Appropriation of House Sales Profits for Slum Reclamation Works	600,000
79,864	General Reserve	79,863
<u>52,187,964</u>		<u>58,085,767</u>
456,834	<i>Accumulated Surplus</i>	827,464
	<i>Deposit and Trust Account—</i>	
396,648	Contractors' deposits and other trust moneys	412,496
<u>372,765,028</u>	Total	<u>402,052,613</u>

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

Sundry Debtors, \$2,170,150. Details are :—

	\$
Rental Arrears	498,815
Works and Materials, &c., for other bodies and adjoining owners, &c. ..	548,577
Debtors on account of Shop and Land Sales (net)	1,048,045
Revenue Accruals, Prepayments and Advances, &c.	74,713
	2,170,150

Investments.—The book value of investments increased during the year from \$6,897,316 to \$7,934,007. Relevant details as at 30th June, 1966, are :—

	\$
Interest-free advances—to other Public Authorities	349,625
Loan to a Public Authority	4,006
Loan to a Company on second mortgage	2,800
Investments—Sinking Fund	103,464
Investments—Death Benefit Fund	4,474,112
Short-term Deposits	3,000,000
	7,934,007

House Purchase Debtors, \$146,592,815.—This item is a net figure, the sum of the amounts received from intending purchasers, \$145,506, having been, for balance-sheet purposes, set off against the gross sum due from existing purchasers.

Concrete House Project.—The amounts \$991,773, as at the 30th June, 1965, and \$821,789, as at the 30th June, 1966, 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 \$991,773 to \$821,789 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, 1965 .. .. .	..	991,773
<i>Add—</i>		
Increase in book value of Equipment, Plant, Tools, &c. ..	..	18,288
		1,010,061
	\$	
<i>Deduct—</i>		
Increase in Sundry Creditors and Accrued Wages ..	57,029	
Decrease in Current Assets	125,296	
Increase in Reserve for Maintenance of Factory Building	5,947	
	188,272	
Item—"Concrete House Project" as at 30th June, 1966 .. .. .	..	821,789

The Project is charged notional interest at the rate of 4 per cent. per annum on the book value of its land, buildings and road services, &c. In the summary of the Commission's Revenue Account for 1965-66 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., \$400.—The Commission is a shareholder to the extent of 200 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, \$192,307.—The installation of an electronic data processing system during the financial year 1964-65 has now enabled the Commission to transfer the house purchasers' accounts and the tenants' accounts to the new system.

The total expenditure capitalized on account of the planning costs of the system has amounted to \$216,914. Of this amount, a sum of \$24,607 has been written off, leaving a balance of \$192,307 to be written off in future years.

Other costs associated with the installation aggregated \$97,488. 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 the provision of suitable accommodation.

Items Capitalized.—Expenditure on administration, rates¹ 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 1964-65 and 1965-66 are :—

	1964-65.		1965-66.	
	\$	%	\$	%
Rates	170,016	7.7	195,802	8.7
Interest	529,644	5.2	602,457	5.5
Administration	846,964	34.7	972,200	34.9
	<u>1,546,624</u>		<u>1,770,459</u>	

"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 \$24,228,706 was made available to the Commission under the terms of the 1961 Commonwealth and State Housing Agreement. Total loans from all sources at the close of the year amounted to \$374,416,375. At 30th June, 1966, the liability in respect of loans was \$338,012,482. Details are :—

	\$	\$
<i>State Housing.</i>		
From the Government of Victoria—Housing	2,272,133	
„ „ „ „ „ „ Slum Reclamation	10,018,574	
„ „ „ „ „ „ Debenture issues of the Commission	1,040,000	
	<u>13,330,707</u>	
Government Loan transferred to the Commission	60,000	
	<u>13,390,707</u>	
Less Securities purchased out of National Debt Sinking Fund and cancelled	653,310	
Debentures redeemed under Housing Act	440,000	
Repayments on Slum Reclamation	2,476,072	
	<u>3,569,382</u>	
		<u>9,821,325</u>
<i>Commonwealth—State Housing Agreements.</i>		
Loan Advances received from the Commonwealth of Australia	359,462,160	
Less Repayments	32,834,511	
	<u>326,627,649</u>	
<i>House Purchasers' Death Benefit Fund.</i>		
Loan to Commission		*1,563,508
		<u>338,012,482</u>
<i>Loan Liability as per Balance Sheet</i>		

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

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.

Sundry Creditors, \$656,420.—The reduction in the liability as at 30th June, 1966, compared with the previous year is attributable, in part, to a change in procedure by the Commission whereby creditors in respect of repairs and maintenance, as at the close of the year under review, were excluded from the final accounts. As the relevant amount would have been chargeable against the Accruing Maintenance Provision, the omission did not affect the result of the year's operations. Nevertheless, the procedure was not consistent with previous years. On the other hand, there have been included in the liability for Sundry Creditors amounts representing the value of work not yet done in respect of "Maintenance Contracts Incomplete". The effect was that the charge against the Accruing Maintenance Provision was in excess of the actual expenditure incurred.

Provision for Maintenance.—As at 30th June, 1965, the balance of the Accruing Maintenance Provision Account was \$3,066,664. To this amount there was added in 1965–66 the sum of \$2,462,893 by way of normal provision from Revenue Account for maintenance. The total expenditure on maintenance charged to the Account in 1965–66 was \$2,168,589 leaving a balance at credit of the Account at the close of the year of \$3,360,968.

The estimate of accruing maintenance is based 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, 1965 .. .. .	..	17,395,173
<i>Add—</i>		
Transfer from General Revenue Account (unrealized profits on terms sales for the year)	1,560,905	
Adjustments to estimated unrealized profits on establishment of actual capital costs	259,107	
Increase in unrealized profits on resale of repossessed units	153,789	
	<hr/>	1,973,801
		<hr/>
		19,368,974
<i>Less—</i>		
Sundry adjustments arising from cancellation of sales, reduction of sale prices, &c. .. .. .	..	33,858
		<hr/>
Balance at credit 30th June, 1966 .. .. .	..	19,335,116
		<hr/>

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, 1966, are summarized below :—

	\$	\$
Balance as at 30th June, 1965 .. .. .	..	3,839,915
<i>Add</i> Appropriation for year (Section 109 Act No. 6275)	484,661	
Income from Investments	221,748	
Premiums	15,148	
	<hr/>	721,557
		<hr/>
		4,561,472
<i>Deduct</i> Payments on Account of Deceased Purchasers .. .. .	..	29,794
		<hr/>
Balance as at 30th June, 1966 .. .. .	..	4,531,678
		<hr/>

The sum of the investments of the Fund, \$4,474,112, includes an amount of \$1,563,508 set aside in an account in the Commission's books styled "Loan Advance—Death Benefit Fund." The Fund's investments are included in the Commission's balance-sheet item—"Investments \$7,934,007".

In respect of the advance of \$1,563,508 it is 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. The report from 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, 1964, is not yet to hand.

Realization Reserves—Land, \$5,618,126 ; *Shops*, \$225,499.—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. Although, as at the close of the year, there was a net increase of \$228,016

in the Land Realization Reserve resulting from profits on sales of land, this was after a sum of \$123,389 in respect of profits on sales of residential land in the period 1st July, 1961, to 30th June, 1965, had been transferred from this account to the Accumulated Surplus. This adjustment was made in conformity with the policy, to which I have already referred, recently adopted by the Commission whereby profits on the sale of land for residential purposes are to be credited to revenue and not treated as capital profits. The Commission has not satisfied me as to the justification for this retrospective adjustment of previously certified accounts.

Interest Receivable Reserve—House Purchasers, \$6,440,005.—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 \$5,447,607 at the beginning of the year to \$6,440,005 at the close of the year by transfer from revenue of \$992,398.

Accumulated Surplus, \$827,464.—The variations in this account during the year are explained below :—

	\$	\$
1st July, 1965—Balance .. .. .	..	456,834
<i>Add—</i>		
Amount written back to Revenue from Loan Redemption Reserve	329,359	
Amount transferred from Land Realization Reserve Account in respect of realized profits on sales of residential land in previous years	123,389	
Amortization adjustment in respect of previous year	211	
	<hr/>	452,959
		<hr/>
		909,793
<i>Less—</i>		
Debit Balance—General Revenue Account .. .. .	..	82,329
		<hr/>
30th June, 1966—Balance .. .. .	..	827,464
		<hr/>

Payments to Shire of Berwick.—During the year, the Commission made two payments amounting to \$1,618 to the Shire of Berwick as a subsidy in respect of the use of the services of a social worker. In my opinion, the Commission's funds are not legally available for this purpose.

Irregular Disposal of Commission Funds.—Recently it was reported to me by the Commission that, on 13th April, 1966, an apparent fraudulent act in respect of the unauthorized withdrawal of an amount of \$193.96 from the Commission's General Account had occurred. It would appear that a Commission officer or officers are involved, but, at this stage, investigations have not been completed.

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 1965-66 amounted to \$316,151 (Water \$166,270, Sewerage \$149,881). Other advances by the State amounting to \$379,340 (Water \$185,518, Sewerage \$193,822) 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, 1966, amounted to \$18,270,586 (Water \$11,825,012, Sewerage \$6,445,574).

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

The accounts of the Board to 30th June, 1966, have been audited. For purposes of comparison, figures for the previous year are given in the abridged statements which follow.

FARM REVENUE ACCOUNT.

1964-65. \$							1965-66. \$	\$
<i>Income—</i>								
4,980	Rental Board Properties	..	..	..	..	..	4,666	
396	Sundry	..	..	..	..	..	1,440	
82,280	Profit—Sheep Trading Account	..	..	..	..	..	83,795	
18,098	Profit—Cattle Trading Account	..	..	..	..	..	13,815	
105,754								103,716
<i>Expenditure—</i>								
64,454	Farm Operation and Maintenance	..	..	..	..	..	50,749	
10,367	Production of Fodder	..	..	..	..	..	12,124	
55,458	Interest on Loans	..	..	..	..	..	58,031	
1,065	Interest on Overdraft	..	..	..	..	..	2,768	
14,812	Depreciation Provision	..	..	..	..	..	17,038	
22,627	Administrative and Sundry Expenses	..	..	..	..	..	25,330	
7,195	Maintenance Farm Dwellings	..	..	..	..	..	1,253	
175,978								167,293
70,224	Deficit on Farm Account transferred to General Revenue	..	..	..	..	..	63,577	

GENERAL REVENUE ACCOUNT.

