

1941.

NEW ZEALAND.

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**STATE ADVANCES  
CORPORATION  
OF  
NEW ZEALAND**

**REPORT AND ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 1941.**

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*Laid before both Houses of the General Assembly of New Zealand pursuant to Subsection (2) of Section 43 of the State Advances Corporation Act, 1934-35, and Subsection (2) of Section 42 of the State Advances Corporation Act, 1936.*

# STATE ADVANCES CORPORATION OF NEW ZEALAND.

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## BOARD OF MANAGEMENT:

A. D. PARK, C.M.G., Chairman.  
T. N. SMALLWOOD, J.P., Deputy Chairman.  
G. A. LEWIN, C.M.G.  
B. C. ASHWIN.  
D. BARNES.

## HEAD OFFICE:

State Fire Insurance Building, Wellington.

## PRINCIPAL EXECUTIVE OFFICERS:

A. D. PARK, C.M.G., Joint Managing Director.  
T. N. SMALLWOOD, J.P., Joint Managing Director.

## CHIEF ADMINISTRATIVE OFFICERS:

G. E. MILLER, Manager.	F. E. MITCHELL, Assistant Manager.
K. J. CAVERHILL, Secretary.	R. ROBERTSON, Chief Accountant.
H. M. CASELBERG	L. E. BROOKER, Architect and Chief
B. C. McCABE	Property Supervisor.

}Supervising Valuers.

## AUDITORS:

R. C. BURGESS.                      G. D. STEWART.

## BANKERS:

Reserve Bank of New Zealand and Bank of New Zealand.

NEW ZEALAND.

## REPORT AND ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 1941.

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The Hon. the MINISTER OF FINANCE, WELLINGTON.

WE have pleasure in submitting the Balance-sheet and Revenue Accounts for the year ended 31st March, 1941, together with a report on the Board's administration for the period, as required by subsection (1) of section 43 of the State Advances Corporation Act, 1934-35.

### PART I.—GENERAL.

In a report of this nature it is hardly possible to avoid making some reference to the international situation and the great and involved war in which this Dominion is directly implicated as a member of the British Commonwealth of Nations, and which has, of course, an inevitable bearing on the economic situation in New Zealand. It is pleasing to report, however, that the results of the Corporation's trading for the past financial year have, on the average, been reasonably satisfactory, but we feel that such a statement would be incomplete without an acknowledgment of the protection and assistance that New Zealand has received from the British Government since the commencement of hostilities. The decision of the British authorities to enter into an engagement to take large portions of the output of New Zealand's primary products at prices which in the circumstances can be considered satisfactory, has, during the period under review, enabled the producers of this country and other members of the community to carry on their usual mode of living without undue sacrifice, and the success of this programme is due in a very large measure to that magnificent branch of the armed forces, the British Navy. There is evidence that the farmers and associated industries are doing their utmost to adjust their methods and their type of production to meet the varying conditions of the British market, and that there will be willing co-operation in carrying into effect any course of action designed to benefit the people of Britain and assist in bringing the war to a successful conclusion.

The measures adopted by the Government during the year to provide financial assistance in appropriate cases for the purpose of increasing primary production, together with the provision of housing accommodation, both in the rural and urban districts, have been important factors in achieving such satisfactory results. The services of the Corporation have been utilized in special emergency loans to farmers and others, and an active policy under this heading was still in force at the close of the financial year.

The management and supervision of existing securities, and the control of State rental houses, have constituted a large proportion of the Corporation's activities during the twelve months under review, as indicated by the following figures: At the 31st March, 1941, the Corporation was responsible for:—

- (a) 43,071 urban securities of a total amount of £25,512,141.
- (b) 20,748 rural securities of a total amount of £24,168,711.
- (c) 11,046 State rental properties (old and new).

Generally speaking, the receipts under the various headings have proved to be very favourable.

Following its usual policy, the Board of Management has, where necessary, extended assistance to existing borrowers by way of further advances for improvements and the development of new land where this was economically possible.

During the last few years the field staff has been working continuously on the review of the securities which were taken over by the Corporation from the State Advances Department and the Lands and Survey Department, and over the past year steady progress has been made with this work. Due to the enlistment of a number of our field officers, the programme has not been carried out to the full extent contemplated, but it is now hoped that the survey of the balance of the securities will be completed prior to 31st March, 1942, and that during the following financial year a final adjustment of the Contingent Liability Account will be arranged with the Government.

