

1949
NEW ZEALAND

STATE ADVANCES CORPORATION OF NEW ZEALAND

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1949

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

The Right Hon. the MINISTER OF FINANCE, Wellington.

WE have pleasure in submitting the Balance-sheet and Revenue Accounts for the year ended 31st March, 1949, together with a report on the administration for the year, in accordance with the provisions of subsection (1) of section 43 of the State Advances Corporation Act, 1934-35.

PART I--GENERAL

This is the fourteenth annual report which has been submitted by the Corporation, and as it is the final one to appear over the signature of the present Chairman, who retires on the expiry of his term of office on the 30th June, 1949, it is appropriate that some comparison should be made to show the growth and development of the Corporation's activities since he first took office as its Chairman of Directors in 1936. Comparative statistics are therefore incorporated wherever appropriate in this report.

The figures do not tell the full story, but they do serve in some measure to illustrate the change in the nature, type, and volume of the Corporation's business over the intervening years. This change has been brought about in the main by the impact of the war and by the subsequent intensive efforts, as agent for the Rehabilitation Board, to rehabilitate many thousands of ex-servicemen, nearly all of whom required financial assistance in some form or other. Great progress has been made, but it will be a few years yet before it can be said that the end of rehabilitation is in sight.

The year just ended has been a very busy one, and although there has again been a slight drop in the number of loan applications dealt with, the administrative work in connection with the loans granted in recent years has continued to increase in volume and complexity. This is inevitable when regard is had to the fact that the majority of these advances were on the basis of 100 per cent. of value of security. Many of the borrowers also had only limited experience in the line of business they had elected to follow, and close supervision has been necessary in the interests not only of the servicemen themselves, but also of the Corporation. Further comment on this phase of the Corporation's work is made later in this report.

The following table shows the number of loan applications received, firstly, in the three years following the establishment of the Corporation, and, secondly, in the three years ended 31st March, 1949. As in past reports, these figures have been summarized under classified headings :-

Year.	Urban.	Rural.	Tools of Trade.	Furniture.	Business.	Miscellaneous.	Total.
1936*	2,098	2,033	..	..	..	..	4,131
1937	5,049	2,681	..	..	..	..	7,730
1938	3,493	1,364	..	..	..	..	4,857
1947	8,678	2,485	210	8,602	2,636	65	22,676
1948	7,150	1,696	283	8,411	2,392	26	19,958
1949	6,848	1,681	168	8,243	2,489	27	19,456

*For seven months only.

From the figures quoted the enormous increase in new loan business in the post-war years over the immediate pre-war period is readily apparent, although it is reasonable to assume that under normal conditions there would inevitably have been a definite increase since the pre-war figures cover a period when the Dominion was recovering from the depression and confidence in the future for the country's primary products in the overseas markets had not been fully restored.

It is, nevertheless, interesting to note that the increase in 1949 as compared with 1937 is represented entirely in the residential and miscellaneous aspects of rehabilitation, there being a decrease of 1,000 applications for loans on rural securities for the respective years. This would seem to indicate that sufficient self-contained economic farms are not available to satisfy the large number of "A" Grade ex-servicemen still awaiting

settlement, and the solution will have to be found in further land development, including marginal areas, and a closer study of methods likely to assist in bringing present uneconomic areas to a stage where they can produce a reasonable living without having to carry the burden of over-capitalization.

Reference to the 1949 figures shows that there has been little variation from those of the preceding year, the total number of applications showing a decrease of only 502. The figures include applications from civilians and ex-servicemen alike, and they cover therefore, the full range of activities for the year in the particular categories.

In recent years the Board has endeavoured to conserve its funds as far as possible to ensure priority for the needs of ex-servicemen, but during the year covered by this report it has been found possible to modify that policy slightly and to extend greater consideration to civilian requirements without in any way prejudicing the interests of ex-servicemen, whose claims remain paramount. Rehabilitation demands are still heavy, and until the calls on available funds for this purpose are considerably lessened it will not be possible to extend the field of operations to cover all of the needs of civilian applicants. At present loans to this class of applicant are available within the usual lending limits to meet the needs of those desirous of acquiring homes by purchase or erection, or of purchasing, improving, and stocking farms. In addition, the Corporation will consider applications from civilians for the purpose of assisting in the refinancing of existing mortgages, the holders of which, for various reasons, now require repayment. In the field of refinancing, however, the Corporation is mainly concerned in providing assistance in cases where an applicant is faced with the problem of redeeming a mortgage which has matured or is about to mature and renewal with the existing holder is difficult to arrange. The operations of the Servicemen's Settlement and Land Sales Act, 1943, naturally tends to prevent civilians from acquiring title to economic farm units, and consequently applications under this heading are few in number.

As in the past, repayments from existing borrowers have provided some proportion of the funds needed to meet loan requirements, but, in addition, sums totalling £6,200,000 have been obtained from Treasury during the year. It is estimated that an additional amount of up to £7,000,000 will be required in this respect for the ensuing year.

Climatic conditions during the year have been uniformly good throughout the Dominion, although Canterbury and North Otago experienced dry conditions during the summer and early autumn. This had little material effect on crop yields, but prices for store stock were generally lower than those realized in other districts. On the whole, however, the season has been conducive of high production, and the output of primary produce for export and for local requirements has been maintained at a high level. Prices have remained on a very remunerative basis, although returns for wool did for a short period towards the end of the season show a downward trend, particularly for the finer grades.

The Corporation has encouraged its borrowers to build up asset reserves, by reducing their mortgage liabilities, and to conserve their resources, by developing from revenue whilst the prices for stock and other produce remain high, and it is pleasing to the Board to note the number of its clients who are adopting this course.

Although, as indicated earlier, there has been a slight decrease in the number of applications received, there has actually been an increase in the volume of transactions as evidenced by the numbers of cheques and receipts issued. Cheques issued show an increase to 98,000 (91,000), involving payments totalling £21,400,000; and the number of receipts reached the record figure of 1,460,000 (1,250,000). The comparative figures for 1948 are shown in brackets. These figures alone give some indication of the pressure under which the staff has worked during the year, but they do not tell the full story because they necessarily take no account of most phases of administrative action

subsequent to the disbursement of loan-moneys. For the most part, statistical data in relation to receipts and payments tell the story of the average borrower whose account presents no complications.

It will be appreciated that all applications for loan assistance are not necessarily approved, and the following statistics show the total numbers and amounts of loans actually authorized during the year. Corresponding figures for the preceding year are given in brackets.