\$							\$	\$
<i>Income—</i>								
664,618	Water Charges	..	..	..	..	..	659,198	
249,233	Disposal Charges	..	..	..	..	..	252,693	
11,223	Refund Maintenance Outfall Sewer—Tar Removal Costs	..	..	..	..	..	14,565	
6,478	Rents and Income—Board Properties	..	..	..	..	..	6,847	
61,625	Other	..	..	..	..	..	92,438	
993,177								1,025,741
<i>Expenditure—</i>								
436,451	Interest on Loans	..	..	..	..	..	445,622	
8,585	Interest on Overdraft	..	..	..	..	..	7,563	
99,584	Depreciation	..	..	..	..	..	106,246	
117,952	Maintenance and Operation of Works	..	..	..	..	..	178,303	
21,664	Salaries and Allowances	..	..	..	..	..	30,451	
83,360	Other Expenses	..	..	..	..	..	135,782	
767,596								903,967
225,581	Surplus for year	..	..	..	..	..	121,774	
70,224	Deficit on Farm Revenue Account	..	..	..	..	..	63,577	
*155,357	<i>Net result for year</i>	..	..	..	..	..	†58,197	

* Surplus on Water Fund \$184,239 ; Deficit on Sewerage Fund \$28,882.

† Surplus on Water Fund \$90,045 ; Deficit on Sewerage Fund \$31,848.

The Board's balances at 30th June, 1965, and 1966, are summarized hereunder :—

30.6.1965.		30.6.1966.
\$		\$ \$
	Current Assets—	
5,436	Cash at Bank	3,885
*63,446	Stores, Tools, &c.	53,247
11,308	Wool and Ensilage on hand	4,620
255,306	Livestock on Hand (at market value less selling charges)	252,846
82,908	Debtors and Prepayments	105,504
		<u>420,102</u>
560,234	Investments on account of Depreciation Reserve	695,137
	Fixed Assets—	
16,258,705	Works (including Works in Progress)	16,888,771
228,889	Plant and Equipment	246,532
327,271	Land, Buildings, Residences	327,459
71,503	Office and Laboratory Equipment	78,465
		<u>17,541,227</u>
16,886,368		818,421
674,632	Less Depreciation Reserve	<u>16,722,806</u>
16,211,736		
	Intangibles—	
12,770	Stores, Tools, &c., Suspense Account .. .. .	..
523,710	Interest on Works during Construction	523,709
6,996	Asset Realization Account .. .. .	..
		<u>523,709</u>
17,733,850		<u>18,361,754</u>
	Current Liabilities—	
351,807	Bank Overdraft	385,144
1,237	Sundry Creditors	7,282
936	Treasurer of Victoria—Interest	2,241
5,435	Contractors' Deposits and other Trust moneys	3,885
..	Long Service Leave Provision	6,822
		<u>405,374</u>
16,925,120	Loan Liability to the State of Victoria.. .. .	17,002,883
17,284,535		<u>17,408,257</u>
	The excess of Assets over Liabilities is represented by :—	
155,002	Capital Expenditure borne by the State	608,750
5,000	Grant by Government of Victoria	5,000
42,268	Appropriation for Plant Renewals	44,505
247,045	Accumulated Surplus	295,242
		<u>953,497</u>
17,733,850		<u>18,361,754</u>

* After deduction of \$12,770 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. Except where an agreement has been made between an employee and an authority for a rate in excess of 7 per cent., 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 final accounts to 28th February, 1966, have not, as yet, been presented for audit. Also, the question of whether the Board has statutory authority to employ its own staff is under discussion. Subject to these comments, the accounts for the year are compared hereunder with those for the previous year.

INSURANCE ACCOUNT.

		1964-65.	1965-66.
	<i>Receipts.</i>	\$	\$
Balance at Bank, 1st March	28,554	30,590
Premiums	21,236	6,821
Surrender Values	12,274	13,073
Death Claims	11,850	6,618
Matured Policies	267,596	239,150
Taken-over Policies	131
Investments Temporary—Redeemed	20,000	12,000
Other	362	394
		361,872	308,777
 <i>Payments.</i>			
Premiums	22,552	6,821
Death Claims	12,636	8,214
Matured Policies	262,688	248,174
Surrender Values	13,290	13,073
Refunds to Authorities	116	37
Investments Temporary—Purchased	20,000	12,000
Other	756
Balance at Bank, 28th February	30,590	19,702
		361,872	308,777

PROVIDENT FUND.

Receipts.

	1964-65.	1965-66.
	\$	\$
Balance at Bank, 1st March	27,324	6,806
Contributions	376,034	441,353
Interest on Investments	112,576	119,533
Death Claims Suspense .. .. .	..	12,654
Other (including Investments Redeemed)	858,740	446,109
	<u>1,374,674</u>	<u>1,026,455</u>

Payments.

Death Claims	28,226	34,781
Resignations and Retirements	347,392	385,876
Additional Interest	9,450	10,943
Refunds of Contributions .. .. .	..	519
Investments	978,800	564,000
Contribution to Administration	4,000	8,000
Balance at Bank, 28th February	6,806	22,336
	<u>1,374,674</u>	<u>1,026,455</u>

The position of the Fund at 28th February, 1965 and 1966, was :—

	1965.	1966.
	\$	\$
Contributors' Credits	1,941,912	2,043,400
Unallotted Interest	121,976	125,936
Contributions paid in advance, &c. .. .. .	..	25,950
Contributions payable to Benefit Contracts Account, &c. .. .. .	..	280
	<u>2,063,888</u>	<u>2,195,566</u>
Represented by—		
Cash at Bank	6,806	22,336
Investments	2,052,840	2,170,731
Contributions due, &c.	4,242	2,499
	<u>2,063,888</u>	<u>2,195,566</u>

BENEFIT CONTRACTS ACCOUNT.

	1964-65.	1965-66.
	\$	\$
Contract Premiums	1,905,670	2,094,292
Interest on Investments	609,962	711,571
	<u>2,515,632</u>	<u>2,805,863</u>

Expenditure.

Death Benefits	228,386	262,463
Withdrawal Benefits	459,582	466,549
Contribution to Administration	144,610	168,352
Other	14	15
	<u>832,592</u>	<u>897,379</u>
Surplus	1,683,040	1,908,484

As at 28th February, 1965 and 1966, the funds of the Benefit Contracts Account amounted to—

	1965.	1966.
	\$	\$
	10,784,614	12,693,098
and were represented by—		
Investments	10,815,184	12,820,565
Less Excess of Current Liabilities over Current Assets	30,570	127,467
	<u>10,784,614</u>	<u>12,693,098</u>

MANAGEMENT ACCOUNT.

Income.

	1964-65.	1965-66.
	\$	\$
Commission	1,122	339
Interest on Investments	12,586	6,594
Contribution to Administration—		
From Benefit Contracts Account	144,610	168,352
From Provident Fund	4,000	8,000
Rent	10,224	31,619
Computer Bureau Fees	5,894	10,410
	<u>178,436</u>	<u>225,314</u>

Expenditure.

Board Members' Fees	1,172	1,384
Salaries	71,974	82,902
Hire of Computer and other Office Machines	26,262	66,493
Other Administration Charges	54,762	56,968
Rates, &c.	4,268	5,787
Depreciation	13,590	19,441
	<u>172,028</u>	<u>232,975</u>
Surplus	6,408	..
Deficit .. .. .	..	7,661

As at 28th February, 1965 and 1966, accumulated funds of the Management Account were :—

	1965.	1966.
	\$	\$
Accumulated Funds	814,590	784,136
Asset Replacement Reserve	31,798	48,792
	<u>846,388</u>	<u>832,928</u>
Represented by—		
Current Assets less Liabilities	16,388	40,709
Investments	170,288	108,568
Freehold Property	605,308	617,873
Furniture, Equipment and Office Machines	43,036	52,323
Motor Vehicles	2,742	6,272
Prepayments, &c.	8,626	7,183
	<u>846,388</u>	<u>832,928</u>

MELBOURNE AND METROPOLITAN BOARD OF WORKS.

The audit of the books and accounts of the Board for the year ended 30th June, 1966, has been completed and the statements of accounts for the year have been certified by me.

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

1964-65. \$						1965-66. \$	\$	\$
	Rates and Charges—							
12,159,896	Water Supply	..	..	..	..	13,701,430		
10,925,292	Sewerage	..	..	..	..	13,758,159		
1,743,502	Drainage and Rivers	..	..	..	..	2,126,552		
<hr/>						<hr/>		
24,828,690							29,586,141	
	Farm—							
342,528	Gross profit on cattle	..	..	..	..	436,279		
125,626	Gross profit on sheep	..	..	..	..	132,941		
5,314	Rent	..	..	..	..	5,483		
4,938	Sundry Trading Operations	..	..	..	..	3,978		
<hr/>						<hr/>		
478,406							578,681	
<hr/>							<hr/>	
25,307,096	Gross Revenue	..	..	..	..	..	..	30,164,822
<hr/>								
	Working Expenses—							
3,019,896	Management	..	..	..	..	..	3,603,726	
4,802,088	Maintenance	..	..	..	..	..	5,572,141	
14,856,346	Interest (including overseas exchange)	..	..	..	..	..	16,526,218	
<hr/>							<hr/>	
22,678,330								25,702,085
<hr/>								<hr/>
2,628,766	Gross Surplus	..	..	..	..	..	..	4,462,737
<hr/>								
	General Expenditure—							
262,826	Loan Flotation Expenses	..	..	..	..	303,487		
181,012	Staff Gratuities	..	..	..	..	163,333		
151,836	Contributions to Superannuation Fund	..	..	..	..	201,251		
82,166	Depreciation—Furniture and Fittings, &c.	..	..	..	..	76,640		
131,568	Pensions (cost of living allowances in superannuation payments)	..	..	..	..	100,946		
<hr/>						<hr/>		
809,408							845,657	
<hr/>							<hr/>	
	Statutory Expenditure—							
33,984	Contributions to Municipalities	..	..	..	..	33,984		
32,810	Fees for valuations	..	..	..	..	44,107		
<hr/>						<hr/>		
							78,091	
<hr/>							<hr/>	
876,202	Carried forward	..	..	..	..	..	923,748	4,462,737

1964-65.				1965-66.	
\$		\$	\$	\$	
876,202	Brought Forward	..	..	..	923,748 4,462,737
Provisions and Transfers to Reserves—					
609,828	Contributions to—Renewals Fund	..	..	662,718	
971,390	„ „ —Sinking Fund	..	..	1,045,674	
988,436	„ „ —Loans Redeemed Reserve	..	..	1,228,019	
..	„ „ —Rates Equalization Reserve	..	..	600,000	
2,569,654					3,536,411
3,445,856	Expenditure &c. from Gross Surplus	..	..	..	4,460,159
..	Net Surplus	..	..	..	2,578
817,090	Net Deficit	..	..	..	..
64,344	Add Accumulated Surplus brought forward	..	..	..	64,344
817,090	Add Transfer from Rates Equalization Reserve	..	..	..	..
64,344	Accumulated Surplus at 30th June, carried forward	..	..	..	66,922

The operations during 1965-66 resulted in a surplus of \$2,578 compared with a deficit of \$817,090 in the preceding year. The surplus for the year was determined after making an allocation of \$600,000 to 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).
		\$	\$	\$	\$
1961-62	.. .. .	10,358,468	9,173,082	1,501,476	176,838,562
1962-63	.. .. .	11,146,766	10,182,016	1,673,496	202,368,592
1963-64	.. .. .	11,674,086	10,521,790	1,703,716	208,251,886
1964-65	.. .. .	12,159,896	10,925,292	1,743,502	212,650,684
1965-66	.. .. .	13,701,430	13,758,159	2,126,552	336,275,826

The aggregate of net annual values on which the rates were assessed for 1965-66 rose sharply as a result of the revaluation of properties in all municipalities except the municipality of Bulla.