### NEW BUSINESS.

In pursuance of the Government's policy to grant assistance wherever possible to credit-worthy applicants desirous of erecting dwellings for their own use, the Board has continued to offer liberal terms for special loans required for this purpose, and a considerable volume of business has been transacted under this heading. It is, of course, natural that there should be some reduction in home-building due to

the enlistment of many young men who otherwise would doubtless have been married and set up homes for themselves, but the unsettled conditions and the rising tendency in the cost of building in comparison with rental values, has no doubt also had an effect on this aspect of the community life. Loans to farmers to develop or improve properties has continued to be one of the principal features of the Corporation's lending business. The new loans granted during the year were as follows :—

					£
Urban	..	..	..	..	1,101 for 988,289
Rural	..	..	..	..	409 for 442,744
Total	..	..	..	..	<u>1,510</u> <u>£1,431,033</u>

The total authorizations from the date when the Corporation commenced lending in 1935 up to the 31st March, 1941, were :—

					£
Urban	..	..	..	..	13,094 for 9,993,480
Rural	..	..	..	..	4,356 for 7,590,484
Total	..	..	..	..	<u>17,450</u> <u>£17,583,964</u>

#### INTEREST RATES AND TERMS OF LENDING.

The Corporation has maintained its lending rate at  $4\frac{1}{8}$  per cent, and the system of table mortgage which has been adopted is one of the most attractive features of the Corporation's loans and is obviously appreciated by borrowers, particularly those building homes for themselves. Terms up to forty-five years are granted in suitable circumstances on farm securities, and with loans on town securities there are tables suitable for the various types of structure, the length of term depending, of course, largely on the nature of material used in the building.

#### TRADE AND INDUSTRY IN NEW ZEALAND.

The climate during the past productive season has mostly been favourable for the primary producer, the spring being mild in most districts followed by moderate summer conditions. It will be seen from the comparative figures supplied hereunder that the quantity of meat and dairy-produce exported has shown an increase over the previous period, and although there is a small reduction in the quantity of wool the value has increased. The restricted shipping facilities have naturally created difficulties in regard to the export of some of our produce, but for the past season this has not to any great degree affected the producer himself. Some reorganization of the farming community and industry is, however, inevitable to meet the changing conditions that will arise from time to time. Of particular concern to the dairy industry has been the request for greatly increased cheese output, and the change-over from butter-manufacture to cheese has already had some attention. It is hoped that a further extension of this operation, which is now under consideration, will have the effect of increasing the cheese output by more than 50 per cent. This will, of course, involve considerable expenditure on equipment and plant, and the reorganization of the labour requirements to meet the needs of the cheese-factories will add to the difficulties of the industry. The Government, however, has indicated that financial assistance will be provided in appropriate cases. From an investigation of the trading accounts of our farmer current account clients for the past season we anticipate that the average farmer will have been able to meet his commitments for the period in full without difficulty.

#### STATEMENT OF FARM-PRODUCE EXPORTED FOR 1940-41 SEASON.

(Figures for previous season in brackets.)

Commodity.	Quantity. Cwt.	Value. £
Meat .. ..	6,966,702 (6,233,210)	19,122,292 (16,433,551)
Dairy-produce ..	5,124,804 (4,326,498)	27,735,687 (22,889,893)
Wool ... ..	781,525 (789,990)	15,120,578 (12,639,725)
Skins and hides ..		3,368,735 (2,498,006)
Other farm produce ..		879,302 (969,796)

## FARMERS' LOANS EMERGENCY REGULATIONS.

Early in the 1940-41 season it was anticipated that the British Government would require greater quantities of certain types of produce for use in England and with the various branches of the military organization, and to facilitate this the New Zealand Government offered financial assistance to those farmers who could readily increase the quantity of production in the particular types of foodstuffs which were required. The National Primary Production Council was established with representation of the sections of the community interested in this scheme, and District Councils were established in the rural districts throughout the country. It was arranged that the State Advances Corporation should undertake the duties involved in granting financial assistance and taking security where such was required, the necessary funds being provided by the Government. Individual proposals submitted by the farmers were first considered by the Primary Production Councils, which were required to investigate the applications and, if suitable, to recommend them to the Corporation, after which applications were reported on by one of the Corporation's field officers, and if satisfactory the finance was immediately made available. In granting this special assistance the Government made it a condition that the loans were to be made only in those cases where the farmer was unable to obtain his requirements through the usual financial channels on reasonable terms. Although many applications were investigated and a considerable number of loans granted by the Corporation under this scheme, other lending institutions, such as banks and stock companies, and the Rural Intermediate Credit Board, were also able to provide funds, and there was evidence of a willing co-operation by these institutions in assisting the Government in promoting the drive for increased production.

PROVISION OF TEMPORARY HOUSING ACCOMMODATION FOR FARMERS  
AND FARM WORKERS.

