

STATE ADVANCES CORPORATION OF NEW ZEALAND.

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.

CHIEF ADMINISTRATIVE OFFICERS :

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

AUDITORS :

L. H. HESLOP. R. C. BURGESS.

BANKERS :

Reserve Bank of New Zealand and Bank of New Zealand.

1939.
NEW ZEALAND.

STATE ADVANCES CORPORATION OF
NEW ZEALAND.

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 1939.

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.

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PART I.—GENERAL.

The Hon. the MINISTER OF FINANCE.

WE have pleasure in submitting for your information the Balance-sheet and Revenue Accounts for the year ended 31st March, 1939, 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.

The comprehensive nature of the Corporation's business, one of the largest of its kind in the Empire, and covering as it does a wide sphere of land and stock mortgages and local-body loans amounting altogether to nearly £60,000,000, invites passing reference to the consumer countries of New Zealand's primary products, on which so much dependency has to be placed.

The political situation in Europe has seriously handicapped normal trading, and Britain, like most of the other European countries, has been concentrating more on the preparation of defence and armaments generally, which has diverted to a large degree labour and capital from the usual commercial activities, which makes for some uncertainty in future trading conditions. A feature in the commercial relations of New Zealand with England has been the imposition by the latter of a restricted quota on the importation of New Zealand mutton. Although the percentage may not seem to be very large, it will, of course, have an effect on the sheep-farming industry and may cause some embarrassment to those who have previously relied on the disposal of surplus sheep as one of the main avenues of revenue.

Prices for other lines of New Zealand produce have, unfortunately, not been maintained at the levels ruling during the previous year, affecting, of course, internal finances and London funds.

TRADE AND INDUSTRY IN NEW ZEALAND.

Dealing firstly with farm-production, the exports for the year have been on a lower scale in comparison with the previous year, and this applies both to quantity and value in most of the main items. The following table is supplied, with the previous year's figures in parentheses for comparison :—

Commodity.	Quantity.	Value.
	Cwt.	£
Meat	6,018,307 (5,958,981)	16,278,123 (16,544,435)
Dairy-produce	4,324,266 (4,913,008)	22,441,272 (24,221,352)
	Bales.	
Wool	814,458 (820,540)	11,946,418 (16,012,253)
Skins and hides	2,274,294 (3,629,697)
Other farm products	1,217,161 (936,611)

It will be observed that the principal reduction is in the wool section, where the returns are £4,065,843 less than for 1937–38. The decrease in the volume of output in the wool and dairy-produce sections apparently arises from two main factors :—

- (a) The stock losses sustained by sheep-farmers during the latter part of the 1937–38 season, which is reflected in the number of sheep shorn in the following season.
- (b) The dairy-farmers have, in certain districts, shown a considerable reduction in output owing to the unusually dry conditions that existed throughout the summer.

The net returns received in respect of exports of wool and dairy-produce were affected more by the recession in price than by the reduced volume of exports.

The position of the employment of industrial labour has been such that the income of other sections of the population has been maintained at a high level. In this connection it will be of interest to note on the graph appended to this report a comparison is given of the trend of wholesale and retail prices, wage-rates, and value of productions. A feature in this graph is the value of production, which has shown practically no movement from the last year's level, whereas the other groups show an upward tendency. Another graph showing the trend of export prices and farm expenditure is also attached.

INTEREST-RATES.

During the year a hardening tendency in interest-rates has been apparent, and this was evident in the returns obtained from Government securities as disclosed by transactions on the Stock Exchange. In accordance with the Government's policy, the Corporation's rate of interest for new loans to local authorities was maintained at $3\frac{1}{2}$ per cent., and a large portion of the local-body borrowing was met by advances by the Corporation from funds specially provided for this purpose.

Towards the end of the year the Government indicated that it proposed to issue an internal loan, which was done shortly after the close of the financial year, on attractive terms, the interest-rate being 4 per cent. and the securities having maturity dates of 1948 or 1954-58, with the price of issue fixed at 99 per cent. for the former and 96 per cent. for the latter. Redemption at par on maturity dates gives the investor a return of approximately £4 2s. 7d. on the 1948 issue and £4 6s. 2d. on the 1958 issue. It is pleasing to note that this loan was oversubscribed. As the local markets for gilt-edged securities were somewhat unsettled prior to the issue of this loan it is hoped that it will generally have a stabilizing effect on interest rates within the Dominion.