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

	Rate Levied. (per \$)		Maximum Rate Allowable. (per \$).
	1961-62 to 1964-65.	1965-66.	
	c	c	c
Metropolis generally—			
Water Rate	3.333	2.5	3.75
Metropolitan General Rate	5.833	4.375	6.666
Drainage and Rivers Rate	0.833	0.625	1.25
Dandenong-Springvale Area (from and inclusive of 1958-59)—			
Water Rate	4.166	3.125	5
Chelsea Area (from and inclusive of 1962-63)—			
Water Rate	5	3.75	5

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 55·86 per cent. compared with 59·84 per cent. in the previous year. The actual charge to revenue on account of interest and exchange rose from \$14,856,346 in 1964-65 to \$16,526,218 in 1965-66.

Interest charged included amounts credited to the Board's several funds as follows—Renewals Fund \$375,560 ; Sinking Fund \$1,318,863 ; and Superannuation Fund \$207,160. Exchange on interest remitted overseas amounted to \$66,104.

The main credits during the year to Special Funds and the balances of those Funds at 30th June, 1966, are shown hereunder :—

	Contributions from Revenue.	Interest Credited.	Total Revenue Additions to Fund.	Credit Balance at 30th, June, 1966.
	\$	\$	\$	\$
Sinking Funds	1,069,869	1,318,863	2,388,732	28,765,994
Loans Redeemed Reserve	1,228,018	..	1,228,018	4,637,682
Renewals Fund	662,719	375,560	1,038,279	17,669,172
Superannuation Fund	214,097	207,160	421,257	4,337,735
Insurance Account .. .. .	..	..	..	864,742
	<u>3,174,703</u>	<u>1,901,583</u>	<u>5,076,286</u>	<u>56,275,325</u>

In addition to the Funds listed above, there are other Provisions and Reserves with credit balances to the sum of \$41,082,875 as at 30th June, 1966. Thus, the sum of the Board's Funds and Reserves as at that date was \$97,358,200. Of this sum, \$51,494,468 was invested, \$4,637,682 was applied to loan redemption and \$41,226,050 was utilized in the Board's undertaking.

Town Planning, Metropolitan Highways, &c.—The Metropolitan Improvement Rate was reduced from 1·666c to 1·25c per dollar and was assessed on properties with an aggregate net annual value of \$362,104,998 compared with \$218,431,270 in 1964-65.

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

1964-65.		1965-66.	
\$		\$	\$
	Revenue—		
3,909,026	Metropolitan Improvement Rate and Sundry Income .. .. .	..	4,914,206
	Less Expenditure—		
553,304	Management .. .. .	..	623,340
59,790	Maintenance .. .. .	..	65,677
49,814	Interest .. .. .	..	51,214
24,194	Contribution to Sinking Fund .. .. .	..	24,194
34,092	Proportion of Statutory and General Charges .. .. .	..	36,016
<u>721,194</u>			<u>800,441</u>
3,187,832	Balance—Surplus transferred to Planning and Highways Reserve .. .. .	..	4,113,765

At 30th June, 1966, the credit balances in the accounts of the Board relating to its Planning and Highways functions were :—

	\$
Loan Liability—Loan 476	800,000
Sinking Fund	133,688
General Reserve	1,346,123
Planning and Highways Reserve	22,937,278
	<u>25,217,089</u>

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

	\$	\$
Metropolitan Improvement Fund—		
Cash at Bank	93,140	
Less amount due to Metropolitan General Fund	80,338	
	<hr/>	12,802
Securities—		
Short Term	3,450,000	
Commonwealth	2,000,000	
	<hr/>	5,450,000
Arrears—Rates and Charges (estimate)		134,992
Sundry Debtors—		
Rent	8,237	
Accrued Interest	13,156	
	<hr/>	21,393
Reserved Land—held temporarily under Section 57, Act No. 6849	9,203,418	
Compensation under Section 42, Act No. 6849	539,260	
	<hr/>	9,742,678
Planning, Highways and Foreshore Works—Expenditure		9,855,224
		<hr/>
		25,217,089

The amount of \$1,346,123 in the General Reserve represents the contribution made by the Treasurer of Victoria during the year from the Roads (Special Projects) Fund in connection with expenditure by the Board on Special Project No. 1, St. Kilda Junction Improvements.

This project was approved by the Governor in Council on 31st August, 1965.

Recoups of expenditure by the Board from the dates shown were made by the Treasurer of Victoria on the following basis :—

	Recoup. \$
Three-fourths of payments for property acquisition from 1st July, 1965	1,141,054
Three-fourths of payments for contract and direct labour works from 31st August, 1965	160,189
One-half of design, survey and boring costs from 31st August, 1965	44,880
	<hr/>
	1,346,123

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 two years :—

1965. \$		1966. \$	\$
Current Assets—			
1,186,994	Cash in hand and at bank	796,412	
13,190,000	Securities—Short Term	11,775,000	
1,047,420	Arrears of Rates and Charges	1,304,290	
1,395,396	Sundry Debtors	2,113,659	
3,361,194	Stores and Materials on hand	3,230,341	
460,152	Livestock on hand	445,160	
	Reserved Land—Planning and Highways—		
8,059,512	Acquired Land	9,203,418	
432,586	Compensation for loss on sales	539,260	
		<hr/>	29,407,540
<hr/>			
29,133,254			
Fixed Assets—			
6,638,846	Planning and Highways Works	9,855,224	
138,707,786	Water Supply Works	146,540,266	
139,228,922	Sewerage Works	158,121,486	
793,818	Sewerage House Connexions	793,818	
24,982,518	Main Drainage and River Improvement Works	27,963,690	
11,258,540	Buildings, Water Meters and other items	11,790,979	
		<hr/>	
321,610,430		355,065,463	
16,796,756	Less Renewals Fund	17,669,172	
		<hr/>	
304,813,674		337,396,291	
3,411,936	Plant and Tools	3,306,478	
851,538	Motor Vehicles	941,422	
363,288	Furniture and Fittings	384,750	
		<hr/>	
309,440,436			342,028,941
Investments—			
29,983,000	External—Stock—Commonwealth, &c.	34,073,000	
5,620,668	Internal—Stock—Melbourne and Metropolitan Board of Works	5,652,668	
		<hr/>	
35,603,668			39,725,668
<hr/>			
374,177,358	Total Assets		411,162,149

1965.		1966.
\$	Current Liabilities—	\$ \$
2,638,328	Loan Interest, Matured Debentures and Inscribed Stock ..	3,026,728
3,309,656	Sundry Creditors and Deposits	4,659,682
5,947,984		7,686,410
	Deferred Liabilities—	
4,015,686	Superannuation Fund	4,337,735
799,484	Provision for Furlough	771,731
4,815,170		5,109,466
	Loan Liability—	
1,403,146	Government of Victoria	1,394,357
297,887,104	Other	322,392,354
299,290,250		323,786,711
310,053,404	Total Liabilities	336,582,587
	Excess of Assets over Liabilities, represented by—	
26,272,982	Sinking Fund	28,632,307
3,409,664	Loans Redeemed Reserve	4,637,682
10,020,912	General Reserve	12,098,803
39,703,558		45,368,792
113,276	Less Fixed Assets Retired	175,899
39,590,282		45,192,893
104,280	Planning and Highways Sinking Fund	133,687
18,803,994	Planning and Highways Reserve	22,937,278
2,154,002	Rates Equalization Reserve	2,754,002
1,377,000	Exchange Reserve	1,377,000
207,210	Deferred Maintenance Reserve	207,210
250,000	Provision for Water Charges Adjustment	250,000
901,860	Insurance Account	864,742
670,982	Distributable Expense Variance Account	795,828
64,344	Accumulated Surplus	66,922
64,123,954		74,579,562

The Board's investments—long and short-term—increased by \$2,707,000 (net). This increase was due to the additions in provisions and reserves already referred to herein.

The increase of \$2,077,891 in the General Reserve was accounted for as follows :—

	\$
Estimated value of privately constructed water mains taken over by the Board, less reimbursements made by the Board	572,596
Contributions towards cost of works	1,458,402
Profit on disposal of motor vehicles	3,511
Capital gain on revaluation of Stock	54,178
	2,088,687
Less—Loss on realization of Plant, &c.	10,796
	2,077,891

The Board's statutory loan authority for its normal functions is \$400,000,000 against which the actual loan liability at 30th June, 1966, was \$323,786,711.

During the year, from loan moneys and the Board's internal resources, fixed assets were increased by \$33,460,921. Major increases were :—

	\$
Reservoir and Conduit Construction, &c.	574,265
Water Supply—extension large mains	3,696,268
" " reticulation, water meters, &c.	4,025,182
Construction and Amplification—sewerage disposal, &c.—Farm	388,465
Sewerage—extension mains, treatment works, &c.	17,206,599
" Pumping Stations	1,297,500
Main Drains and River Improvements—extensions, &c.	2,981,172
Metropolitan Main Highways	3,044,775
Foreshore Improvement	171,603

MELBOURNE AND METROPOLITAN TRAMWAYS BOARD.