Many rural workers and the sons of farmers who were employed on farms having joined the military forces or become engaged on other special war duties, it soon became evident that the farming industry would require assistance in the form of suitable temporary labour, and during the past year an effort has been made by the Government to transfer from public-works jobs and from other sources married men who could suitably replace the farm labour which had been lost. Incidental to this scheme it became necessary to provide family housing accommodation on many farms where single men had previously been employed. In those cases where it was probable that the employment of married men would be continued after the war, the farmers were encouraged to take advantage of the Rural Housing Act and to raise loans for the erection of permanent dwellings, but as many of the farmers required additional labour only until such time as their sons or other single men became available again, the Government decided to offer at a low rental the use of public-works hutments which could be readily transferred to the farms, and when they were no longer required they could without difficulty be dismantled and made use of elsewhere. The duty of investigating applications for this special type of temporary housing has been undertaken by the Corporation, and for the period ended 31st March, 1941, the supply of 979 huts had been approved.

PRESERVATION AND PROTECTION OF TIMBER AGAINST TERMITES AND OTHER  
TIMBER PESTS.

We included in our report for 1939-40 a brief statement of the steps then being taken for the preservation of building timbers and to protect buildings from destruction by various timber pests which were known to be active in New Zealand. Some progress has been made in the investigation of the scientific drying and pre-treatment of timbers as a preventative against attacks by these destructive insects, and it is hoped that before long there will be a general adoption of this process of conserving the available building timbers. Reference was also made in our previous report to preventative measures being taken to combat the spread of the Australian soil-dwelling termites, and since then legislative measures have been passed providing for definite steps to be taken to control and, as far as possible, eradicate the Australian termite from this country. The Termites Act, 1940, gave authority for the registration of local authorities within whose boundaries the termites were known to exist, and in terms of this Act the following local bodies have been

registered: Auckland City, Onehunga Borough, Mount Eden Borough, Mount Roskill Road Board, Mount Albert Borough, One-tree Hill Borough, and New Plymouth Borough.

The local authorities concerned are doing excellent work in carrying out inspections of the buildings in areas where the termites have been discovered, and officers of the State Advances Corporation are following up inspections by treating the affected timbers with a scientific process which it is hoped will have the effect of destroying the colonies of termites. With a view to preventing termites from attacking new wooden buildings in course of erection in affected areas regulations were gazetted requiring the provision of metal caps for foundations. It is hoped that by the vigorous prosecution of this method of control the spread of the termites will be prevented and that a gradual elimination of the pest will be attained.

#### SOLDIERS' FINANCIAL ASSISTANCE BOARD.

The Soldiers' Financial Assistance Board was established for the purpose of providing relief for soldiers and their dependents unable to meet their reasonable commitments owing to the enlistment of the breadwinner. The work of investigating and reporting on these applications is being undertaken by officers of the Corporation, and by using the district organization it has been possible to assemble the necessary information without undue delay. Up to the 31st March, 1941, 3,464 applications had been lodged with the Corporation. All the incidental financial arrangements, including the payment of grants approved by the Board, are undertaken by the Corporation, the necessary funds being drawn from the War Expenses Account. The total commitments up to 31st March, 1941, were as follows:—

	£
Interest on mortgages .. .. .	7,683
Rent .. .. .	24,090
Hire-purchase payments .. .. .	2,176
Rates and taxes .. .. .	649
Insurance premiums .. .. .	7,193
Miscellaneous and war loading .. .. .	1,301
	<hr/> 43,092
Amounts written off through various causes (discounts obtained, assistance no longer required through change of circumstances, &c.) .. .. .	3,078
	<hr/> £40,014

#### REVENUE ACCOUNTS AND BALANCE-SHEET.

At the 31st March, 1940, the balance-sheet disclosed a liability of £9,821,635 under the heading "Contingent Liability to the Crown," this representing the outstanding balance due on account of assets taken over by the Corporation from State Departments. Corporation stock, amounting to £40,345,750, had prior to that date been issued to the Treasury in part consideration for the assets taken over, but it was arranged that the issue of additional stock should be postponed until some progress had been made with the review of the securities taken over. During the past financial year the Board agreed that sufficient evidence had then been obtained to justify a further liquidation of the Contingent Liability Account, and accordingly stock for £5,000,000 was issued to the Treasury as at the 1st August, 1940. The issue of this further parcel of interest-bearing stock has increased the amount of interest payable by the Corporation, and this is reflected in the decrease in gross and net profits for the year. Further comments in regard to the principal items appearing in the Revenue Accounts and Balance-sheet are appended.

*Revenue Accounts.*—Interest on mortgages, current accounts, and local-body securities for the year ended 31st March, 1941, at £2,230,310 shows a reduction of approximately £49,355. This arises mainly from the fact that the amount of the Corporation's investments in mortgages and debentures has been reduced as the result of repayments of principal by mortgagors and local bodies having been in excess of the new loans advanced during the period. Interest payable on stock and debentures at £1,567,113 shows an increase of £69,820 as compared with the charges under this heading for the previous year, and this is accounted for by the net increase of £2,568,760 in the stock issue. See explanation in comments on Balance-sheet below. A gross profit of £675,290 has been transferred to Profit and Loss Account, and after meeting the cost of management and depreciation on furniture and equipment, and providing a sum of £51,581 as an addition to the Reserve for Losses, there is available for transfer to Appropriation

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.