Statistics for Year Ended 31st March, 1949

Classification.	Loans Authorized.			
	Number.		Amount.	
			£	£
Farms	1,031	(1,149)	4,567,640	(5,299,741)
Stock	49	(53)	54,118	(55,353)
Houses	5,590	(5,998)	6,642,354	(7,209,120)
Industrial ..	7	(3)	418,000	(75,500)
Business ..	1,373	(1,344)	933,151	(996,878)
Furniture ..	8,039	(7,954)	746,101	(729,058)
Tools of trade ..	134	(187)	4,848	(5,401)
Miscellaneous ..	45	(56)	7,848	(15,647)
Totals ..	16,268	(16,744)	13,374,060	(14,386,698)

The basic function of the Corporation is the provision of loan finance on the security of land—i.e., farms and dwellings—and it is appropriate to include in the report for the year a table showing, firstly, the loans authorized for farms and dwellings during the year, and, secondly, the aggregate of such loans for the period since the establishment of the Corporation in 1935.

Period.	Applications Received.		Loans Authorized.	
	Number.	Amount.	Number.	Amount.
During year ended 31st March, 1949		£		£
Farms	1,681	6,439,000	1,031	4,568,000
Residential	6,848	8,452,000	5,590	6,642,000
Totals	8,529	14,891,000	6,621	11,210,000
During period 1935 to 1949—				
Farms	18,772	52,763,000	10,878	32,480,000
Residential	56,783	59,120,000	42,920	44,276,000
Totals	75,555	111,883,000	53,798	76,756,000

The loan authorizations for 1949 included above are classified hereunder to indicate the nature and purpose of the loans—*i.e.*, whether on, or in excess of, the normal two-thirds lending basis, for purchase or erection, or for the refinancing of existing mortgage liabilities :—

Mortgage Authorizations for Year Ended 31st March, 1949, Classified Under Purpose

Purpose.	Farms.				Residential.			
	Civilian.		Rehabilitation.		Civilian.		Rehabilitation.	
	Number.	Amount.	Number.	Amount.	Number.	Amount.	Number.	Amount.
		£		£		£		£
Erection—								
66⅔ .. ..	..	..	..	..	83	91,835	..	..
Special .. ..	..	..	..	..	161	218,180	2,355	3,158,853
Purchase—								
66⅔	41	77,640	..	..	107	82,755	..	..
Special	3	8,820	934	4,239,220	128	136,980	2,588	2,418,412
Refinance—								
66⅔	13	38,110	..	..	23	20,555	..	..
Special	1	6,635	14	57,595	11	12,285	30	29,405
Other Purposes—								
66⅔	10	60,580	..	..	10	41,230	..	..
Special .. ..	..	3,650	15	70,900	3	9,505	91	30,388
Supplementary (interest free)	..	..	(14)	4,490	..	..	(2,536)	391,971
Totals	68	195,435	963	4,372,205	526	613,325	5,064	6,029,029

NOTE.—Special loans are those granted in excess of the normal two-thirds basis.

It will be noted that of the total number of residential loans authorized in 1949 over 46 per cent. were for the erection of new dwellings.

New loan accounts opened during the year totalled 16,623, whilst 6,612 were repaid in the same period. The total number of loan accounts under all headings being administered at 31st March, 1949, is given in the following table :—

Number of loan accounts as at 31st March, 1948	88,779
Less repaid during the year	6,612
	<u>82,167</u>
Add new loan accounts opened during the year	16,623
Number of loan accounts as at 31st March, 1949	<u>98,790</u>

representing a net increase of 10,011.

The whole picture is not clear without a reference to the very large number of rental accounts under administration by the Corporation. The total as at the 31st of March, 1949, exceeded 30,000 accounts, and a table is included to illustrate how the number of accounts and value of assets under administration since the Corporation was first constituted have grown over the intervening years.

Statement Showing Number of Accounts and Total Balance-sheet Assets During Period 1935-49

Year.	Corporation.			Housing.		Agency.		Grand Total.	
	Number of Accounts.		Total.	Number of Accounts.	Balance-sheet Assets.	Number of Accounts.	Balance-sheet Assets.	Number of Accounts.	Balance-sheet Assets.
	Rural.	Urban.							
					£		£		£
1935 ..	16,325	35,459	54,634	..	..	..	..	54,634	41,255,701
1936 ..	15,339	34,582	51,803	..	..	..	..	51,803	43,217,990
1937 ..	24,442	43,768	70,196	..	..	..	..	71,145	57,443,022*
1938 ..	23,767	43,858	69,753	1,505	2,581,565	..	45,636	71,269	61,080,976
1939 ..	22,529	45,275	69,833	4,177	6,654,479	11	43,878	74,021	66,944,248
1940 ..	21,704	44,778	68,563	7,469	11,917,958	11	43,838	76,043	71,730,863
1941 ..	20,748	43,106	65,917	11,463	17,411,774	1,149	207,480	78,529	74,778,966
1942 ..	19,936	42,033	64,017	14,795	21,443,206	1,958	359,619	80,770	77,116,616
1943 ..	19,149	39,524	60,712	16,225	22,737,593	2,302	473,750	79,239	79,460,431
1944 ..	18,241	37,292	57,546	16,919	21,306,031†	3,840	633,437	78,305	78,077,278†
1945 ..	17,786	36,326	56,105	18,482	24,106,850	7,407	1,184,982	81,994	81,290,764
1946 ..	18,094	36,107	56,149	21,398	28,840,568	14,055	2,111,053	91,602	87,251,405
1947 ..	18,911	38,181	58,981	23,817	33,864,775	22,804	3,823,699	105,602	98,528,443
1948 ..	19,307	40,780	61,687	26,048	39,480,749	28,107	4,708,769	115,842	112,297,238
1949 ..	20,315	43,341	64,861	30,548	46,512,426	35,384	5,755,589	130,793	127,325,464

This table includes under the heading "Balance-sheet Assets" various miscellaneous items not appropriate to the succeeding table which is designed to show primarily the capital assets under administration.

* During this financial year the Corporation took over from the Lands Department the administration of the advances made under the authority of the Discharged Soldiers Settlement Act, 1915, and amendments.

† In previous financial years the value of the land acquired for housing and not yet built on was included in the assets of the Housing Account administered by the Corporation, but since 1943 is included in the accounts of the Ministry of Works.

It is perhaps not out of place to offer some observations in regard to the immediately preceding table, which has been included in this report in order to show the progress of the Corporation.

In 1935 the Mortgage Corporation (as it then was) inherited the mortgage business of the State Advances Office as shown in the table above. It can be said that, in the main, these mortgage assets were mortgages which had been current for varying periods of years. In very many cases the mortgagors had built up substantial equities in their properties, instalments were payable half-yearly, and, in the majority of cases, the administration of the mortgages did not create any particular difficulties. There were, however, some exceptions, particularly in relation to properties which had reverted to the State Advances Office during the depression years, and also some mortgage accounts where the mortgagors had not built up an equity and were still suffering from the results of the depression. In those cases instalments were collected monthly, and, for the purpose of facilitating collection, the State Advances Office had opened what were then called branch offices (really a misnomer) in Auckland, Wellington, and Christchurch. That was the full extent of the local representation of the State Advances Office.