The annual audit of the accounts to 30th June, 1966, 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 30.6.1965.	Year ended 30.6.1966.
Operations—	\$	\$
Tramways Deficit	495,036	Deficit 909,886
Omnibuses Deficit	597,430	Deficit 937,917
	1,092,466	1,847,803
Properties and Miscellaneous Net Credit	67,798	Net Credit 136,004
	1,024,668	1,711,799
Interest on Investments	163,264	157,181
Result for year Deficit	861,404	Deficit 1,554,618

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

	Year ended 30.6.1965.	Year ended 30.6.1966.
Provision for—	\$	\$
Long Service Leave	240,202	317,775
Retiring Gratuities	436,462	586,725
Accrued Sick Leave	121,410	127,604
Public Liability Claims	230,372	233,843
Obsolescence in Stores Stock	6,300	6,730
	1,034,746	1,272,677

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, 1965 and 1966, are summarized hereunder :—

30.6.65.		30.6.66.
\$	Current Assets—	\$ \$
116,403	Balances at Bank and Cash in Hand	154,871
275,859	Sundry Debtors	311,039
732,758	Stores on Hand and Work in Progress	905,130
1,125,020		1,371,040
	Fixed Assets—	
15,356,242	Permanent Way, Overhead Construction, Transmission Lines..	16,033,363
10,877,069	Rolling Stock	11,236,882
4,777,201	Land and Buildings	4,738,124
3,139,542	Plant, Furniture, and Fittings, &c.	3,188,113
34,150,054		35,196,482
16,102,800	Less Provision for Depreciation	16,822,053
18,047,254		18,374,429
19,172,274	Carried forward	19,745,469

30.6.1965. \$		\$	30.6.1966. \$
19,172,274	Brought forward .. .. .	..	19,745,469
2,005,402	Intangible Assets .. .. .	..	2,005,402
1,219,012	Less Provision for Amortization .. .. .	..	1,259,119
786,390			746,283
2,959,043	Investments .. .. .	..	2,511,907
22,917,707	Total Assets .. .. .	..	23,003,659
 Current Liabilities—			
756,318	Sundry Creditors .. .. .	..	742,977
82,338	Contractors' and other Deposits	76,453	
40,820	Less Deposits other than Cash	37,192	
797,836			39,261
			782,238
 Accrued Liabilities—			
281,984	Interest on Loans .. .. .	..	332,790
396,575	Other .. .. .	..	556,561
678,559			889,351
20,950,424	Loans .. .. .	..	22,396,382
 Specific Provisions—			
200,000	Provision for Fire Damage .. .. .	..	200,000
170,000	„ „ Public Liability Claims .. .. .	..	170,000
500,000	„ „ Accrued Sick Leave .. .. .	..	500,000
1,525,320	„ „ Retiring Gratuities .. .. .	..	1,525,320
500,000	„ „ Long Service Leave .. .. .	..	500,000
22,930	„ „ Stores Obsolescence .. .. .	..	22,348
2,918,250			2,917,668
25,345,069	Total Liabilities .. .. .	..	26,985,639
 The excess of Liabilities over Assets is represented by—			
2,584,935	The Accumulated Deficit brought forward .. .. .	..	2,584,935
	Plus—Deficit for year .. .. .	..	1,554,618
	Accumulated Deficit at 30th June, 1966 .. .. .	..	4,139,553
157,573	Less—Grants from Commonwealth of Australia for Tramlines constructed at its request .. .. .	..	157,573
2,427,362			3,981,980

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 :—

	30.6.1965 \$	30.6.1966. \$
Provision for depreciation and amortization	15,881,490	16,531,841
Sinking Fund	1,440,321	*1,549,331
Total Provision	17,321,811	18,081,172

* Of the investments of the Board amounting to \$2,511,907, as at 30th June, 1966, investments to the sum of \$1,549,331 were accepted as being held on behalf of the Sinking Fund.

MELBOURNE HARBOR TRUST.

In previous Reports relating to the Melbourne Harbor Trust, the opinion was expressed that the scope of the audit by this Office should include the annual Revenue Account and Balance-sheet of the Trust. Following an enquiry by the Committee of Public Accounts in 1964, the *Melbourne Harbor Trust (Amendment) Act 1965*, No. 7311, which came into operation on 23rd November, 1965, included provisions under which the Auditor General is required to audit the annual Revenue Account and Balance-sheet, the year 1965 being the first year to which these provisions applied.

In the conduct of the audit of the accounts for 1965, the continuous checking of receipts and vouching of disbursements carried out by the Trust's auditors—a firm of chartered accountants—has been accepted.

The Trust's Revenue Accounts for the past two calendar years are compared in the following summary :—

							<i>Revenue.</i>	
							1964.	1965.
							\$	\$
Charges on Ships	..	..	..	..	..	..	2,831,896	2,643,078
Charges on Goods	..	..	..	..	..	..	5,670,580	5,699,774
Charges for Services—Cranes	..	..	..	..	..	..	1,613,066	1,799,768
Charges for Services—Other	..	..	..	..	..	..	360,658	376,232
Rents and Licence Fees from Lands	..	..	..	..	..	..	665,590	725,088
Other Revenue..	..	..	..	..	..	..	170,622	190,254
Total Revenue	..	..	..	..	..	..	11,312,412	11,434,194

							<i>Expenditure and Provisions.</i>	
Payment to Consolidated Revenue	..	..	..	..	..	..	1,437,046	1,419,562
Operating Expenses	..	..	..	..	..	..	2,160,138	2,412,994
Maintenance	..	..	..	..	..	..	2,379,662	1,834,168
Interest on Loans	..	..	..	..	..	..	1,481,826	1,465,124
Other Expenses	..	..	..	..	..	..	710,650	784,124
Provision for Depreciation	..	..	..	..	..	..	1,647,192	1,486,484
Provision for Insurance	..	..	..	..	..	..	165,148	95,994
Total Expenditure	..	..	..	..	..	..	9,981,662	9,498,450
Net Revenue before Appropriation	..	..	..	..	..	..	1,330,750	1,935,744

							<i>Appropriations.</i>	
Sinking Fund	..	..	..	..	..	..	1,150,182	927,642
General Reserve	..	..	..	..	..	..	..	800,000
							1,150,182	1,727,642
Surplus for year.	..	..	..	..	..	..	180,568	208,102

In addition to the two provisions appearing in the foregoing summary, the following provisions were made and subsequently absorbed in other expenditure accounts :—

							1964.	1965.
							\$	\$
Depreciation	..	..	..	..	..	..	300,804	293,068
Insurance	..	..	..	..	..	..	13,888	26,166
Periodical Maintenance	..	..	..	..	..	..	10,000	10,000
Superannuation Pensions	..	..	..	..	..	..	150,000	150,000
Service Grant Gratuities	..	..	..	..	..	..	20,000	20,000
Long Service Leave	..	..	..	..	..	..	50,000	50,000
							544,692	549,234

The Trust, in 1965, made an initial appropriation of \$800,000 to a general reserve. In the course of the audit of the accounts, it was suggested that, having regard to the provisions of Sections 116 and 117 of the *Melbourne Harbor Trust Act 1958* and Section 134A inserted by the *Melbourne Harbor Trust (Amendment) Act 1965*, the question of whether the Trust has the legal power to make such an appropriation required clarification. The matter is receiving the attention of the Trust.

The following statement, based on the balance-sheet, analyses the sources of funds which had been available to the Trust up to 31st December, 1965, and the application thereof, and includes comparative figures at the end of the previous year :—

31.12.1964.	<i>Source of Funds.</i>						31.12.1965.	
\$							\$	\$
	<i>External—</i>							
29,772,674	Loan Liability	..	..	..	..	..	30,472,858	
1,080,614	Sundry Creditors	..	..	..	..	..	1,063,910	
556,266	Bank Overdraft	..	..	..	..	..	425,100	
17,324	Trust Accounts	..	..	..	..	..	29,672	
							31,991,540	
	<i>Internal—</i>							
9,684,750	Capital Redemption Reserve	..	..	..	..	..	10,234,564	
..	General Reserve	..	..	..	..	..	800,000	
3,074,096	Insurance Reserve	..	..	..	..	..	3,131,142	
1,114,062	Superannuation Accounts	..	..	..	..	..	1,200,358	
12,524,864	Provision for Depreciation	..	..	..	..	..	13,894,356	
96,160	Provision for Periodical Maintenance	..	..	..	..	..	173,642	
170,000	Provision for Pensions and Gratuities	..	..	..	..	..	340,000	
50,000	Provision for Long Service Leave	..	..	..	..	..	100,000	
340,000	Sinking Fund	..	..	..	..	..	746,342	
8,159,954	Revenue Account Balance	..	..	..	..	..	8,368,056	
							38,988,460	
66,640,764							70,980,000	
	<i>Application of Funds.</i>							
61,495,808	Fixed Assets (at cost)	..	..	..	..	..	65,294,382	
2,951,296	Investments (at cost) and Cash	..	..	..	..	..	2,997,430	
	<i>Current Assets—</i>							
893,922	Sundry Debtors	..	..	..	..	..	840,360	
121,412	Advances for Housing	..	..	..	..	..	120,144	
821,002	Materials in Stock (at cost)	..	..	..	..	..	951,670	
							1,912,174	
340,000	Investments of Sinking Fund (at cost)	..	..	..	..	..	746,342	
17,324	Cash Held in Trust Accounts	..	..	..	..	..	29,672	
66,640,764							70,980,000	

METROPOLITAN FIRE BRIGADES BOARD.

The Board's revenue consists primarily of contributions provided by Fire Insurance Companies and Municipalities. In 1965-66, the funds so provided were—Fire Insurance Companies, \$3,138,600, and Municipalities, \$1,569,300.

	1962-63.	1963-64.	1964-65.	1965-66.
<i>Revenue.</i>	\$	\$	\$	\$
Surplus from previous year	436,782	213,198	161,486	193,794
Statutory contributions	3,540,028	3,880,200	4,263,914	4,707,900
Other	131,208	112,484	122,986	130,067
	<u>4,108,018</u>	<u>4,205,882</u>	<u>4,548,386</u>	<u>5,031,761</u>
<i>Expenditure.</i>				
Salaries, Wages and Maintenance, &c.	3,501,538	3,638,630	3,932,410	4,449,524
Loan Repayments	22,242	20,776	21,810	22,896
Transfers to Funds and Interest on Loans	371,040	384,990	400,372	431,233
	<u>3,894,820</u>	<u>4,044,396</u>	<u>4,354,592</u>	<u>4,903,653</u>
Surplus carried forward to next year	213,198	161,486	193,794	128,108

The financial position of the Board as at 30th June, 1965, and 1966, is summarized hereunder :—

30.6.1965.		30.6.1966.
\$		\$
	Source of Funds—	
	External—	
668,958	Loan Liability	646,061
<u>668,958</u>		
	Internal—	
3,835,360	Excess of Assets over Liabilities	4,124,007
4,259,612	Funds	4,626,011
3,323,810	Less invested on account of Superannuation and other Trust purposes	3,769,016
<u>935,802</u>		<u>856,995</u>
4,771,162		4,981,002
<u>5,440,120</u>		<u>5,627,063</u>
	Represented by—	
	Current Assets—	
136,128	Sundry Debtors and Advances	139,043
191,364	Stock on Hand	225,706
1,274	Work in Progress	1,372
<u>328,766</u>		<u>366,121</u>
	Less—	
	Current Liabilities—	
2,078	Sundry Creditors	1,295
111,092	Cash Deficit	255,512
<u>113,170</u>		<u>256,807</u>
215,596		109,314
1,042,004	Investments	1,031,290
	Fixed Assets—	
3,376,308	Land and Buildings	3,675,264
266,456	Plant, Machinery and Equipment	288,690
539,756	Rolling Stock	522,505
		<u>4,486,459</u>
<u>5,440,120</u>		<u>5,627,063</u>

PORTLAND HARBOR TRUST.