## REVENUE ACCOUNTS FOR YEAR ENDED 31ST MARCH, 1941.

*Interest Account.*

<i>Dr.</i>	£	<i>Cr.</i>	£	£
Interest on stock and debentures .. ..	1,567,113	Interest on mortgages, current accounts, and local-body securities .. ..	2,370,705	
Gross income transferred to Profit and Loss Account ..	675,290	Less transferred to General Reserve Fund ..	140,395	2,230,310
		Interest on temporary investments .. ..		12,093
	<u>£2,242,403</u>			<u>£2,242,403</u>

*Profit and Loss Account.*

<i>Dr.</i>	£	<i>Cr.</i>	£	£
Management expenses (all inclusive) .. ..	261,878	Gross profit transferred from Interest Account ..		675,290
Transfer to reserve for losses .. ..	51,581	Rentals: Properties acquired .. ..	9,959	
Net income transferred to Appropriation Account ..	367,233	Less miscellaneous expenses thereon ..	4,561	5,398
		Sundries .. ..		4
	<u>£680,692</u>			<u>£680,692</u>

*Profit and Loss Appropriation Account.*

<i>Dr.</i>	£	<i>Cr.</i>	£
Income, National and Social Security Tax Reserve ..	160,000	Net Income transferred from Profit and Loss Account .. ..	367,233
Balance, profit payable to Treasury .. ..	207,233		
	<u>£367,233</u>		<u>£367,233</u>

## BALANCE-SHEET AS AT 31ST MARCH, 1941.

<i>Liabilities.</i>	£	£	<i>Assets.</i>	£
Authorized capital .. ..		1,000,000	Mortgages and accrued interest .. ..	49,509,270
Stock and debentures .. ..	46,769,910		Securities containing losses chargeable against contingent liability when defined .. ..	595,673
Accrued interest .. ..	254,621		Advances on Current Account and accrued interest	444,919
		47,024,531	Government and local-body securities and accrued interest .. ..	6,145,846
Contingent liability to the Crown .. ..		4,616,751	Fixed assets, at cost, less provision for depreciation: Office furniture, equipment, and motor-vehicles ..	38,304
Reserves—			Current assets—	£
General Reserve .. ..	3,671,142		Sundry debtors .. ..	22,058
Reserve for losses .. ..	150,000		Lodgments in transit, cash in bank and on hand .. ..	403,641
Investment Fluctuation Reserve .. ..	120,000			
Reserve for Income, National, and Social Security Tax .. ..	196,572			
		4,137,714		
Sundry creditors .. ..		39,734		425,699
Liability to the Crown—				
Surplus for year .. ..	207,233			
Amount payable to Treasury in reduction of contingent liability .. ..	27,074			
Interest payable on State's contribution to General Reserve .. ..	106,674			
		340,981		
		<u>£57,159,711</u>		<u>£57,159,711</u>

R. ROBERTSON, Chief Accountant.

A. D. PARK, F.I.A.N.Z., F.R.A.N.Z. } Managing Directors.  
T. N. SMALLWOOD

In accordance with the provisions of the State Advances Corporation Act, 1936, we report that we have obtained all the information and explanations we have required in respect of the accounts of the Corporation examined by us, and in respect of the above Balance-sheet, which in our opinion is properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs according to the best of our information and the explanations given to us, and as shown by the books of the Corporation.

R. C. BURGESS, Public Accountant } Auditors.  
G. D. STEWART, Public Accountant }

Wellington, N.Z., 12th June, 1941.

## PART II.—HOUSING ACCOUNT.

## REPORT OF DIRECTOR OF HOUSING CONSTRUCTION.

“I have pleasure in submitting the following report on the activities and operations of the Department of Housing Construction under my control for the year ended 31st March, 1941 :—

“*Purchase of Land.*—Land for housing purposes has now been purchased in 131 towns. Owing to the growing scarcity of serviced sections the Department has had to acquire a considerable area of undeveloped land, the preparation of which areas for housing purposes involves a tremendous amount of preliminary work in the way of construction of roads, footpaths, water-supplies, storm-water and sanitary sewers. In view of this necessary preliminary work the Department is required to purchase land well in advance of the actual construction of houses. To date, the Department has purchased approximately 23,000 building sites.

“*Slum clearance.*—The Department's town planning officers are at present giving consideration to the question of slum clearance and the development of areas along the most modern town planning lines.