In 1936 and 1937 the State Advances Corporation also inherited further mortgages from the Lands and Survey Department. Again these assets were in relation to loans which had been granted immediately following World War I, and mortgagors had in the majority of cases built up substantial equities in the intervening years. Many of these accounts were on a half-yearly basis, and administration was not difficult.

The table which is the subject of these comments shows the progress of the Corporation year by year. It will be noted that mortgage assets showed a rising tendency up to 1939 resulting from the activities of the Corporation itself in the lending field. On the commencement of World War II the Board of Management, anticipating that there would be a post-war demand for rehabilitation finance, adopted the policy of conserving its funds to meet that post-war demand. Principal repayments by mortgagors brought about fairly substantial reductions in the total of the mortgage assets up to and including the year ended 31st of March, 1945. From then onwards mortgages have increased in number and amount; but it is important here to record that, whereas the initial investment portfolio of the Corporation when it commenced to function comprised in the main mortgage accounts which were on a half-yearly repayment basis, the impact of rehabilitation lending has changed very substantially the nature of the investments held. The Corporation, in implementing the rehabilitation policy of the Government, has granted loans up to 100 per cent. of the value of the securities offered. It has adopted the policy of requiring monthly payments in respect of such loans, so the Corporation now has a substantial number of accounts on a monthly payment basis, all of which means very much more work, especially from an accounting angle. In addition to that, the same change in the investment portfolio has meant that a large proportion of "good" accounts has been repaid; and in place of those "good" accounts the Corporation now has large numbers of accounts where there is little or no equity for the mortgagor, and where administration problems are consequently more acute.

It will also be noted that the Corporation has, in addition to its normal business of lending on the security of land, made large numbers of rehabilitation loans (almost 34,000) on furniture, businesses, and tools of trade. Here again repayment is, in the main, on a monthly basis, involving pressure of accounting work and administration problems not met with in a conservative lending institution.

On top of all this the Corporation has been called upon to administer State rental houses built under the scheme introduced in 1936. The number of such houses has shown a progressive increase over the years, until at the 31st of March, 1949, over 30,000

houses were under administration. Rentals are payable mainly on a fortnightly basis, with consequent pressure of accounting work : and there is also the very considerable burden of administration work in relation to these properties. This burden will tend to increase as the years go by not only because of an increase in the number of houses under administration, but also because of the increasing maintenance factor.

From a modest office organization taken over from the State Advances Office in 1935 the Corporation has to-day nine fully-established branch offices, nine sub-offices, and five field offices. At most of the field offices referred to a receiving service is provided in addition to other normal activities. The Board feels justifiably proud of the progress the Corporation has made over the period of fourteen years since its establishment. There is room for further improvement and for a further extension of the service which the Corporation can give to the public, and it is hoped that as the years go by the Corporation will proceed from strength to strength.

In accordance with the procedure adopted in past reports, we also record hereunder details of investments and other assets under administration at the end of the year :—

Assets Administered by Corporation

	Number of Accounts.	Principal Investment. £
Mortgage investments —		
Urban	43,341	34,068,189
Rural	20,315	35,218,170
Loans to local authorities	1,205	4,471,295
Housing Account—		
Dwellings let	30,221	44,711,850
Dwellings sold	173	96,716
Loans to local authorities	101	1,052,622
Loans to employers	12	28,725
Rural Housing Act : Loans to local authorities	41	131,690
Advances under Rehabilitation Act, 1941—		
Furniture, tools of trade, business, and miscellaneous	33,736	3,582,164
Interest-free supplementary loans		1,679,311
Other principal agencies—		
Agriculture Emergency Powers Act, 1934	5	20,395
Farmers' Loans Emergency Regulations 1940	113	50,064
Public Works Department hutments rented to farmers	137	35,972
Rural Housing Scheme, 1944	177	18,024
Timber Workers' Housing—		
Levies accounts	671	
Rental accounts	79	259,013
Miscellaneous rentals	466	
Totals	130,793	£125,424,200

The total asset value of £125,424,200 represents an increase of £14,601,143 during the year. The Corporation has always recognized that it has a dual responsibility, firstly, to the Government to ensure wise administration of this huge sum of public money, and, secondly, to its borrowers and other clients who expect helpful assistance and guidance in dealing with the many problems that confront them from time to time.

The effectiveness of the administration is reflected in some degree by the losses written off (as irrecoverable) from year to year, and the table below shows the amounts disposed of in this manner during the year covered by this report and the total thereof since the establishment of the Corporation in 1935. Losses in respect of rehabilitation loans are not included as these are recoverable from the War Expenses Account and are not chargeable against the Corporation's reserves. They are, however, recorded in the section dealing specifically with rehabilitation loans.

Losses Written Off in Respect of—	Amounts Written Off.			
	For Year Ended 31st March, 1949.		Total From 1935 to 1949.	
Loans approved prior to 1935—	£	s. d.	£	s. d.
Farms	21,633	13 6	2,332,944	5 5
Residential	11,976	8 1	527,829	7 4
Totals	33,610	1 7	2,860,773	12 9
New Corporation loans since 1935—	£	s. d.	£	s. d.
Farms	1,325	2 8	7,192	1 9
Residential .. .. .	..	..	385	16 3
Totals	1,325	2 8	7,577	18 0

In comparing the losses written off on loans granted prior to 1935, due regard must be paid to the fact that these loans were subjected to adjustment in terms of the Mortgagors and Lessees Rehabilitation Act, 1936, following the depression in 1931-35. Nevertheless, the very small amount written off on loans granted by the Corporation itself since 1935 does indicate sound administration from both a field and office angle. Looking back over its fourteen years of administration the Board is more convinced than ever that a basic requirement for any lending institution operating on such a large scale as the Corporation is the provision of a competent and adequate field staff. It is not only on the soundness or otherwise of the initial reports that success or failure depends, but also on the subsequent technical advice and constructive criticism that the field staff are able to offer its borrowers and to the Board. This is of particular value in connection with the rehabilitation loans, most of which are on a 100-per-cent. basis and made to young men making their first venture into property ownership. Inevitably they have in their early years problems of a financial, housing, or farming nature to overcome, and the Corporation's field staff are continuously available for consultation and advice as occasion arises. Experience has shown that this advice is freely sought, and has been the means of solving many of the mortgagors' problems and of assisting in their establishment on a sound basis. The Corporation has been fortunate in the calibre of its field officers, both rural and urban, and the Board and its clients have benefited accordingly.

INTEREST RATE AND LOAN TERM

There has been no variation in the rate charged for loans granted. This has remained at 4½ per cent., subject to adjustment to rehabilitation rates where the borrower is an ex-serviceman entitled to that concession. Since the Corporation's lending is on long-term mortgage the rate charged is in no way excessive, and provides a minimum margin to meet management, interest, and other overhead charges. Ample funds are available

to meet the requirements of applicants seeking loans within the normal lending limits, the main restriction operating against prospective borrowers at present being the continued shortage of labour and certain essential building-materials, and high costs. When these problems are solved there will undoubtedly be heavier calls on the Corporation's funds, especially for the erection of homes. The Corporation will continue to play its part in this sphere in the future as it has done in the past.