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

The Commissioners' statutory charter provides authority, also, for the erection and operation of a grain terminal at Portland. Capital expenditure on this project to 30th June, 1966, amounted to \$1,288,586 and operations for the year resulted in a net deficit of \$38,951. In addition, Sinking Fund charges amounting to \$2,671 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 \$576,000 and the provisions for sinking fund and accruing long service leave, there was a net deficit of \$73,774 on the year's operations. This compares with a surplus of \$82,928 in 1964-65.

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

1964-65.		1965-66.
\$		\$ \$
	Operating Revenue—	
116,718	Wharfage Rates	137,252
24,312	Tonnage Rates	21,162
456	Slipway Charges	572
83,576	Shipping Services	63,175
25,874	Rent	17,540
5,218	Handling Charges, &c.—Grain Terminal	81,514
256,154		321,215
	Operating Expenditure—	
58,900	Administrative	67,497
66,954	Maintenance	77,881
91,636	Shipping Services	60,844
3,880	Grain Terminal Expenses (including Depreciation)	48,903
12,478	Depreciation—Harbor Works, &c.	11,991
233,848		267,116
22,306	Operating Surplus	54,099
	Non-operating Revenue—	
25,532	Interest	25,975
1,282	Licences	1,214
132	Other	347
26,946		27,536
49,252		81,635
	Non-operating Expenditure—	
621,706	Loan Interest	677,253
2,058	Loan Flotation Expenses, &c.	6
623,764		677,259
574,512	Excess of Expenditure over Revenue	595,624
	Appropriations—	
6,568	Long Service Leave	4,427
46,992	Sinking Fund	49,723
53,560		54,150
628,072		649,774
711,000	Contribution by State from Consolidated Revenue for maintenance of port facilities and for other purposes	576,000
82,928	Surplus for year	73,774
..	Deficit for year .. .. .	..
251,454	Accumulated Surplus at 30th June	83,255

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, \$1,653,607, and National Debt Sinking Fund contributions, \$84,620.

Movements in the Accumulated Revenue Account for the year were :—

	\$	\$
Balance 1st July, 1965 .. .. .	..	251,454
Less Net Deficit for year .. .. .	..	73,774
		<u>177,680</u>
<i>Deduct</i> Transfer to Loans Redeemed Reserve in respect of loans redeemed—		
Up to 30th June, 1965 .. .. .	..	60,944
During 1965–66 .. .. .	..	33,481
		<u>94,425</u>
Balance 30th June, 1966 .. .. .	..	<u>83,255</u>

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

30.6.1965.		30.6.1966.
\$		\$ \$
186,594	Current Liabilities	241,181
	Deferred Liabilities—	
10,000	Treasury Advance	10,000
16,393,156	Loan Funds	17,109,875
20,362	Other	73,997
<u>16,610,112</u>		<u>17,193,872</u>
	Funds of the Trust—	
84,180	Endowments	67,125
439,616	Sinking Fund	507,000
..	Loans Redeemed Reserve	99,425
<u>523,796</u>		<u>673,550</u>
251,454	Accumulated Surplus	83,255
<u>775,250</u>		<u>756,805</u>
<u>17,385,362</u>		<u>18,191,858</u>
	Current Assets—	
164,266	Cash	71,707
109,974	Stores	83,155
46,422	Other	38,532
		<u>193,394</u>
1,359,278*	Investments	1,301,375*
	Fixed Assets—	
78,060	Property Vested (<i>less</i> Written Off)	61,004
6,516	Other (<i>less</i> Depreciation)	9,403
14,443,250	Harbor Construction Works and Plant (<i>less</i> Depreciation)	15,352,422
1,177,596	Grain Terminal Construction Works and Plant (<i>less</i> Depreciation)	1,274,260
		<u>16,697,089</u>
<u>17,385,362</u>		<u>18,191,858</u>

* Includes investments on account of Sinking Fund.

Loan Funds at 30th June, 1966, comprised advances from the Treasurer, \$4,082,900 (including \$24,900 discount and expenses on loans) and \$13,026,975 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 \$1,653,607.

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, 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 \$60,142, and subsidiary stores, \$23,013. 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, \$1,301,375, 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.

Moneys 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.

	30.6.1964.		30.6.1965.		30.6.1966.	
	\$	%	\$	%	\$	%
Inscribed Stock	5,737,000	40	5,447,000	34	5,446,300	31
Bank Deposit Stock	700,000	5	700,000	4	700,000	4
Municipal Debentures	1,209,556	8	1,210,374	8	1,078,693	6
Mortgages	6,269,118	44	7,858,350	49	9,528,173	54
Loan to Co-operative Housing Society	266,504	2	240,904	2	218,604	1
Cash at Bank and in Hand ..	104,046	1	469,956	3	662,073	4
	<u>14,286,224</u>	<u>100</u>	<u>15,926,584</u>	<u>100</u>	<u>17,633,843</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 \$24,811,331 at 30th June, 1966.

The Act requires that interest received from the investment of moneys forming part of the Common Fund shall be paid into an 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 1964-65 and 1965-66 were :—

1964-65.		INTEREST SUSPENSE ACCOUNT.				1965-66.	
\$					\$	\$	
942,222	Income from investments .. ..	..	..	..	..	<u>1,045,414</u>
	Appropriations—						
572,038	Interest allocated to estates .. ..	..	..	..	683,497	
60,000	Provision for interest payable to estates .. ..	..	..	..	65,000	
310,184	Consolidated Revenue .. ..	..	..	..	296,917	
<u>942,222</u>						<u>1,045,414</u>	
1964-65.		ESTATES GUARANTEE AND RESERVE ACCOUNT.				1965-66.	
\$					\$	\$	
995,154	Balance at 1st July .. ..	..	..	..	..	1,058,163
63,905	Interest credited on balance .. ..	..	..	..	..	71,509
44	Capital profit on realization of Common Fund investments .. ..	..	..	..	..	2,800
<u>1,059,103</u>						<u>1,132,472</u>	
22	Less Legal fees .. ..	..	..	..	..
918	Capital loss on realization of Common Fund investments .. ..	..	..	..	668	
						<u>668</u>	
<u>1,058,163</u>	Balance at 30th June .. ..	..	..	..	..	<u>1,131,804</u>

In 1965-66, as in the previous financial year, no allocation was made to the Estates Guarantee and Reserve Account from the Interest Suspense Account. It is understood that the Public Trustee did not deem it necessary to make any such allocation for the reason that the Estates Guarantee and Reserve Account is, on present indications, adequate to meet anticipated losses on the realization of investments and to meet any other costs chargeable to the Account.

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 \$111,539 compared with a surplus of \$125,078 in the preceding year. Particulars are :—

1964-65	Receipts.	1965-66	1964-65	Payments.	1965-66
\$		\$	\$		\$
285,858	Fees and Commission ..	318,270		Salaries, pay in lieu of long service leave, overtime and payroll tax ..	416,284
310,184	Surplus—Interest Suspense Account ..	296,917	380,748	Publicity ..	2,147
			2,348	Rent ..	65,814
			65,536	Other expenses (net) ..	19,403
			22,332	Surplus for the year ..	111,539
			125,078		
<u>596,042</u>		<u>615,187</u>	<u>596,042</u>		<u>615,187</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—

	1963-64.	1964-65.	1965-66.
	\$	\$	\$
Consolidated Revenue—			
Fees and Commission	265,052	285,858	318,271
Probate Duty	460,888	504,456	372,803
Surplus from Interest Suspense Account	202,510	310,184	296,917
Maintenance—Patients in Mental Hospitals	67,062	48,390	55,933
Stationery, Postages recouped	10,602	14,520	11,681
Sundry Receipts	1,502	4,668	3,387
	<u>1,007,616</u>	<u>1,168,076</u>	<u>1,058,992</u>
Transfers to Treasury Trust Fund—			
Unclaimed Moneys—after 6 years	98,450	101,160	121,098
Unpresented cheques, &c.	3,240	..	..
	<u>101,690</u>	<u>101,160</u>	<u>121,098</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 \$4,559,418. At the close of the year, \$23,486,589 was held by borrowers of which \$19,211,521 was held in respect of primary industries and \$4,275,068 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 cent. in 1952 to ½ per cent. in 1963–64. In respect of the years 1964–65 and 1965–66 the Honorable the Treasurer has determined that no such concession is to 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 the farmer 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 1965–66.

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 \$15,563.

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

	\$	\$
Grants from Commonwealth Government .. .. .	..	4,784,000*
<i>Add</i> Amounts received from farmers to 30th June, 1965 ..	6,454,880	
Repayments of advances, 1st July, 1965, to 30th June, 1966 ..	123,010	
	—————	6,577,890†
		11,361,890
<i>Less</i> Payments <i>re</i> debt adjustment to 30th June, 1966 .. .. .	..	7,285,576
		—————
Unexpended balance 30th June, 1966 .. .. .	..	4,076,314

* Of the advances from this amount, \$100,712 (net) has been written off as bad debts.