“*Delays consequent on the War.*—As a result of the outbreak of war some of the Department's schemes of land preparation and development have been considerably retarded, as owing to the Dominion's war effort it was necessary that a number of the Public Works Department's staff, with its plant and machinery, had to be withdrawn from housing work to immediately concentrate on the preparation and equipment of military camps and aerodromes.

“Likewise for some months following the outbreak of hostilities the Department's contractors released a large number of artisans to undertake the building of the various military encampments, consequently for some time housing activities were slowed up in deference to the prior claims of the war emergency. As the work at these military camps became completed, the artisans and other staff were retransferred to housing work.

“*Construction and Design.*—No important changes have been made in the various types of construction originally adopted.

“The difficulties of obtaining flat iron and wire netting has necessitated changes in the standard details and the reduction in the number of lath and plaster houses being erected.

“Standard designs are continually being revised, altered, and in many cases cancelled with new designs replacing them. Economy of construction and floor plan with correct orientation and simple circulation are the factors that govern all revisions and new designs. Close studies are still being made with the object of further standardization of the individual unit and fittings without sacrificing to any appreciable extent the variety of design which has so far been such an outstanding characteristic of the schemes carried out by the Department of Housing Construction during the past four years.

“*Flats and Multiple Types of Dwellings.*—In addition to preparing ordinary house contracts amounting to approximately three thousand units for the year, the Department's Architectural staff has also been working on multi-unit developments for the main centres.

“The first of these developments, Berhampore Flats, Wellington, containing 50 units, was officially opened on Friday, 1st November, 1940.

“During the year a contract has been let for a further block comprising 116 one-bedroom flats at Dixon Street, Wellington, and the actual work of construction has now commenced.

“*Flats for City of Auckland.*—The Department has acquired a site of approximately two and a quarter acres of land situated on the east side of Symonds Street with a frontage to both Symonds and Wynyard Streets, while the south-east boundary adjoins Blandford Park. This location is very well suited for multiple-unit development as it is within three minutes of Queen Street. This site has a fine open outlook over Blandford Park, the Domain, and the Harbour, and has many beautiful trees growing on it. Arrangements are being made for a total of 163 flats in five blocks. The Auckland City Council has approved of the proposals in this scheme, and the preparation of the plans for the work of construction is now in hand.

“*Pensioners' Flats for Auckland.*—During the year a contract has been let for the erection of a block comprising thirty-three pensioners' flats at Vermont Street, Ponsonby, Auckland.

“ *Wesley College Housing Block.*—As is already known, the Department is rapidly developing the Wesley College Block at Mount Roskill, and when completed it is anticipated that a total of approximately 468 units will be constructed on this area.

“ There are also under erection in various stages of construction houses in practically all suburbs around the City.

“ *Shops and Flats for Orakei.*—Contracts have been let for the erection of six shops and six flats at Orakei, Auckland, also for the erection of five shops and one dwelling at Palmerston North, and a group of eight shops and ten flats at Waterloo, and eleven flats at Hutt Road and Wakefield Street, Lower Hutt.

“ Plans are in course of preparation for a further group of twenty-five pensioners’ dwellings at Grey Lynn, Auckland, and for a group of twenty-three flats at Jackson Street, Petone, as well as twenty-two flats at Adelaide Road, Berhampore, Wellington.

“ The Department during the year has also done housing work for the Hydro-electric Branch of the Public Works Department at Karapiro, where plans for thirteen houses, a hostel, single men’s quarters, and a hall have been prepared.

“ Plans for new rescue-stations at Rotowaro and Ohai for the Mines Department have been drawn and contracts let.

“ It is interesting to record that the cumulative progress of the Department since its inception as at the 31st March each year is as follows :—

	1937-38	1938-39	1939-40	1940-41	Total
	Units.	Units.	Units.	Units.	Units.
“ 1. Houses advertised .. ..	3,172	3,526	4,373	3,013	14,084
“ 2. Contracts let .. ..	2,507	3,681	4,165	3,294	13,467
“ 3. Houses under construction ..	1,560	2,326	2,847	2,444	..
“ 4. Houses completed and handed over to the State Advances Corporation .. ..	399	2,665	3,395	3,966	10,425
“ 5. Towns and localities work conducted in .. ..	70	106	121	129	..

“ It will be observed from the above figures that the total number of houses completed and handed over to the State Advances Corporation for the year ending 31st March, 1941, was 3,966, the largest number completed in any year since the Department commenced operations.

“ The work of the Department is spread amongst a large number of contractors, the number of different principal contractors to the 31st March being 326.

“ At the 31st March, 1941, the total number of persons engaged on housing construction and on subsidiary work such as roads, sewer schemes, water-supply, &c., was 4,287, of which number 364 represented the staff of the Department.

“ *Expenditure.*—Up to the 31st March, 1941, the total net payments in respect of the purchase of land, provision of services, erection of joinery-factories, erection of houses, and all administrative charges amounted to £16,252,809.