RURAL INTERMEDIATE CREDIT (STOCK) LOANS

Although the Rural Intermediate Credit Amendment Act, 1946, amalgamated the system of short-term loans with the Corporation's other lending operations, it in no way lessened the availability of funds to those farmers who desire to borrow money in this way on the security of their stock and plant, and applications are still being received both through the various associations and by the Corporation direct. The demands for accommodation increased during the year, but are still not extensive, due no doubt to favourable seasons and prices resulting in most farmers being able to meet their requirements from revenue without recourse to capital borrowing.

Loans totalling 106 (as against 64 in the preceding year), involving £115,840, were granted on applications made direct to the Corporation, whilst 37 loans, amounting to £21,613, were made available to farmers on application through the associations. The comparative figures for the past two years and the total amounts outstanding under current loans are illustrated in the following tables :

Loans Granted by —	For Year Ended 31st March, 1948.		For Year Ended 31st March, 1949.	
	Number	Amount.	Number	Amount.
		£		£
Corporation direct	64	82,727	106	115,840
Corporation through Associations ..	30	21,392	34	21,613
Totals	94	104,119	140	137,453

Total Amounts Outstanding on Loans Current

Corporation direct	216	132,752	279	175,152
Corporation through Associations ..	206	46,630	229	39,347
Totals	422	179,382	508	214,499

REHABILITATION AGENCY : GENERAL

The investigation of new applications for loans from ex-servicemen and the administration of loans already granted continues to form a large part of the Corporation's functions. The responsibility for making decisions on these applications rests with the Rehabilitation Loans Committee, and, under delegation from that Committee, with the District Loans Committees functioning in the various districts. These Committees in turn depend upon the Corporation's staff to make the necessary investigations and reports, and generally to assemble and explain the data where necessary to enable decisions to be made. It is worthy of note that all the District Loans Committees have paid tribute to the work of the Corporation's staff, which they regard as particularly important to the consideration of loan applications.

In general the work has flowed smoothly, there being few cases of delay, and these usually being due to the nature of the proposition submitted requiring more than the usual detailed inquiries. Every endeavour is made to handle applications expeditiously and to have decisions issued promptly, but staffing difficulties, particularly on the urban field side, have at times caused concern. It is hoped that those difficulties have now been overcome; but the staff turnover generally, allied to the increasing number of accounts under administration, has meant heavy pressure on all concerned. The majority of ex-servicemen assisted are doing well and appear to be soundly established.

Ex-servicemen are now represented in practically every phase of business activity—commercial and professional—and with the financial aid afforded them they have not only made their future secure, but are playing a very useful part in the economic life of the country. The list given hereunder illustrates in condensed form the variety of purposes for which rehabilitation business loans have been authorized. A complete classification would show more than 250 different types of business.

CLASSIFICATION OF BUSINESS LOAN AUTHORIZATIONS

	Number.	Total. £		Number.	Total. £
Butchery	171	138,937	Taxi, service car, and trans- port	1,102	635,622
Grocery and general store ..	546	440,522	Carrier and mail contractor ..	1,124	817,270
Bakery, dairy, refreshment-rooms	359	243,296	Hairdresser and tobacconist ..	98	46,935
Milk-round	233	180,851	Bootmaker	143	43,227
Building trades	560	286,109	Painter and paperhanger ..	188	62,091
Mechanical repairs	366	232,732	Launch and fishing gear ..	99	63,091
Manufacturing businesses ..	259	171,368	Agricultural contractors ..	400	288,936
Stationery and fancy goods ..	103	73,345	Chemist	27	27,230
Poultry, &c.	42	26,563	Miscellaneous	550	358,047
Professional equipment	735	325,798			
Radio-dealers and electricians ..	174	92,467			
Hotel and guest-house	34	29,433			
			Total to 31st March, 1949	7,313	£4,583,870

Repayments are assessed having regard to the prospective returns from the business, the depreciating nature of the asset, and the necessity or otherwise of providing working capital and replacement reserves. Generally speaking, it has been found that the rate of repayment fixed has been well within the proved earning-capacity of the particular business, and where failure has resulted it has been usually due to lack of business acumen on the part of the borrower rather than to any inherently unsound features in the proposition itself. It was, of course, only to be expected that a certain percentage of borrowers would prove, under the acid test of practical experience, to be temperamentally unsuited to business (and in some cases to farm) management, but they are relatively few and merely serve to emphasize the value of the initial work done in examining propositions submitted not only from the economic angle, but also in relation to the applicants themselves. From the table given later in this report it will be seen how small, relative to the amounts involved, are the losses that have been written off.

In assisting ex-servicemen the Government is recognizing the Dominion's obligations to them. On the other hand, in accepting such assistance the ex-servicemen also assume obligations; and, whilst the great majority fully recognize and honour the commitments they have entered into, it is disconcerting to note the large number of furniture accounts in arrear. Reference was made in last year's report to this phase of rehabilitation lending, and the position has not improved to any material extent. These loans are interest-free, and principal repayments are assessed on a modest scale. In the absence, therefore, of special factors, there is no reason why borrowers in full-time employment should be defaulting in their payments. The Corporation, as agent for the Rehabilitation Board, is charged with the responsibility of administering the accounts, and it is obvious that a more positive approach will have to be made to this problem and more drastic action

taken in those cases of chronic or persistent default. The following tables show the numbers of accounts in arrear in relation to the total number of accounts current under the respective types of loans :

(1) *Arrears as at 31st March, 1949, on Farm and Residential Loans*

	Accounts.		Arrears.		Percentage in Arrears to Number of Accounts.
	Number.	Principal Outstanding.	Number.	Amount.	
		£		£	
Farm	5,894	19,588,663	110	18,070	1.9
Residential	18,617	21,051,918	630	8,654	3.4
Totals	24,511	40,640,581	740	26,724	3.0

(2) *Arrears as at 31st March, 1949, on Other Rehabilitation Loan Accounts*

	Accounts.		Arrears.		Percentage in Arrears to Number of Accounts.
	Number.	Principal Outstanding.	Number.	Amount.	
		£		£	
Furniture	29,495	1,567,302	3,059	22,691	10.4
Tools of trade	321	5,243	92	729	28.7
Business	3,532	1,934,431	426	27,916	12.1
Miscellaneous	197	45,789	15	184	7.6
Totals	33,545	3,552,765	3,592	51,520	10.7

The following table schedules the losses written off up to 31st March, 1949, in respect of loans granted to ex-servicemen :

	For Year Ended 31st March, 1949.		Total to Date.	
	Number	Amount.	Number.	Amount.
		£		£
Farm	30	11,017 2 9	63	15,787 10 11
Residential	2	225 7 7	3	231 2 0
Totals	32	11,242 10 4	66	16,018 12 11
Business	27	4,450 10 4	79	11,632 15 11
Furniture	21	789 15 10	58	1,865 13 3
Tools of trade	6	92 2 3	18	201 6 6
Miscellaneous .. .. .	..	..	1	14 0 0
Totals	54	5,332 8 5	156	13,713 15 8

REHABILITATION LOANS REPAYED

The number of loans repaid has almost doubled during the year, due mainly to the maturity of the repayment periods for furniture loans. It will be seen from the table below that 2,442 of these accounts were removed from the Corporation's books in this way during the year, indicating that, whilst there is concern at the number of this class of borrower in arrear, nevertheless the majority do appreciate the assistance they have been given and are making their payments regularly.

