

SALES MANAGER'S REPORT.

The SALES MANAGER, State Coal-mines, to the UNDER-SECRETARY, Mines Department, Wellington.

SIR,— New Zealand State Coal-mines, Head Office, Wellington, 15th July, 1918.

I have the honour to present the annual report and balance-sheet of the New Zealand State Coal-mines for the year ended 31st March, 1918.

FINANCIAL.

The net profit for the year, after making full provision for interest, depreciation, war bonus, bad and doubtful debts, and all annual charges, and after writing off the book value of the bins and screening plant destroyed by a landslip at Liverpool Colliery, and the expenditure in connection with exploration work at Charming Creek, amounted to £24,466 18s. 1d., made up as follows:—

	£	s.	d.
Point Elizabeth Colliery (net profit)	23,572	0	3
Liverpool Colliery (net profit)	4,825	10	9
Seddonville Colliery (recovery)	192	11	0
	28,590	2	0
Depots (loss)	917	3	9
	27,672	18	3
Less—			
Written off Charming Creek	2,956	0	2
Bad debt reserve	250	0	0
	3,206	0	2
	£24,466	18	1

The net profit earned represents a return of 6·80 per cent. on the gross capital expenditure to date, and is equal to 7·92 per cent. on the total turnover for the year, which amounted to £308,759 15s. 3d. In comparison with the figures for last year there has been an increase of 1·52 per cent. in the profit earned and 0·48 per cent. in the turnover.

Reviewing the financial results for the year it will be noted that Point Elizabeth Colliery has made a profit of £23,572 0s. 3d., as against £18,016 15s. 1d. for last year, an increase of £5,555 5s. 2d.; but, as explained in my last annual report, the cessation of expenditure on development-work, in view of the approaching exhaustion of the mine and the fact that the assets of this colliery have been written down to such an extent that no further provision for depreciation has been necessary, is largely the explanation of the improvement shown in respect to this colliery during the past two years. The present book value of the valuable plant and machinery at this mine, together with the buildings and workmen's cottages (as shown in the balance-sheet), is now only £1,387, which is a purely nominal value.

The Liverpool Colliery returned a net profit of £4,825 10s. 9d., as against £254 10s. 3d. for last year. The improvement in the net profit earned by this colliery has therefore been substantial, and but for the writing-off of the book value of the bins and screening plant destroyed by a landslip in January last would have amounted to close on £12,000. It was considered advisable to make provision for the total writing-off of the book value of this asset in this year's accounts instead of writing off a proportion each year until liquidated, and the sum of £7,064 was accordingly earmarked for this purpose.

In respect to the depots, the result in the aggregate has been a loss of £917. Christchurch and Wanganui show a profit on the year's operations, while Wellington and Dunedin show a loss. In my last annual report, under this head attention was drawn to the necessity, owing to increased operating expenses and restricted turnover, for increasing the retail prices of coal with a view of enabling each depot to show a reasonable margin of profit over working-expenses and to provide for contingencies. Nothing, however, was done in this connection, as it was considered inadvisable to increase the price of coal to householders during the currency of the war; and, as sea freights from the West Coast to all ports were advanced 2s. 6d. per ton without any corresponding increase being made in retail prices, a trading loss on the depots under these circumstances was inevitable, and will, moreover, continue until such time as a revision of selling-rates takes place. These remarks apply with special force to the Wellington Depot, which is more unfavourably situated than the other depots owing to exceptionally heavy overhead expenses and increased cost of delivery. During the year very great difficulty was experienced in providing supplies of coal