“ Liabilities and commitments as at this date amounted to £2,289,185. The net expenditure for the year under review was £5,605,608.

“ *Administration Costs.*—The total cost of administration of the Department of Housing Construction, exclusive of interest charges, from its inauguration to the 31st March, 1941, is £409,515, of which sum £133,050 represents the expenditure for the financial year 1940-41.

“ It will be seen that the administrative charge is still a remarkably low one, being 2·58 per cent. of the Department’s net expenditure, excluding administration, since the commencement of operations, and 2·43 per cent. for the financial year under review.”

G. ALBERTSON,  
Director of Housing Construction.

It will be seen from the report of the Director of Housing Construction that to date 10,425 houses have been handed over to the Corporation for administration. The management of these residential properties is now one of the principal duties of the branch officers, particularly the urban field staff. Although the maintenance of new houses is naturally not so active as it will be in a few years time, there are many calls on the office organization in carrying out a supervision of the dwellings and meeting the needs of the tenants.

It is pleasing to report that the majority of the tenants to whom the houses have been allotted have been able to meet their rents promptly, and, considering the number of people involved and the variety of occupations and different rates of income, we feel that the results so far attained are satisfactory. The rent in arrear in respect of all new rental houses at the 31st March, 1941, amounted to £2,511.

In accordance with the requirements of section 35 (a) of the Housing Act, 1919, the following statistical information is furnished :—

Amount expended for the year ended 31st March, 1941, in respect of the following

	£
(a) Erection of dwellings, including administration and supervision	4,688,020
(b) Amount expended on the acquisition of land and preparation of of same for dwellings .. .. .	891,714

#### BALANCE-SHEET AND REVENUE ACCOUNTS.

By the use of a tabulated form of accounts the allocation of interest and various items of management expenses is so arranged to show the result of the year's operations in separate sections representing different phases of the Government's activities under the Housing Act. Where appropriate, reserves have been made for accruing costs—*e.g.*, maintenance—and provision has been made for depreciation of improvements.

In reviewing this revenue statement some comment on the sub-accounts is called for. The Rural Housing section shows excess expenditure of £696 but as practically the whole of the initial cost of organizing the scheme is included in the 1940–41 accounts, a deficit was anticipated. Rented properties (old) with a loss of £14,371 is in a better position than the previous year, when the deficit was £21,322. Depreciation and maintenance are unavoidably high in these older properties. Under the heading “Rented Properties (New)” there is an improvement—a surplus of £9,165, as compared with a loss of £2,570 for 1939–40. The better result arises mainly from the fact that the average rate of interest paid on borrowed funds was on a lower basis than that operating during 1939–40. The greater volume of transactions arising from the letting of additional houses is having a beneficial effect on the trading result, as management and overhead charges do not in every case proportionately increase with the revenue.

Reference to the Construction Branch Preliminary Expenses Account will show that among other items of expense incidental to the completion of these new houses is the charge for interest on borrowed capital used for purchase of land and in constructional work up to the time that the land and buildings are revenue-producing. Rates and any other expenditure on vacant land, less revenue for grazing, &c., are also capitalized.

*Rural Housing Act.*—The Rural Housing Act, 1939, and subsequent amendments thereto provide facilities for the granting of financial assistance to farmers requiring new houses for themselves or their employees, or desiring to improve their existing houses. The County Councils have been charged with the duty of investigating the loan applications and, provided they are satisfied with the security, &c., they have authority to approve a loan subject to the precedent consent of the Board of Management of the State Advances Corporation. When a County Council decides to put the scheme into operation it applies for a loan under the Housing Act, and, subject to the proper completion of the usual formalities, an advance is made from the Housing Account with interest at 3 per cent. Interest on loans granted to farmers by the County Councils is charged at the rate of 3½ per cent. The maximum amount that a farmer may borrow in respect of any house to be erected under this scheme is £1,250, and the security that is taken is in the form of statutory land charge which takes priority over existing charges, provided that the mortgagees or lessors of the property offered as security have not lodged an objection within one month of receipt of advice from the County that the granting of a loan is proposed. Sixty-six counties have applied for loans aggregating nearly £700,000, and the Board of the Corporation has given its precedent consent in 207 cases, involving a sum of £142,566.

During the early part of the operations under this Act the Government decided, subject to certain conditions, to grant a subsidy on the cost of new dwellings, and at the end of the last financial year a sum of £14,851 had been approved by way of subsidy.

It is apparent that the Rural Housing Act has filled a very serious need in the rural community, and it is anticipated that the results will fully justify the legislation.

A. D. PARK, Chairman of Directors.	
T. N. SMALLWOOD, Deputy Chairman of Directors.	
G. A. LEWIN	} Directors.
B. C. ASHWIN	
D. BARNES	

HOUSING ACCOUNT.  
TABULATED REVENUE AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31ST MARCH, 1941.