† Includes mortgage interest \$19,404 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, 1966, 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 :—

		INCOME.							
1965.								1966.	
\$								\$	\$
1,174,624	Interest .. .. .	..	..	..	..	..	..	1,301,982	
21,206	Application and Legal Fees .. .. .	..	..	..	..	..	..	22,496	
<u>1,195,830</u>								<u>1,324,478</u>	
EXPENDITURE AND PROVISIONS.									
143,262	Administration .. .. .	..	..	..	..	..	..	168,689	
902,900	Interest on Loan Indebtedness .. .. .	..	..	..	..	..	..	970,737	
44,304	Interest on Redeemed Securities .. .. .	..	..	..	..	..	..	50,775	
2,520	Provision for Long Service Leave .. .. .	..	..	..	..	..	..	3,245	
12,316	Provision for Superannuation .. .. .	..	..	..	..	..	..	19,322	
<u>1,105,302</u>								<u>1,212,768</u>	
90,528	Operating Profit for Year .. .. .	..	..	..	..	..	..	111,710	
<i>Add—</i>									
62,510	Interest on Investments .. .. .	..	..	..	..	..	..	43,938	
..	Surplus on Sale of Residences, &c. .. .. .	..	..	..	..	..	..	11,632	
<u>153,038</u>								<u>167,280</u>	
<i>Less—</i>									
53,262	National Debt Sinking Fund—Contribution .. .. .	..	..	..	..	..	..	56,106	
5,738	Discounts and Expenses on Loans .. .. .	..	..	..	..	..	..	18,570	
2,022	Bad Debts written off .. .. .	..	..	..	..	..	..	..
39,544	Provision for Doubtful Debts .. .. .	..	..	..	..	..	..	19,321	
<u>100,566</u>								<u>93,997</u>	
<u>52,472</u>	Net Profit Transferred to General Reserve .. .. .	..	..	..	..	..	..	<u>73,283</u>	
At 30th June, 1965, and 30th June, 1966, funds available to the Commission were :—									
30.6.1965.								30.6.1966.	
\$								\$	\$
Loan Funds—									
21,050,026	Loan Liability—Treasurer of Victoria (net) .. .. .	..	..	..	..	..	..	22,127,531	
Other Funds—									
15,084	Advances <i>Farmers Debts Adjustment Act</i> 1943—Treasurer of Victoria .. .. .	..	..	..	..	..	..	13,081	
4,683,288*	Funds provided by Grant under <i>Commonwealth Loan (Farmers Debts Adjustment) Act</i> 1935 .. .. .	..	..	..	..	..	..	4,683,288*	
19,404	Interest on Mortgages prior to 26th April, 1950 .. .. .	..	..	..	..	..	..	19,404	
<u>41,286</u>	Trust Account—Amounts in suspense .. .. .	..	..	..	..	..	..	<u>25,478</u>	
14,592	Sundry Creditors .. .. .	..	..	..	..	..	..	3,523	
1,134,124	Reserve—National Debt Sinking Fund (including Commonwealth contributions) .. .. .	..	..	..	..	..	..	1,287,172	
48,340	Provision for Long Service Leave .. .. .	..	..	..	..	..	..	50,540	
303,870	Provision for Superannuation .. .. .	..	..	..	..	..	..	555,853	
458,510	Provision for Doubtful Debts .. .. .	..	..	..	..	..	..	477,831	
111,860	Settlers' Proceeds Held .. .. .	..	..	..	..	..	..	63,578	
Dr. 1,462	Inter-Fund Adjustment Account .. .. .	..	..	..	..	..	..	Dr. 3,956	
360,000	Loan Equalization Account .. .. .	..	..	..	..	..	..	520,000	
765,130	General Reserve .. .. .	..	..	..	..	..	..	693,799	
115,866	Profit and Loss Appropriation Account .. .. .	..	..	..	..	..	..	90,656	
<u>29,119,918</u>								<u>30,607,778</u>	

* Excludes \$100,712 (net), bad debts written off.

The purpose of the General Reserve (\$693,799) 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 :—

30.6.1965.		30.6.1966.
\$		\$ \$
	Loans and Advances—	
21,638,724	Loans under Part III.— <i>Rural Finance Act</i> 1958	23,486,589
749,388	Advances under <i>Farmers Debts Adjustment Act</i> 1935, and Part IV.— <i>Rural Finance Act</i> 1958	626,378
15,084	Advances under <i>Farmers Debts Adjustment Act</i> 1943 ..	13,081
..	Contracts of Sale	11,888
		24,137,936
375,288	Interest Due and Accrued	422,149
	Cash at Treasury, &c.—	
3,953,304	Rural Rehabilitation Fund	4,076,314
5,800	National Debt Sinking Fund	1,164
		4,077,478
	Fixed Assets—	
14,874	Furniture and Office Equipment <i>less</i> Depreciation ..	28,995
36,110	Motor Cars <i>less</i> Depreciation	34,587
1,950	Residences and Offices	81,078
		144,660
772	Charges paid in Advance	5,056
	Cash—	
52,940	At bank and in hand	51,972
1,200,000	At call	500,000
		551,972
1,075,684	Investment Pool (at cost) on account of Provisions and General Reserve	1,268,527
9,119,918		30,607,778

Interest due and accrued, \$422,149, shown above, comprised interest due, \$185,034, and interest accrued, \$237,115.

As indicated in previous Reports, the Commission agreed, in respect of a certain company engaged in secondary industry, to consolidate existing matured loans and interest arrears amounting to \$468,491. The Commission further agreed that, subject to that company complying with certain conditions, 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, 1966, the Company was indebted to the Commission as explained hereunder :—

	Consolidated Loan.	Interest.	Total.
	\$	\$	\$
Balance 1st July, 1965	466,365	46,679	513,044
<i>Plus</i> charges raised 1965-66 .. .. .	..	18,655	18,655
	466,365	65,334	531,699

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 1965-66 were :—

	\$	\$	\$
Receipts—			
From Treasurer of Victoria—			
Loan Fund			250,000
From borrowers—			
Repayments of Principal		103,099	
Interest on Advances		51,702	
		154,801	
<i>Add</i> Cash at Bank—1st July, 1965			101,534
	Carried forward		506,335

						\$	\$	\$
Total Receipts brought forward	..	..	..	..	..	..	..	506,335
Less Payments—								
To Settlers—								
Bush Fire Relief	..	..	..	..	..	191,651		
Drought Relief	..	..	..	..	..	5,188		
Tresco District (Capital Improvements)..						2,941		
Poultry Purchase	..	..	..	..	..	6,000		
Orchardists (Hail Damage)	..	..	..	..	..	1,938		
							207,718	
To Secondary Industries	..	..	..	..	..	52,250		
„ Treasurer of Victoria—Instalments of Principal and Interest	..				..	154,801		
							207,051	
								414,769
Cash at Bank—30th June, 1966	..	..	..	..	..	..	..	91,566

SOLDIER SETTLEMENT ACT 1958.

Section 17 of the Soldier Settlement Act authorized the borrowing of \$130,000,000 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, 1966, a sum of \$130,989,518 has been allocated for soldier settlement. Of this sum, \$116,592,113 has been made available from State Loan Fund and \$14,397,405 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, 1966, was \$55,165,084.

With the exception of \$850,285 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 1965–66, \$3,169,791 was so credited bringing the total repayments to 30th June, 1966, to \$54,438,895.

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	..	..	..	..	..	..	128,574
Land and Improvements held by settlers under—							
(a) Purchase Lease	..	..	..	..	..	40,106,630	
(b) Interim Lease	..	..	..	..	..	1,350,993	
							41,457,623
Advances to finance single unit farms	..	..	..	..	..	..	9,557,682
Advances to effect improvements and for purchase of stock, &c.	..				..	..	141,636
Unpaid balances under Contracts of Sale	..	..	..	..	..	..	483,958

In addition to the assets listed above, there is another item of substantial size in the Commission's books. This item, \$2,562,946, is the amount which the Commission considers to be the sum due from the Commonwealth Government for the balance of its share of excess costs. 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 1965-66 shows :—

<i>Expenditure—</i>	\$	\$	\$
Interest	3,076,528		
Interest Capitalized written back	7,639		
	<hr/>	3,084,167	
<i>Less</i> Interest transferred and borne by the State			910,964
			<hr/>
			2,173,203
Administrative Costs			247,602
Shire Rates			208
Rents and Interest remitted			482
<i>Less</i> Commonwealth share			241
			<hr/>
			241
Provision for Long Service Leave			5,012
Provision for Superannuation			29,840
			<hr/>
			2,456,106
<i>Income—</i>			
Interest earned			1,086,997
Rents, Fees and Sundries			1,016
Contribution by Commonwealth—account Shire Rates			1,702
			<hr/>
			1,089,715
Deficit for 1965-66			<hr/>
			1,366,391

The total accumulated deficit to 30th June, 1966, amounted to \$19,209,619. 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, 1966, have been calculated by the Commission to be \$20,300,244.

In addition to land settlement, the Soldier Settlement Commission, by agreement with the Commonwealth Director of War Service Land Settlement, undertook the administration of re-establishment loans under the *Commonwealth Re-establishment and Employment Act* 1945. 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 \$30,000,000 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 \$21,006,539 has been allocated for the purposes of the scheme. According to its books, the Commission's loan liability on account of land settlement, as at 30th June, 1966, was \$18,638,521—a reduction of \$2,368,018, made up as hereunder :—

	To 30.6.65.	1965-66.	Total.
	\$	\$	\$
Settlers' repayments to Loan Fund	872,028	563,145	1,435,173
Borne by the State pursuant to Section 41	696,860	235,985	932,845
	<hr/>	<hr/>	<hr/>
	1,568,888	799,130	2,368,018

Assets of the Commission at 30th June were :—

	\$	\$
Estates purchased and developed not yet disposed of .. ..	..	16,067,751
Unpaid balances under Contracts of Sale .. ..	..	83,580
Land and improvements held under purchase lease—Division 4 .. ..	..	3,818,470
Advances to Settlers—Division 6 .. ..	..	363,214
Other assets—		
Building and working plant at cost <i>less</i> depreciation	618,876	
Plant, materials and services not yet allocated	92,287	
	<u> </u>	711,163
		<u>21,044,178</u>

The Profit and Loss Account for the period ended 30th June, 1966, excluding livestock transactions, shows :—

	\$	\$
<i>Expenditure—</i>		
Interest and Loan-raising Expenses .. ..	..	885,846
<i>Less</i> Interest Capitalized	640,956	
,, Interest transferred and borne by the State under Section 41	40,495	
	<u> </u>	681,451
		204,395
Administrative Costs .. ..	..	165,973
Provision for Long Service Leave .. ..	..	3,359
Provision for Superannuation .. ..	..	20,003
Shire Rates .. ..	..	9,390
		<u>403,120</u>
<i>Income—</i>		
Interest earned, agistment, &c. .. ..	..	340,988
Deficit at 30th June, 1966 .. ..	..	62,132
		<u>403,120</u>

The accumulated deficit to 30th June, 1966, before taking into account profits from livestock trading, amounted to \$977,300. 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 \$51,790, increasing accumulated profit from this activity to \$314,815 at 30th June, 1966.

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, 1965	1,135,906	
<i>Less—</i> Transfer of surplus to Rural Finance and Settlement Fund	135,906	
	<u> </u>	1,000,000
Premiums Raised 1965–66	201,766	
Interest on Investments	57,406	
	<u> </u>	259,172
Gross Income .. ..	..	1,259,172
<i>Expenditure—</i>		
Current Claims admitted—1965–66	28,249	
Administration Expenses	13,178	
Statutory contribution to Country Fire Authority	19,623	
	<u> </u>	61,050
Total Expenditure .. ..	..	61,050
Balance at 30th June, 1966 .. ..	..	<u>1,198,122</u>

The transfer of \$135,906 to the Rural Finance and Settlement Fund from the balance brought forward as at 1st July, 1965, was made on the basis of my predecessor's certificate issued pursuant to the provisions of sub-section (11) of Section 29 of the *Rural Finance and Settlement Commission Act 1961* (as amended by the *Rural Finance and Settlement Commission Act 1963*). This was the sum which, after due consideration of the claims reasonably likely to be made against the Rural Finance and Settlement Insurance Fund was, in his opinion, the surplus in the Fund at the close of business on 30th June, 1965.