	Accounts Repaid During Year Ended 31st March, 1949.	Total Number Repaid to 31st March, 1949.
Farm	111	187
Residential	694	1,471
R.I.C. (stock)	49	93
Business	799	2,544
Furniture	2,442	4,961
Tools of trade	246	952
Miscellaneous	36	135
Totals	4,377	10,343

It will be realized that a fairly large percentage of the repayments of farm and residential accounts is due to the sale of the properties, and many of the purchasers are themselves the recipients of rehabilitation finance to enable them to complete the transactions. Of the 111 farm accounts repaid, 58 were accounted for in this way, and of the 694 residential loans, 285 were repaid by loans granted to the purchasers. The over-all figures disclose a satisfactory rate of repayment and indicate a healthy desire on the part of borrowers to clear their loan liabilities as quickly as possible.

PRESERVATION AND PROTECTION OF TIMBER

In its efforts to maintain a standard of building construction justifying long-term lending, every endeavour is made to ensure that durable materials only are used. So far as the use of timber is concerned this policy has been one of increasing difficulty over recent years. With the depletion of our native forests, heart timbers have become increasingly scarce, with the result that available supplies are proving insufficient to provide timber for flooring, weatherboards, sub-floor framing, and other parts of buildings in which heart grades were normally required. The use of lower grades of native timbers and of our exotic timbers has therefore to be considered for these purposes, and the Corporation has actively encouraged the development of preservative pre-treatment methods to enable these lower grades to be accepted with confidence.

During the war years the position was aggravated by the extraordinary demands for timber and by difficulties in the initiation of preservative methods. There seems now to be an improvement. Supplies of timber (although still difficult) are more readily available, the availability of kiln-drying has greatly increased, thus removing one bottle-neck in production and preservative plants have been installed in various parts of the country. Until pressure-preservation plants were available, the Corporation accepted timber kiln-dried and dipped by an approved process, but this was regarded as a more or less temporary expedient. Kiln-drying ensures that timber is rendered sterile before dipping. The subsequent dipping provides a protective "film" to the

timber, but care has to be taken to ensure not only that the "film" is continuous and adequate, but also that the materials used are not likely to prejudice the health of those handling the timber or to affect subsequent painting. There are still a few dipping-plants in operation, but with the increasing use of pressure-treating plants the need to used dipped timber will tend to disappear.

Pressure-impregnation methods of treatment are available in Christchurch and in most parts of the North Island, the plants being centrally located to give a wide coverage. It is expected that other plants will be erected in the near future. These plants are treating a very considerable volume of the sap grades of native timbers, such as rimu and matai, and also of native hardwoods such as tawa, which were formerly of little commercial value owing to their susceptibility to insect attack. In addition, considerable volumes of exotic timbers, mainly *Pinus radiata*, are being treated.

With the adoption of preservative pretreatment by pressure methods the Board can anticipate the use of lower-grade timbers to a greater extent, and, although insect and fungus attack is not the only consideration in the acceptance of these classes of timber, the general adoption of pressure preservation will overcome most of the difficulties in their use. With the permanence of the timber reasonably ensured, long-term lending can be entertained with confidence, and the interests of the Corporation's clients protected.

TERMITES ACT, 1940

The Corporation has continued in its administrative and technical functions under the Termites Act, 1940, which provides for the detection and control of various species of non-indigenous termites that have become established in New Zealand. By arrangement with the State Forest Service, responsibility for inspection of imported hardwoods arriving from overseas has been accepted by that Department, which also arranges for isolation and treatment of any infected timbers. The inspection of existing buildings is undertaken by the local body concerned, and the Corporation treats any infected properties found. In due course certificates may be issued by the Corporation certifying that the property concerned is free from termite-infestation. Both the inspection work and the treatment require expert knowledge, and staffing difficulties have prevented the work proceeding as speedily as the Board would like. It is unlikely that the infestations will ever be completely eliminated in all localities, but adequate control will ensure the protection of much valuable property. During the year the number of properties inspected and of infestations recorded up to the 31st March, 1949, is as follows:—

Local Body.	Properties Inspected. Including Re-inspections: Total as at 31st March, 1949.	Properties in Which Infestations Found: Total as at 31st March, 1949.
Auckland City Council	18,519	340
New Plymouth City Council	1,446	23
Onehunga Borough Council	1,231	111
Mount Albert Borough Council	569	4
One Tree Hill Borough Council	1,040	2
Mount Eden Borough Council	337	2
Mount Roskill Road Board	699	23
	23,841	505

Consideration has been given to removing New Plymouth City from the operations of the Act, but before a decision is reached a further period of observation will be necessary. The importance of continuing the work is to be measured not so much by the number of infestations dealt with as by the necessity for ensuring that each infestation is controlled, and where possible eliminated, before it becomes the centre of an extensive outbreak. If this can be done the saving in the national economy will be very considerable.

STAFF

With the close of another financial year the Board desires to place on record its appreciation of the assistance and co-operation it has received from its administrative officers and staff, both office and field. The year has not been an easy one, and heavy staff losses by resignation and transfer to other Departments have imposed a correspondingly heavier burden to be carried by those remaining. Despite this, the high standard of performance set in past years has been maintained. The figures set out in this report and in the statement of accounts appended hereto constitute in themselves a record of achievement of which all concerned may be justly proud. These results could not have been attained without that co-operative spirit which finds its best reward in work well done and difficulties surmounted. Many problems have arisen during the year, but the Board's task has been made easier by the efficiency of a staff which has met all demands made upon it.

In earlier reports reference has been made to the Board's policy of recruiting and maintaining an efficient organization. Each year that passes serves to prove the value of that policy, and it is not too much to say that, to a very large extent, successful rehabilitation has been built upon the foundation provided by the Corporation's staff. The individual's rehabilitation depends upon the value he receives for the price he pays. Policy, as such, is valueless unless administered wisely in the interests of those whom it is designed to assist, and it is in the exercise of the expert knowledge and experience gained over the years that the well-balanced staff of the Corporation, working as an integrated team, has been able to ensure that Government policy has been translated into tangible form, and that the individual has received value. The Board looks forward to another year of continued co-operation and service to the community.