Item.	Properties sold under Agreement for Sale and Purchase.		Advances under Part V Housing Act, 1919 (Local Authorities Urban Housing).		Advances under Part III, Housing Act, 1919 (Loans to Employers).		Advances to Local Authorities under Rural Housing Act, 1939.		Rented Properties (Old) erected prior to 31st March, 1937.		Rented Properties (New) erected under New Housing Scheme.		Factories and Plant.		Combined Revenue and Expenditure Account.	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
<i>Revenue.</i>																
Interest ..	£	£ 5,570	£	£ 12,917	£	£ 260	£	£ 518	£	£ 38,692	£	£ 576,538	£	£ 6,020	£	£ 19,265
Rents ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	615,230
Lease ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	6,020
<i>Expenditure (including Allocations to Reserves marked*).</i>																
Interest ..	4,497	..	7,395	..	151	..	..	..	18,232	..	191,432	..	721	..	222,654	..
Management expenses ..	1,031	..	248	..	7	..	..	..	3,251	..	37,109	..	50	..	42,684	..
Depreciation ..	..	..	..	..	..	..	..	..	10,620*	..	85,737*	..	2,726*	..	99,083	..
Insurance ..	..	..	..	..	..	..	..	..	1,245*	..	24,424*	..	1,057*	..	26,726	..
Rates ..	..	..	..	..	..	..	..	..	7,258	..	74,882*	..	357	..	82,497	..
Maintenance ..	..	..	..	..	..	..	..	..	11,404	..	122,122*	..	..	..	133,526	..
Losses and vacant tenancies ..	191	..	..	..	..	..	..	..	1,053	..	31,667*	..	..	..	32,911	..
Rent ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	553	..
Excess of expenditure over revenue, transferred to Profit and Loss Account	..	149	..	..	..	..	..	696	..	14,371	..	..	..	..	..	675
Excess of revenue over expenditure, transferred to—																
Construction Administration Account	..	..	..	..	..	..	..	..	..	..	..	..	..	..	556	..
Profit and Loss Account ..	..	..	5,274	..	102	..	..	..	..	..	9,165	..	..	..	..	..
Totals ..	5,719	5,719	12,917	12,917	260	260	1,214	1,214	53,063	53,063	576,538	576,538	6,020	6,020	641,190	641,190

HOUSING ACCOUNT—continued.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1941.

<i>Dr.</i>	£	<i>Cr.</i>	£
Balance, 1st April, 1940 .. .. .	116,099	Balance, 1st April, 1941 .. .. .	118,031
Loss for the year (see combined Revenue and Expenditure Account) .. .. .	675		
Termites Act expenditure .. .. .	725		
Borer-treatment investigation .. .. .	23		
Pre-treatment of timber .. .. .	509		
	<u>£118,031</u>		<u>£118,031</u>
	£		
Balance .. .. .	<u>£118,031</u>		

CONSTRUCTION BRANCH: PRELIMINARY EXPENSES ACCOUNT AS AT THE 31ST MARCH, 1941.

<i>Dr.</i>	Year ended 31st March, 1941. £	Total to 31st March, 1941. £	<i>Cr.</i>	Year ended 31st March, 1941. £	Total to 31st March, 1941. £
Interest during construction .. .. .	27,088	64,717	Transfer to Factories and Plant Capital Account .. .. .		746
Interest on land purchased .. .. .	13,676	28,303	Army Department construction: Recoup- ment of supervision charges .. .. .	174	1,149
Advertising .. .. .	807	3,340	Air Department construction: Recoup- ment of supervision charges .. .. .	4,295	4,295
Audit fees .. .. .	935	3,175	Public Works Department construction: Recoupment of supervision charges .. .. .	223	223
Depreciation .. .. .	1,582	3,339	Springs-Ellesmere Electric-power Board: Recoupment of supervision charges .. .. .	59	59
Light, heating, and cleaning .. .. .	935	2,904	Factories: Recoupment of administration charge .. .. .	50	50
Plans and schedules .. .. .	3,358	22,447	Factories: Surplus for year .. .. .	556	556
Quantity surveying .. .. .	471	2,418	Insurance commission: Builders' risk .. .. .	694	694
Valuation fees .. .. .	1,237	9,995	Rentals: Land held pending erection of dwellings .. .. .	5,372	6,763
Postages and telegrams .. .. .	1,277	3,232	Transfers to Capital Account: Rented properties (new) .. .. .	373,585	373,585
Printing and stationery .. .. .	2,044	7,466	Balance .. .. .		128,950
Office maintenance (includes adjusting credit) .. .. .	<i>Cr.</i> 439	2,076			
Motor-vehicle maintenance .. .. .	2,287	4,652			
Rent .. .. .	5,968	14,043			
Salaries .. .. .	108,538	288,646			
Telephones .. .. .	1,822	4,319			
Travelling-expenses .. .. .	6,489	21,533			
Workers' compensation insurance .. .. .	882	7,205			
Administration costs payable to State Advances Corporation .. .. .	6,090	22,279			
Contingencies .. .. .	191	981			
Balance .. .. .	199,770				
	<u>£385,008</u>	<u>£517,070</u>		<u>£385,008</u>	<u>£517,070</u>
	£	£			
Balance .. .. .		<u>£128,950</u>			

## HOUSING ACCOUNT—continued.

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31ST MARCH, 1941.