The balance of the Fund at the close of the year was represented by :—

	\$
Cash at Bank	11,666
Investments—	
Inscribed stock, &c. held in common pool	1,170,162
Accrued Interest	17,543
Arrears of Premium	13,350
	<hr/>
	1,212,721
<i>Less—</i>	
Claims admitted but not paid	14,599
	<hr/>
Balance at 30th June, 1966	1,198,122
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THE STATE SUPERANNUATION BOARD.

By legislative direction, the State Superannuation Board is responsible for the administration of the Superannuation Fund, the Pensions Supplementation Fund, and the Married Women Teachers' Pensions Fund.

THE SUPERANNUATION FUND.

This Fund, authorized under the provisions of the *Superannuation Act 1958*, provides, on a contributory basis, retiring benefits for the Public and Teaching Services, the officers and employees of the Railways and certain statutory bodies and, in terms of the *Superannuation Act 1963*, for certain members of the Police Force.

Amending legislation proclaimed to operate from 25th May, 1966, and incorporated in the *Pensions Supplementation Act 1966*—

- (i) introduces a second table of units of pension which enables an officer to contribute for a greater number of units in relation to salary, but at increased rates of contribution for units effected after the commencement of the Act, and places no limit on the number of units beyond which an officer may, according to salary, contribute for pension ;
- (ii) authorizes contributors, subject to certain conditions, to defer payment of that part of their fortnightly contributions which is in excess of 8 per cent. of gross salary ;
- (iii) in respect of the entitlement of contributors to elect to contribute for "lost" units (that is, previously available units not contributed for), restricts any such election to such a maximum number of additional units as will not cause total fortnightly contributions to exceed one-third of gross salary ;
- (iv) enables contributors, including "limited" contributors, with "lost" units who are between the ages of 60 and 65 years to elect, under certain conditions, for "lost" units and retire on a full pension prior to attaining the age of 65 years ;
- (v) extends, from six months to twelve months, the period during which "limited" contributors may obtain medical certificates entitling them to full benefits ; and
- (vi) establishes a scheme, whereby contributors nearing retirement, together with certain pensioners, including widows, may elect to convert part of their pension entitlement to a lump sum cash entitlement.

During 1965-66, by authority of the *Superannuation Act 1963* and on the basis of actuarial certification by the Government Statist, securities, with a face value of \$4,692,800, representing, with accrued interest thereon, a sum of \$4,718,984, were transferred from the Police Pensions Fund to the Superannuation Fund.

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

	Year Ended 30th June, 1964.	Year Ended 30th June, 1965.	Year Ended 30th June, 1966.
	\$	\$	\$
<i>Receipts.</i>			
Balance (including Investments), 1st July	83,940,374	90,172,860	98,748,500
Contributions—Officers (net)	5,914,942	6,754,142	7,270,051
Consolidated Revenue	9,315,714	9,894,794	10,517,166
Interest	4,415,396	4,801,518	5,808,084
Underwriting Commission	14,812	15,674	12,428
Assurance Premiums (net)	486	..	..
Police Pensions Fund—			
Act 7081, Section 9 (3) .. ..	..	..	657
Act 7081, Sections 6 and 7 (\$4,718,984 less \$261,856 interest included above) .. ..	..	..	4,457,128
Reserve Units Account (net)	19,628	129,302	156,029
	103,621,352	111,768,290	126,970,043
<i>Disbursements.</i>			
Pensions	12,186,042	13,006,030	13,917,752
Retrenchments .. ..	..	12,378	..
Assurance Premiums (net) .. ..	..	28	40
Lump Sum Payments—			
Limited Contributors (Section 12)	4,732	1,354	3,264
Cash Options (Section 32 (a), (b) and (c)) .. ..	..	..	83,048
Consolidated Revenue—Act 7081 Section 9 (4) .. ..	..	..	4,651
Interest on Reserve Units Account .. ..	..	..	870
Interest on Advance from State Treasury	57,718	..	..
Repayment of Advance from State Treasury	1,200,000	..	..
	13,448,492	13,019,790	14,009,625
The Balance at 30th June was	90,172,860	98,748,500	112,960,418
Of which there was invested	90,019,572*	98,730,632*	112,800,955*
Leaving a cash balance of	153,288	17,868	159,463

* Face value of Investments { 1963-64, \$89,605,068.
1964-65, \$98,316,128.
1965-66, \$112,389,387.

Receipts for the year exceeded disbursements by: \$14,211,918. Net investments during the year amounted to \$14,070,323 and the cash balance at the close of the year was \$159,463.

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

Contributions—Officers.—The increase of \$515,909 under this head was a net figure. Actually gross contributions rose by \$693,109 and refunds of contributions by \$177,200. The gross increase can mainly be attributed to significant increases in salaries of certain contributors, thereby increasing their pension entitlement with consequent higher contributions, and the receipt of contributions in 1965-66 in respect of 27 pay days compared with 26 pay days in 1964-65.

Contributions—Consolidated Revenue.—The rise of \$622,372 in these contributions represented the increase in the Government recoup commensurate with the increase in the aggregate amount of pensions paid in the year, and included an amount of \$76,108, the increase in contributions on account of pensions of certain members and ex-members of the Police Force in terms of the *Superannuation Act* 1963.

Interest.—The substantial net investment during the year of \$14,070,323, together with amounts of \$261,856, interest accrued on the moneys transferable from the Police Pensions Fund, and \$622, bank interest, accounted for the increase of \$1,006,566 in interest earned by the Fund in 1965-66.

Lump Sum Payments—Cash Options (Section 32 (a), (b) and (c))—\$83,048.—This disbursement represents payments made to pensioners and/or widows who have elected, pursuant to amending legislation incorporated in the *Pensions Supplementation Act* 1966, to convert part of their pension entitlement to lump sum cash payments.

THE PENSIONS SUPPLEMENTATION FUND.

This Fund was established pursuant to the *Pensions Supplementation Act 1966* to meet the cost of supplementing as from 1st April, 1966, the pensions of officers who retired on or before 12th July, 1961, or the widows of such officers or of those officers who died prior to that date.

In terms of the Act, credits to the Fund will consist of :—

- (i) transfers of moneys or assets which will equal in value the amounts debited to the Fund in respect of the supplementation of pensions and which are to be made from any surplus in the Superannuation Fund revealed at the preceding quinquennial actuarial investigation ;
- (ii) payments representing the amount standing to the credit of the Police Superannuation Fund at 30th June, 1965, and on each succeeding 30th day of June ; and
- (iii) interest earned on investments made out of the Fund.

As at 30th June, 1966, no transactions had been recorded in the Fund.

MARRIED WOMEN TEACHERS' PENSIONS FUND.

The purpose of this Fund, authorized under the provisions of the *Teaching Service Act 1958*, is to provide retiring benefits to married women who are in permanent employment in the teaching service and who, because of their married status, are not eligible to be contributors to the State Superannuation Fund. Benefits are provided by way of pension or, under certain circumstances, lump sum payments.

A summary of transactions for the current year compared with the previous year is given hereunder :—

	Year ended 30th June, 1965.	Year ended 30th June, 1966.
	\$	\$
<i>Receipts.</i>		
Contributions from Teachers	38,614	42,189
Contributions from Consolidated Revenue	38,478	†44,000
Interest on Investments	23,554	28,596
Profit on Redemption of Investments	228	103
Balance (including Investments)—1st July	441,236	533,720
	542,110	648,608
<i>Disbursements.</i>		
Pensions	980	3,056
Contributions Refunded—		
Teachers	2,576	6,985
Consolidated Revenue	2,354	6,701
Lump Sum Payments	1,824	1,937
Interest on Contributions Refunded	656	1,360
	8,390	20,039
The Balance was.. .. .	533,720	628,569
Of which there was invested	*533,696	*582,979
Leaving a cash balance of	24	45,590

† Based on estimate pending determination.

* Face value of Investments 1964-65 \$534,100 ; 1965-66 \$583,280.

VICTORIAN INLAND MEAT AUTHORITY.

The audit of the accounts of the Authority for the year ended 30th June, 1966, is in course, and the figures given below are subject to the completion thereof.

Transactions for 1965-66 resulted in a profit of \$69,671 after providing \$16,500 for long service leave, compared with a profit of \$108,642 in 1964-65. A summarized statement of trading operations for the two years is as follows:—

1964-65.	REVENUE.	1965-66.
\$		\$
2,630,370	Sales— Meat, Offal and By-products	2,323,536
149,122	Hides, Skins and Wool	69,453
1,158,262	Storage, Treatment and General Receipts	1,170,177
3,937,754		3,563,166
1,364	Interest on Investments	31
3,939,118		3,563,197
	EXPENDITURE.	
1,486,092	Purchases of Livestock and Meat	1,083,939
1,878,438	Working Expenses—Wages, Fuel, Freight, Stores, &c.	1,960,640
157,692	General Expenses—Rent, Rates, Pay-roll Tax, &c.	204,796
63,310	Administration—Head Office, Salaries, &c.	45,667
58,168	Depreciation	67,007
105,134	Stock Decrease	27,398
3,748,834		3,389,447
67,442	Interest—Treasurer of Victoria	87,579
14,200	Provision for Long Service Leave	16,500
108,642*	Profit	69,671
3,939,118		3,563,197

* Of this amount, the sum of \$60,000 was appropriated to Reserves.

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

	At 30th June—		
	1964.	1965.	1966.
	\$	\$	\$
Current Liabilities	336,041	479,819	448,231
Loan for Fixed Assets	1,362,150	1,602,150	2,562,151
Capital	580,069	580,069	580,069
Reserves	91,106	155,366	155,115
Accumulated Profit	1,736	50,378	120,050
	2,371,102	2,867,782	3,865,616
Current Assets	458,816	314,498	261,564
Fixed Assets <i>less</i> Depreciation	1,912,286	2,553,284	3,604,052
	2,371,102	2,867,782	3,865,616

The State has provided working capital for the Authority and, to 30th June, 1966, the total advanced for this purpose was \$224,999.

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 \$100,000. It was necessary again in 1965-66 for the Authority to obtain temporary finance under this arrangement.

Additional advances totalling \$960,000 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 \$2,562,151 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. 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, 1966, have been audited. The operation of this and the two previous pools and the financial position of the Board as at 31st March, 1966, are embodied in the following summary of the Board's affairs.

