

Account the sum of £367,233. The amount set aside as a reserve for taxes is £160,000, and the balance of £207,233 is payable to the Treasury in terms of section 41 of the State Advances Corporation Act, 1936.

A statement showing the disposition of profits for the past year is appended. This shows that the net surplus payable to the Treasury is £207,233, which, with the reserve set aside to meet income-tax, &c., £160,000, makes up the surplus in the Profit and Loss Account—viz., £367,233—which represents a return of 4·96 per cent. on the Authorized Capital and Contingent Liability.

Disposition and Appropriation of Profits for the Year ended 31st March, 1941.				Percentage per Annum of the Stock Issue plus Capital (Stock Issue Averaged).	Percentage of Gross Earnings.	Percentage of Gross Profits.
	£			£ s. d.		
Gross earnings .. .. .	2,388,200			5·137 (5 2 9)	100·000	..
Less capital charges: Interest .. .. .	1,707,508			3·673 (3 13 6)	71·498	..
Gross profits .. .. .	680,692			1·464 (1 9 3)	28·502	..
					100·000	..
Less management expenses and depreciation on fixed assets	261,878			0·563 (0 11 3)	10·965	38·472
	418,814					
Reserve for losses .. .. .	51,581			0·111 (0 2 2)	2·160	7·578
Surplus, year ended 31st March, 1941 .. .. .	367,233			0·790 (0 15 10)	15·377	53·950
				1·464 (1 9 3)	28·502	100·000
Less income, national, and social security tax reserve	160,000					
Amount due to Treasury .. .. .	£207,233					

*Balance-sheet.*—Operating as it does almost entirely on the table repayment system, the Corporation has available in the average year a substantial sum received from borrowers on account of principal repayments, but there has been also a tendency of late for a proportion of mortgagors to accelerate the repayment of their loans, and this, together with a slackening in the demand for new loans, has resulted in a net reduction in the Corporation's mortgage and local-body investments by approximately £2,000,000. The surplus funds thus provided, together with the proceeds of a temporary investment of £450,000 held at 31st March, 1940, have been utilized by the Board in liquidating short-dated stock and debentures, thus avoiding the necessity to set aside additional funds to meet early maturing loans and at the same time maintaining the principle of coinciding long-term lending with long-term borrowing. It is hoped that further progress will be made in this direction this year.

As mentioned above, the amount due to the Crown in the Contingent Liability Account has been reduced by £5,000,000 by the issue of stock to the Treasury for that amount, and other adjustments in this account arise as follows :—

- (a) £177,811 has been written off, being realized losses on ex-State loans :
- (b) £27,074 is payable to the Treasury in terms of section 3 (2) of the State Advances Corporation Amendment Act, 1935, representing the amount by which arrears of interest on ex-State loans have been reduced during the year.

#### STAFF.

The depletion of the staff at Head Office and branch offices by the release of many of our younger officers for military service has necessitated a considerable amount of reorganization, but with the assistance of temporary employees and a very willing co-operation of the whole of the remaining personnel all essential work has proceeded smoothly. We appreciate the loyal service given by all officers.

A. D. PARK, Chairman of Directors.

T. N. SMALLWOOD, Deputy Chairman of Directors.

G. A. LEWIN  
B. C. ASHWIN  
D. BARNES } Directors.