

goods had been sold at under or exactly cost price. As a result of this, the store was faced with an actual loss on trading for the first six months of the year and it was suggested to the Treasurer that, in order to balance this loss, customs duty should not be collected on this particular shipment.

3. The amount of these unpaid duties was £20 - 14 - 0 and, since it is very firmly believed that, if these stores are to succeed in their purpose; they must not be allowed to expect any further help from the Administration, a serious effort was made in the second half of the year, to retrieve these lost fortunes. As will be seen from sub-enclosure 1, the profit for the year, after meeting all expenses, is £23-18-6. The customs duties are, therefore, being paid into revenue, thereby leaving a total nett profit of £3 - 4 - 6 on the year.

4. Since, at the time of writing, no final decision has been reached as to the method by which these stores will be financed (they are at present still functioning as part of the general finances of the Settlement Scheme) and also because the profit is so small, it hardly seems necessary to make any recommendations as to its disposal and it will be carried forward in the books as a cash balance.

5. At the present time, stocks of trade goods are rather low, but further supplies are due to arrive during the next few days. Sub-enclosure 2 gives a detailed list of the articles normally stocked and also sets out the actual value (landed cost price) of all goods at present on hand.

6. Goods for the Co-operative stores are purchased locally or through the Colony Agents in Australia. A few items, principally tobacco, also come from Fiji, but it so happens that nothing has, so far, been delivered from this last source for the Gardner store. During the period under review, 83% of goods have been purchased through the local firm of Messrs. On Chong & Co. (Pty) Ltd. Although every effort has been made to endeavour to help Messrs. Burns Philp (S.S.) Co. Ltd. it has been found quite impossible to come to any reasonable agreement with this firm. In point of fact, however, they were extremely fortunate in that one of Messrs. On Chong's supply vessels was wrecked early in the year and, in order to fulfill their contract, this Company had to make very considerable purchases from Burns Philp.

7. There is no copra made on Gardner Island at present, so the store does not have to make a provision for handling this commodity. Since the bottom has fallen out of the market for shark fins, these are also not being purchased on Gardner Island.

8. Generally speaking, the operation of this store appears to have been satisfactory. The range of articles stocked is quite as large as in any local store in the Gilbert Islands and, although requests, sometimes received for luxury and highly perishable articles, it is not proposed, without special direction, to materially alter the range of goods offered. Prices charged are comparable with those ruling in the Gilbert Islands and, in the case of foodstuffs, are usually identical. Profits range from 5% on necessities up to 25% on luxury articles - the average approximating to 8.35% or 1d. in every shilling. Certain small articles, unfortunately, make up to 100% profit owing to the lack of halfpennies in the local currency. Such articles, however, can always be purchased cheaper in larger quantities.

(e.g. Cigare