The Board's assets were :—

	\$	\$
Sundry Debtors	307	
Income accrued due	237	
Stock of seed and stencils on hand	319	
Plant (at cost less depreciation)	384	
Cash at Bank	17,423	
Payment in respect of 1966 Pool	200	
	<hr/>	18,870

Against these assets the pool balances and liabilities were :—

	Pools.			
	1963.	1964.	1965.	
	\$	\$	\$	
Proceeds of Sales ..	77,506	696	16,862	
Deduct expenses ..	14,475	98	1,178	
	<hr/>	<hr/>	<hr/>	
	63,031	598	15,684	
<i>Plus</i> Stock on Hand ..	Nil	Nil	Nil	
	<hr/>	<hr/>	<hr/>	
	63,031	598	15,684	
<i>Less</i> Paid to growers	56,486	598	14,791	
	<hr/>	<hr/>	<hr/>	
Pool Balance ..	6,545	..	893	7,438
	<hr/>	<hr/>	<hr/>	
Sundry Creditors				297
				<hr/>
				7,735
				<hr/>
As at 31st March, 1966, there was an excess of assets over liabilities of ..				11,135
				<hr/>

Egg and Egg Pulp Marketing Board.

This Board administers the marketing of eggs and egg products in Victoria. It operates grading floors in Melbourne and Ballarat in addition to a number of receiving and selling depots which are situated in both metropolitan and country areas. Grading and selling operations are also conducted on behalf of the Board by its authorized agents, producer agents and distributors. Pulp is manufactured by the Board in its own factories in Melbourne, Bendigo and Ballarat.

Following representations by the Council of Egg Marketing Authorities of Australia, the Commonwealth introduced legislation on 1st July, 1965, imposing a levy throughout Australia on all hens kept for commercial purposes (*Poultry Industry Levy Act 1965*), and providing for the making of grants out of funds so collected to the various States for the assistance of the Poultry Industry (*Poultry Industry Assistance Act 1965*).

By virtue of the provisions of the *Poultry Industry Levy Collection Act 1965*, the Commonwealth has entered into an arrangement with the State for the appointment of the Egg and Egg Pulp Marketing Board as the authority responsible for the collection of the levy within the State of Victoria. This arrangement was ratified and approved by the Victorian Parliament in the *Poultry Levy (Collection Arrangement) Act 1965*.

The Board's powers over the marketing of eggs in Victoria were extended during the year by the enactment of amendments to the *Marketing of Primary Products Act 1958 (Marketing of Primary Products (Egg Marketing) Act 1965)* which provided that any person owning or entitled to sell eggs may deliver them to the Board or its agents for grading and testing and for marking and stamping, so as to indicate the grade and quality. The Act also set out penalties applicable to persons retailing eggs not bearing the Board's mark as prescribed.

The validity of the amendments to the Act was unsuccessfully challenged before the High Court by a retailer who indicated his intention to seek leave to appeal to the Privy Council.

The operations of the pools during the accounting periods for 1964-65 and 1965-66 were :—

1964-65.				1965-66.	
\$		\$	\$	\$	\$
11,455,126	Advances to Producers (Current production) .. .. .	..	..	14,072,392	
7,528	Purchases of Eggs and Pulp from other sources .. .. .	..	..	459,124	
<hr/>				<hr/>	
11,462,654				14,531,516	
	<i>Less</i> Producers' Contributions on Account of—				
1,303,576	Pool Expenses .. .. .	..	..	..
829,448	Grading and Selling Expenses .. .. .	..	..	..
219,494	Dockage .. .. .	..	..	..
..	Local Marketing Charge .. .. .	..	..	1,213,547	
<hr/>				<hr/>	
2,352,518				1,213,547	
<hr/>				<hr/>	
9,110,136	Net Advances to Producers .. .. .	..	..	..	*13,317,969
	Disposal of Eggs—				
9,356,094	Sold in Shell on Local Market .. .. .	..	..	13,220,336	
193,162	Sold in Shell on Overseas Market .. .. .	..	..	33,856	
325,638	Sold in Shell on Interstate and Other Markets .. .. .	..	..	68,828	
1,322,176	Converted to Pulp and Sold .. .. .	..	..	1,298,781	
<hr/>				<hr/>	
11,197,070				14,621,801	
27,090	Decrease in Stock on hand .. .. .	..	..	13,241	
<hr/>				<hr/>	
11,169,980	Total Value of Disposals .. .. .	..	..	14,608,560	
	<i>Less</i> Expenses—				
1,977,938	Grading, Selling, Manufacturing and Administrative Costs .. .. .	..	..	1,504,745	
..	<i>Less</i> —Poultry Industry Trust Fund Distribution (Net) .. .. .	..	..	432,667	
<hr/>				<hr/>	
				1,072,078	
<hr/>				<hr/>	
9,192,042	Net Proceeds of Pool .. .. .	..	..	..	13,536,482
<hr/>				<hr/>	
81,906	Excess of Proceeds over Advances to Producers .. .. .	..	..	..	218,513
<hr/>				<hr/>	

* Does not take account of amounts payable by producers in respect of the hen levy imposed by the Commonwealth.

The following is a statement of the Board's balances at 2nd July, 1966. Comparative figures at the end of the preceding pool period are also given.

The Board's Funds were—

3.7.1965.				2.7.1966.	
\$		\$	\$	\$	\$
364,043	Reserve Fund .. .. .	..	..	..	409,579
468,131	Surplus Distribution 1947-48 (<i>ex</i> Commonwealth) .. .. .	..	..	..	468,131
	Undistributed Pool Balances—				
81,906	1964-65 .. .. .	..	..	..
..	1965-66 .. .. .	..	..	218,513	
<hr/>				<hr/>	
914,080				218,513	
<hr/>				<hr/>	
					1,096,223
					<hr/>

Represented by—

3.7.1965.		2.7.1966.
\$		\$
	<i>Current Assets—</i>	
..	Commonwealth Bird Levy Trust Account	30,760
..	Less—Due to Commonwealth	30,760
		<hr/>
480	Cash on Hand and at Bank .. ..	..
..	Claim on Poultry Industry Trust Fund	693
		<hr/>
480		67,667
		<hr/>
	<i>Stocks on Hand—</i>	
282,412	Eggs and Egg Products at valuation	269,170
46,046	Packing materials at valuation	65,577
11,730	Supplies at cost or valuation	17,111
		<hr/>
340,188		351,858
		<hr/>
416,612	Debtors	639,856
11,472	Less Provision for Doubtful Debts	10,598
		<hr/>
405,140		629,258
		<hr/>
745,808		1,049,476
		<hr/>
	<i>Less Current Liabilities—</i>	
281,640	Creditors	287,218
331,066	Reserve Bank of Australia	425,523
24,330	Provision for Long Service Leave	20,443
		<hr/>
637,036		733,184
		<hr/>
108,772	Working Capital	316,292
		<hr/>
	<i>Fixed Assets—(at cost less depreciation)</i>	
132,492	Freehold Properties	133,002
298,770	Leasehold Properties	291,039
322,108	Plant and Equipment	300,362
23,662	Motor Vehicles	21,873
28,276	Office Machinery and Equipment	33,655
		<hr/>
805,308		779,931
		<hr/>
914,080		1,096,223
		<hr/>

The results of the year's operations have been affected by the valuation of stocks of eggs and egg products as at the beginning and close of the pool period ended 2nd July, 1966. It is pointed out that the balance-sheet of the Board as at the close of the previous pool period (3rd July, 1965) was certified by my predecessor subject to a qualification that a certain quantity of egg pulp valued at export return rates was subsequently sold on the domestic market at current local prices. The difference between the valuation of stocks on hand and actual proceeds of sale had the effect of overstating the "Excess of Proceeds over Advances to Producers" by an amount to the order of \$80,000 in the year now under review. On the other hand, the valuation of stocks of eggs and egg products as at the close of the pool period ended 2nd July, 1966, was based on the average local price less storage and regrading charges, and further reduced by an arbitrary figure of 25 per cent. amounting to roundly \$70,000. This 25 per cent. reduction in the valuation of stocks has had the effect of almost offsetting the previously mentioned overstatement of \$80,000 in the "Excess of Proceeds over Advances to Producers" caused by the difference between the proceeds of sale and the valuation of stocks on hand at the end of the previous period. In addition, as a result of the reduction previously mentioned, the value of stocks on hand as at 2nd July, 1966, appears to be understated by approximately \$70,000.

Maize Marketing Board.

A summary of the financial operations of the Board for the accounting period ended 15th January, 1966, is as follows :—

Total number of bushels marketed	15,076
	\$ \$
Gross proceeds of sales	32,274
Applied from Reserve Account	2,063
	<u>34,337</u>
Freight, commission, &c.	3,566
Administration expenses	3,615
Amount paid to growers	27,091
Taken to Reserve	65
	<u>34,337</u>

Onion Marketing Board.

Final accounts in respect of the pool period that ended on 15th November, 1965, have been audited. Details of the operations in this and the previous pool are :—

	Pool.	
	1964.	1965.
	tons.	tons.
Total Onions acquired	11,273	15,520
	\$	\$
Proceeds from sales	857,898	830,841
Administration and marketing expenses	52,262	60,039
Payments to growers	789,538	757,826

The average return per ton to the growers was \$70 in 1964 and \$48.83 in 1965.

Tobacco Leaf Marketing Board.

A summary of the financial operations of the Board for the accounting period from 1st April, 1965, to 31st March, 1966, is set out hereunder. The figures are subject to audit.

Gross proceeds from 1965 sales of tobacco leaf	\$ 11,375,201
<i>Applied to—</i>	
Brokers' Commission	184,848
Freight	59,277
Receiving and Warehousing Charges	41,334
Commonwealth Tax Levy	47,368
Growers' Liens, Orders, &c.	1,143,525
Other expenses	19,433
Marketing Board charge	153,566
Net proceeds to growers	9,725,850
	<u>11,375,201</u>

The Board's charge of \$153,566 against the sales proceeds, together with other income of \$2,881, was expended as shown hereunder :—

Administration expenses	\$ 25,550
Travelling expenses	11,597
Crop Insurance premium	57,325
Marketing Commission paid to Victorian Tobacco Growers' Association	30,750
Costs of leaf stored under Commonwealth Government Guarantee	14,097
General expenses	4,247
Balance	12,881
	<u>156,447</u>

The Board's balances as at 31st March, 1966, are summarized hereunder :—

<i>Assets—</i>	\$
Cash	37,188
Sundry Debtors	1,377
Advance Payments	210
Office Machines and Furniture	2,964
	<hr/>
	41,739
	<hr/>
<i>Liabilities—</i>	
Accumulated Fund	40,712
Sundry Creditors	101
Growers' Fund	926
	<hr/>
	41,739
	<hr/>

ACKNOWLEDGMENT.

I appreciate the helpful co-operation which I have received during the year from the members and staff of the several Authorities referred to in this Report.

A. J. A. GARDNER,
Auditor-General.

Melbourne, 30th November, 1966.