<i>Liabilities.</i>		<i>Assets.</i>	
	£		£
Loan liability .. .. .	16,918,945	Principal owing under agreement for sale and purchase .. ..	113,075
Interest on loan liability overdue and accrued ..	103,748	Advances under—	
Liability to Consolidated Fund in terms of section 22, Finance Act, 1926 .. .. .	100	Part III, Housing Act, 1919 (loans to employers) .. .. .	8,617
Sundry creditors—	£	Part V, Housing Act, 1919 (local authorities: Urban housing) ..	423,342
Deposits on contracts .. .. .	38,149	Rural Housing Act, 1939 .. ..	50,122
Tenancy deposits .. .. .	10,312		595,156
Rent paid in advance .. .. .	5,097	Instalments of principal overdue ..	6,263
Departmental .. .. .	5,710	Interest Receivable—	
Miscellaneous .. .. .	8,882	Overdue .. .. .	2,477
	68,150	Accrued .. .. .	1,555
Insurance Fund .. .. .	60,925	Insurance premiums receivable overdue ..	81
Sinking Fund Reserve .. .. .	2,350	Recoverable expenditure .. ..	82
Reserves on dwellings completed under new housing scheme (rates, maintenance, bad debts and vacant tenancies) .. .. .	257,556		605,614
		Less amount in hand unallocated .. ..	2,139
			603,475
		Rented properties (old) .. ..	520,122
		Less depreciation reserve .. ..	40,569
			479,553
		Rented properties (new) .. ..	13,752,015
		Less depreciation reserve .. ..	153,636
			13,598,379
		Dwellings in course of construction under new housing scheme .. .. .	1,359,155
		Freehold land .. .. .	886,651
		Factories and Plant Capital Account .. ..	39,539
		Plant, tools, and machinery .. ..	3,960
		Stores .. .. .	81
		Motor-vehicles .. .. .	2,429
		Furniture and equipment .. ..	8,174
		Construction Branch preliminary expenses in respect of dwellings in course of construction .. .. .	128,950*
		Rent receivable—	
		Overdue .. .. .	14,351
		Postponed .. .. .	920
		Accrued .. .. .	6,040
			21,311
		Sinking Fund investment held by Public Debt Redemption Fund .. ..	5,705†
		Insurance Fund Investment (Government Stock) and accrued interest .. ..	9,859
		Sundry Debtors—	
		Departmental .. .. .	53,552
		Miscellaneous .. .. .	8,045
			61,597
		Realization Suspense .. .. .	2,239
		Profit and Loss Account .. .. .	118,031
		Cash in bank .. .. .	82,686
			£17,411,774
	£17,411,774		

\* See analysed statement above. † This amount includes the sum of £3,355 paid into the Sinking Fund in accordance with the Public Debt Extinction Act, 1910.

R. ROBERTSON, Chief Accountant.

A. D. PARK, F.I.A.N.Z., F.R.A.N.Z. } Joint Managing Directors.  
T. N. SMALLWOOD

I hereby certify that the Balance-sheet and accompanying accounts have been duly examined and compared with the books and documents submitted for audit, and correctly state the position as disclosed thereby.—  
CYRIL G. COLLINS, Controller and Auditor-General.

BRANCH OFFICES :

Branch.	Managers.
Auckland .. .. .	C. G. S. ELLIS.
Hamilton .. .. .	W. R. BEATTIE.
New Plymouth .. .. .	R. J. W. HALL.
Napier .. .. .	W. E. COCKROFT.
Wellington .. .. .	F. R. JAMIESON.
Nelson .. .. .	W. P. ALLARDYCE.
Christchurch .. .. .	F. SHAW.
Dunedin .. .. .	P. A. JOBLIN.
Invercargill .. .. .	C. E. LEES.

SUB-OFFICES :

Sub-office.	Resident Officers.
Whangarei .. .. .	R. V. KAY.
Gisborne .. .. .	G. H. BRAMLEY.
Palmerston North .. .. .	D. GRANT.
Wanganui .. .. .	T. G. HUNTER.
Blenheim .. .. .	H. E. MCKINLEY.
Timaru .. .. .	H. W. FOWKE.

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