BALANCE-SHEET

During the year the loan liability increased by £6,200,000, and there has been a corresponding increase in mortgage investments. The actual new investments totalled £11,660,000, the difference between this figure and the amount of new capital raised being met from repayments of existing loans and the normal principal repayments which are a feature of lending on instalment mortgage. The general Reserve Fund shows an increase of £297,375, and there is a corresponding increase of £331,525 in Government and local-body securities. There is a statutory obligation to keep the Reserve Fund fully invested in "approved" securities. Sundry creditors stands at a high figure and shows an increase of £306,696. The greater part of this represents amounts owing to the Lands Department in respect of settlement blocks where servicemen have been settled and loan accounts are in process of establishment.

REVENUE ACCOUNT

The expanding business of the Corporation is reflected in the Interest Account, which shows interest receivable as £2,872,322, an increase of £288,257 on the previous year. It will be noticed that the payment from Treasury to cover the interest concessions on rehabilitation loans this year amounts to £468,530, representing the differ-

ence between the lending rate of the Corporation ($4\frac{1}{2}$ per cent.) and the rehabilitation rate of 3 per cent. reducible to 2 per cent. in the first year. It should be remembered that this is an annual contribution, and something in the vicinity of this amount will be required for the next thirty to forty years, but decreasing over the later part of the loan terms. Interest payable has also increased following the raising of further loan-moneys, but the over-all effect is an increase in gross profit of £94,083 to bring the total to £664,876. Total management expenses at £411,148 show an increase of only £15,095 on the previous year and may be considered very reasonable, particularly as provision to the extent of £16,906 was made in the accounts to meet the year's portion of the general increase in salaries dating back to 1st July, 1948.

As in previous years, no charge has been made against any Government fund for the costs of administering rehabilitation advances made on business, furniture, and tools of trade, the cost involved this year being £90,090.

It is interesting to note the total cost to the Corporation of the mortgagee's contribution of one-half of the premium for earthquake insurance, the amount for this year being £12,423. The saving to the individual mortgagor is very small—possibly averaging 5s. per year—but with the large investment portfolio of the Corporation the aggregate amount is substantial.

After making provision for taxation and reserves on a similar basis to last year the profit available for Treasury is £40,035, an increase of £24,101 on last year, and representing a return of 4 per cent. on the authorized capital of £1,000,000 provided by Government.

A. D. PARK, Chairman of Directors.

T. N. SMALLWOOD, Deputy Chairman of Directors.

B. C. ASHWIN	}	Directors.
D. BARNES		
R. G. MACMORRAN		

REVENUE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1949

2—B 13

Interest Account

<i>Dr.</i>	£	<i>Cr.</i>	£
Interest on stock and debentures	2,024,650	Interest on mortgages and current accounts	2,226,023
Interest on General Reserve Fund investments—		Interest on concessions on rehabilitation advances : Paid from	
Payable on State's contribution	103,469	War Expenses Account	468,530
Credited to General Reserve Fund	79,336	Interest on Government and local-body securities	177,769
Gross profit transferred to Profit and Loss Account	604,876		
	<u>£2,872,322</u>		<u>£2,872,322</u>

Profit and Loss Account

<i>Dr.</i>	£	<i>Cr.</i>	£
Management expenses	321,058	Gross profit transferred from Interest Account	664,876
Administration of rehabilitation advances from War Expenses		Rentals : Properties acquired	1,004
Account (business, tools of trade, furniture, and miscellaneous		Less miscellaneous expenses thereon	451
loans)	90,090		
Earthquake-damage insurance	12,423		553
Net profit, transferred to Appropriation Account	241,858		
	<u>£665,429</u>		<u>£665,429</u>

Profit and Loss Appropriation Account

<i>Dr.</i>	£	<i>Cr.</i>	£
Provision for taxation	138,000	Net profit, transferred from Profit and Loss Account	241,858
General Reserve Fund (on account of taxation on Reserve Fund			
accruals)	42,498		
Reserve for Losses—New Business	21,325		
Balance : Profits payable to Treasury	40,035		
	<u>£241,858</u>		<u>£241,858</u>

PART II.—HOUSING ACCOUNT

The responsibilities of the Corporation under the Housing Act, 1919, involve the provision of loan finance for housing projects and the administration of the housing units as they become available for letting from the Housing Construction Branch of the Ministry of Works. The following report covers in brief form the activities in these fields for the year :—

RURAL HOUSING

Special provision is made in the Rural Housing Act, 1939, whereby loans may be granted to County Councils for relending to farmers. The interest rates are liberal, being 3 per cent. to the County Councils, who in turn charge $3\frac{1}{2}$ per cent. to the farmers. Although these provisions are still operating, the scheme is not being used as it should be by the rural community, no applications for loans having been received during the year. In view of the stated need for more houses on farm lands it is difficult to understand the reluctance of farmers to take advantage of the opportunity offered by this legislation. Loans to local authorities outstanding as at 31st March, 1949, totalled £131,112, a reduction of approximately £3,000 since 31st March, 1948.

URBAN HOUSING

(a) *New State Rental Units.*—As anticipated in last year's report, there was an increase in the number of housing units delivered to the Corporation during the year for letting purposes. Up to 31st March, 1949, a total of 3,429 were made available, as against 2,715 for the preceding year, and the total now under administration is 28,864. Headway has been made, but with 46,746 unsatisfied applications on hand at 31st March, 1949, it is obvious that there is still a formidable problem to be solved. Not all of the unsatisfied applications are from people living in distressing circumstances, nor can all be considered as coming within the urgent category, but the figures do represent the total number desirous of acquiring State rental units. The "purge" of applications on hand has been continued, and a substantial number have been cancelled due to the applicants having solved their own housing difficulties, or for other causes. These cancellations, in conjunction with allocations of new houses during the year, account in part for the drop in the number of applications still on hand (46,746), as compared with those at 31st March, 1948 (52,186).

The Allocation Committees set up last year to select the tenants for houses as they become available have continued to give useful service, and have relieved the Corporation's officers of much of the burden of inevitable criticism from unsatisfied applicants. This criticism is perhaps understandable, particularly when it emanates from applicants of long standing, but the Committees can allocate only what is made available, and since the delivery of houses is insufficient to meet the needs of even those cases graded as urgent many must obviously be disappointed. The Committees have an unenviable task to perform, but they are endeavouring, to the best of their ability, to ensure that the allocations are made fairly having regard to all the circumstances. Once an applicant's circumstances are recorded in the Corporation's files, correspondence and personal calls serve little useful purpose, and certainly assist in no way in producing more housing accommodation. All that is required is that applicants advise the Corporation immediately of any changed circumstances likely to have a bearing on their claims to allocations, so that the Committees will have all the facts available for consideration. The continued reiteration of facts already recorded, however, merely causes unnecessary work and delay and helps neither the applicants nor the Committees.

(b) *Old Rental Houses.*—These comprise houses erected prior to 1935 and those purchased since, mainly for large family housing purposes. The Corporation now has 1,357 of these houses let to tenants and administered in the same way as the new State rental units. As opportunity offers the Corporation is continuing to acquire properties of this type to meet particular requirements.

Close co-operation has been maintained with the Housing Bureau attached to the Public Service Commission's Office. The Bureau has a difficult task in endeavouring to assist public servants transferred in the course of their duties, but has met with a fair measure of success in arranging suitable exchanges. In addition, the Corporation has been able to assist by the provision of finance to enable officers to purchase properties suited to their particular needs.

(c) *Transit Housing.*—The operation of the Transit Housing scheme is now too well known to require elaboration. It has been the means of easing the housing problems of a very large number of people, and has thus served a very useful purpose. The transit camps are controlled and administered by the various local authorities concerned, and the need for them is still as acute as ever. They cannot be considered in any way as substitutes for permanent housing, but have a definite and very valuable part to play as an adjunct to the main housing scheme. Every endeavour is made to allot State houses to the occupants within a reasonable period, but this is naturally dependent on the rate of delivery of completed housing units. It naturally follows that the main concern must be the erection of permanent homes.

(d) *Allocation of State Houses to Ex-servicemen.*—There has been no change in the policy whereby a minimum of 50 per cent. of all houses available for letting are allocated to eligible ex-servicemen selected by the Rehabilitation Committees.

FUTURE REQUIREMENTS

It is practically impossible to give any reliable estimate of the actual number of units necessary to overtake the Dominion's housing shortage. In past reports it has been stated that an additional 25,000 provided over a short period would, in a large measure, at least relieve the pressure caused by those families living under definite sub-standard conditions. At this date we see no reason to reduce that estimate.

LOANS TO LOCAL AUTHORITIES FOR HOUSING SCHEMES

The Corporation has continued to make funds available from the Housing Account to those urban local authorities seeking loans to finance their own housing projects. Loans for this purpose bear interest at 3 per cent., repayment terms are reasonable, and the scheme affords an opportunity for local bodies to take an active part in helping to solve local housing difficulties.

HOUSING FOR TIMBER WORKERS

There has been a considerable increase in activity under this scheme which was introduced by Part III of the Finance Act (No. 2) 1946, and there is no doubt that it has been of material assistance in increasing the supplies of timber so urgently required by all sections of the community. It has as its object the provision of housing accommodation for sawmill and timber-workers in areas adjacent to the scene of milling operations. The scheme is being financed by a levy of 6d. per 100 ft. of sawn timber, and by the payment by the sawmillers to whom houses are supplied of a rental of 15s. or 17s. 6d. per week, according to the size of the house. These payments are credited to a Timber Pool Account out of which all expenses of the scheme are met. The mill-owners are responsible for maintenance and insurance of the houses, and after payment of rental for twenty years the houses become their property. The timber industry itself is financing the entire venture.

During the year ended 31st March, 1949, an additional 265 units were approved by the Board on applications from 32 sawmillers, and the total number now approved is 651 units (comprising 116 three-bedroom units and 235 two-bedroom units) in respect of 102 sawmillers. Indications are that the scheme will continue to progress, and that it will help mill owners to retain the services of bush and mill workers in an industry which is vital to the economic life of the country.

REVENUE ACCOUNT AND BALANCE-SHEET

The statement of revenue and expenditure which is submitted in the usual tabulated form shows the financial results in the various sections of the Housing Account. As in past years, a profit is shown in respect of these sub-accounts, with the exception of the two relating to "Rented Properties—Old" and "Rented Properties—New." In the former there is a loss of £5,116, the deficit being £4,083 greater than for the year ended 31st of March, 1948. In the main this is due to increased charges for maintenance on these dwellings during the year. The sub-account "Rented Properties—New" covers dwellings, flats, shops, garages, and community halls erected under the current housing scheme of the Government, and the loss on this sub-account for the year was £110,092, or £6,132 less than the loss for the previous financial year. This reduction has been brought about by an alteration in the allocation to reserves for the year.

It has been the policy of the Board of Management through the years to make such allocations from revenue to reserves as seem prudent and necessary, having regard to the requirements of sound finance. In reviewing the position as at the end of the financial year covered by this report it seemed to the Board that the time had arrived when a reduction could be made in the allocation to insurance reserve. As explained in reports for previous years, insurance premiums credited to the Housing Insurance Reserve were assessed at the average rate chargeable on comparable types of dwellings by tariff insurance companies, and this reserve as at the 31st of March, 1948, amounted to £628,239. It seems to the Board that the reserve has now reached such a figure that a reduction could safely be made in the yearly allocation, and for the year under review the amount allocated to insurance reserve has been reduced from £93,629 to £72,993, leaving a balance as at the 31st of March, 1949, of £703,154. Separate provision is not made for insurance against earthquake damage, so that the insurance reserve must also take care of earthquake damage in respect of State rental houses. Apart from any other consideration as to the adequacy or otherwise of the reserve, it is felt that the reduction in this year's appropriation can be justified by the fact that the Corporation has, in relation to the insurance reserve, none of the administration costs of an insurance company.

The Board also made a reduction in this year's appropriation to the reserve for vacant tenancies and bad debts. The amount of this reserve as at the commencement of the year under review was £446,891, and in past years the allocation has been on the basis of 5 per cent. of the rents accrued. Having regard to the size of the present reserve and the remarkably good record in the matter of payment of rent by tenants and the absence of any serious losses of rentals, the Board came to the conclusion that a reduction in the appropriation to this reserve for the current year to 2½ per cent. of the gross rental would be justified. After making this provision the balance in this reserve as at the 31st of March, 1949, amounted to £492,380.

In last year's report comment was made that the quantum of the annual loss would tend to increase as more houses are built at present prices. The same comment may be made again.

The total net loss for the year on all activities of the Housing Account was £95,884 bringing the accumulated loss as at the close of the year to £220,595.

The Balance-sheet indicates that loan liability has increased from £36,556,494 to £43,471,570, or an increase of nearly £7,000,000 during the current year. This is reflected on the asset side of the Balance-sheet in the increased value of rented properties under administration at the end of the year. Reserve accounts are shown in the Balance-sheet this year in detail, the largest reserve being that for Maintenance, £1,755,063. At first sight this reserve may appear to be large, but regard must be had to several factors—firstly, the houses completed under the State rental scheme are still comparatively new, maintenance charges therefor have by no means reached their peak. and, of course, maintenance costs are also increasing. Secondly, due to shortages of material and manpower, there is a backlog of maintenance-work in respect of existing State houses which remains to be carried out. Every effort is being made as the manpower and material position improves to overtake arrears of maintenance-work, which would, of course, have the effect of reducing—probably fairly substantially—the balance in the Maintenance Reserve Account.

In terms of section 35 of the Housing Act, 1919, the following statement is submitted :

	£
(1) Payments received during the year ended 31st March, 1949 ..	2,222,862
(2) Amount of arrears in respect of rentals (old and new houses) and instalments under agreements for sale and purchase as at 31st March, 1949	12,922

Further statistical information in respect of the new State housing scheme is summarized below —

(a) Number of new housing units taken over to 31st March, 1949 ..	28,864
(b) Book value of new housing units as at 31st March, 1949	£43,742,270
(c) Total amount of rent receivable on all new housing units from 31st March, 1937, to 31st March, 1949	£11,271,680
(d) Amount of rent in arrear at 31st March, 1949, in respect of new housing units	£8,624
(e) Total amount of rent in respect of new housing units written off from 1937 to 1949	£5,967

A. D. PARK, Chairman of Directors.

T. N. SMALLWOOD, Deputy Chairman of Directors.

B. C. ASHWIN

D. BARNES

R. G. MACMORRAN

} Directors.

ADDENDUM

On vacating the office of Chairman of the Board, I desire to place on record my appreciation of the close degree of co-operation that I have received during my term of office from my fellow-Directors. I can say without hesitation that the single aim of the Board throughout has been to construct and perfect a national institution that would reflect public confidence in its work and command the respect of those it served. When I ask myself if these objects have been achieved, I feel the answer is in the affirmative.

Finally, I trust that the sound foundations on which it has been built will enable the Corporation to continue to function successfully on the basis of its motto "S.A.C." (Service and Courtesy).

A. D. PARK, Chairman.

HOUSING ACCOUNT

TABULATED REVENUE AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31ST MARCH, 1949

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.	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
<i>Revenue</i>	£	£	£	£	£	£	£	£
Interest .. .. .	..	4,311	..	29,476	..	663	..	3,941
Rent .. .. .	..	..	..	..	..	..	..	..
<i>Expenditure</i> (including allocations to Reserve marked*)								
Interest	1,413	..	13,939	..	280	..	1,861	..
Management expenses	940	..	250	..	21	..	213	..
Depreciation .. .. .	..	..	..	..	..	..	..	..
Insurance (including earthquake insurance)	18	..	..	..	..	..	..	..
Rates .. .. .	..	..	..	..	..	..	..	..
Maintenance .. .. .	..	..	..	..	..	..	..	..
Losses and vacant tenancies ..	133	..	..	..	..	..	..	..
Excess of revenue over expenditure transferred to Profit and Loss Account	1,807	..	15,287	..	362	..	1,867	..
Excess of expenditure over revenue transferred to Profit and Loss Account	..	..	..	..	..	..	..	..
Totals	4,311	4,311	29,476	29,476	663	663	3,941	3,941

Item.	Rented Properties (Old) Erected Prior to 31st March, 1937.		Rented Properties (New) Erected Under New Housing Scheme.		Combined Revenue and Expenditure Account.	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
<i>Revenue</i>	£	£	£	£	£	£
Interest .. .. .	..	..	..	..	..	38,391
Rent .. .. .	..	85,583	..	1,868,331	..	1,953,914
<i>Expenditure</i> (including allocations to Reserve marked*)						
Interest	14,665	..	568,634	..	600,792	..
Management expenses	6,509	..	141,541	..	149,474	..
Depreciation	23,320*	..	384,178*	..	407,498	..
Insurance (including earthquake insurance)	2,255*	..	72,993*	..	75,266	..
Rates	14,873	..	308,164*	..	323,037	..
Maintenance	28,902	..	456,205*	..	485,107	..
Losses and vacant tenancies ..	174	..	46,708*	..	47,015	..
Excess of revenue over expenditure, transferred to Profit and Loss Account	..	..	..	..	..	..
Excess of expenditure over revenue, transferred to Profit and Loss Account	..	5,115	..	110,092	..	95,884
Totals	90,698	90,698	1,978,423	1,978,423	2,088,189	2,088,189

HOUSING ACCOUNT—*continued*

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1949

<i>Dr.</i>	£	<i>Cr.</i>	£
Balance, 1st April, 1948 ..	123,582	Balance, 31st March, 1949 ..	220,595
Administration of Termites Act, 1940 ..	612		
Borer-treatment investigation ..	97		
Pre-treatment of timber ..	420		
Loss for year (see combined Revenue and Expenditure Account) ..	95,884		
	<u>£220,595</u>		<u>£220,595</u>

BALANCE-SHEET AS AT 31ST MARCH, 1949

<i>Liabilities</i>	£	<i>Assets</i>	£
Loan liability ..	.. .. 43,471,570	Principal owing under agreements for sale and purchase ..	93,290
Sundry creditors—		Advances under—	
Tenancy deposits ..	28,469	Part III, Housing Act, 1919 (loans to employers)	28,725
Rent paid in advance ..	24,639	Part V, Housing Act, 1919 (local authorities : Urban housing) ..	1,048,001
Departmental ..	1,282	Rural Housing Act, 1939 ..	131,112
Miscellaneous ..	9,897		
	<u>64,287</u>		<u>1,301,128</u>
Carried forward ..	43,535,857	Carried forward ..	1,301,128

Brought forward	43,535,857	Brought forward	1,301,128
Reserves—		Instalments of principal receivable	8,642
Insurance	703,154	Interest receivable	5,432
Maintenance	1,755,063	Interest accrued but not due	7,230
Vacant tenancies and bad debts	492,380		
Rates	25,972		
		1,322,432	
		<u>3,815</u>	
	2,976,569	Less amount in hand unallocated	1,318,617
		Rented properties (old)	1,147,745
		Less Depreciation Reserve	178,165
		Rented properties (new)	45,917,037
		Less Depreciation Reserve	2,174,767
		Rent receivable	39,990
		Rent accrued but not due	13,491
		Sundry Debtors—	
		Timber Workers Housing Pool Account	
		(Part III Finance Act No. 2, 1946)	155,714
		Miscellaneous	700
		Cash in hand of S.A.C.	156,414
		Writings-off Suspense	50,693
		Profit and Loss Account	776
			220,535
			<u>£46,512,426</u>

NOTE.—Dwellings under construction and vacant land are under the control of the Public Works Department, and expenditure in connection therewith is not included in these accounts.

W. G. DENT, B.Com., F.R.A.N.Z., Chief Accountant.

A. D. PARK, F.I.A.N.Z., F.R.A.N.Z.

T. N. SMALLWOOD

} Managing Directors.

I hereby certify that the Balance-sheet and accompanying accounts have been duly examined and compared with the relative books and documents submitted for audit, and correctly set out the position as disclosed thereby, subject to the above departmental note.—J. P. RUTHERFORD, Controller and Auditor-General.

Approximate Cost of Paper.—Preparation, not given; printing (949 copies), £57.

By Authority: R. E. OWEN, Government Printer, Wellington.—1949.

Price 9d.]