Incidental to the issue of the Government loan, an announcement was made that local authorities would in future be permitted to place their loans on the market at $4\frac{1}{4}$ per cent., which should provide a satisfactory basis for future borrowing.

The interest-rate fixed for mortgage loans made by the Corporation remained unaltered at $4\frac{1}{8}$ per cent.

In adjusting mortgages under the Mortgagors and Lessees Rehabilitation Act a maximum rate of $4\frac{3}{4}$ per cent. for first mortgages has been adopted by the Commissions, and many applicants were granted extensions of their mortgages at lower rates.

NEW BUSINESS.

A keen demand for loans has been experienced, and in view of the policy of giving building loans preference, particularly during the latter part of the year, advances to applicants for the erection of new dwellings have shown a steady increase and number no less than 2,120 loans, aggregating over £2,060,000, compared with 997 building loans, amounting to approximately £825,000, the previous year. Mortgage advances authorized for all purposes numbering 4,712, amounting to £4,260,391, were made, as against 3,187, amounting to £3,004,546, for the previous year.

It should be mentioned in passing that the Board has difficulty at times in reconciling the rental value with the cost of the project, which, of course, has an important bearing on the amount that can be lent in individual cases.

The total number of loans under administration is 69,833, in addition to the rental administration of the State Housing Scheme, and may be briefly classified into :—

Classification.	Total Number.	Total Amount.
Farm (including Current Account) ..	22,529	26,128,929
Residential	45,275	25,491,752
Local body	2,029	6,144,973

FIELD ORGANIZATION.

It will be realized from the above volume of business that the field staff of the Corporation has been kept exceedingly busy. Valuable service has been given by these officers and their experience widened by the heavy work arising from the Mortgagors and Lessees Rehabilitation Act. Having disposed of the major portion of this work, the Board has been able to direct attention to a survey of the existing securities, which has been somewhat unavoidably delayed, and from which we consider benefits will accrue both to the Corporation and the mortgagors. This is more apparent, of course, with farm securities, where the field officers are in a position to give practical and technical advice where necessary or asked for, the

object being to ensure the fullest co-operation between mortgagors and the Corporation. This is particularly valuable in regard to those mortgagors who are in difficulties and unable to meet the full charges, and in such cases it is the policy of the Board to have the circumstances fully investigated by the local field officer and constructive action taken where there is a reasonable prospect of recovery with the full co-operation of the mortgagor. It is pleasing to note the many cases in which re-establishment has been possible on an economic basis.

The uneconomic unit presents difficulties, but alternatives, such as amalgamation or transfers of holdings, have brought solutions. A survey is being made of group settlements in which this problem has been apparent for some time, and although there are obstacles to be overcome the Board is hopeful of much progress within the next year or so.

The Property Staff dealing with urban securities is also engaged on a similar survey, although the heavy demands relative to the erection of new houses limits this sphere to some degree. The Board is now considering proposals for the classification of reverted urban properties with a view to absorption into the State Housing Scheme of those residential properties considered to be suitable for continuous rental purposes. At present the capital involved is included for balance-sheet purposes under the heading of "Mortgages Outstanding," but will be adjusted when the transfers are made.

The plan service is in active operation for the assistance of borrowers desirous of erecting houses, and there is available a wide selection of designs suitable for different localities and sections.

We should like at this stage to pay a tribute to both urban and rural field staff for their unsparing efforts and keen desire to assist mortgagors.

MORTGAGORS AND LESSEES REHABILITATION ACT, 1936.

Reference has previously been made to the work involved in handling the the numerous applications for relief lodged by mortgagors of the Corporation, and the figures submitted hereunder will show more clearly the work involved and the financial result arising from these applications. It was inevitable that considerable sums which were owing to the Corporation would be written off, and the result of the adjustments carried into effect by the 31st March, 1939, is also shown hereunder :—

Applications withdrawn after negotiation	2,643
Applications still to be adjusted	749
Applications already adjusted	6,951
Total number of applications affecting Corporation	10,343
Total amount written off to 31st March, 1939	£1,499,701
Adjustable debts due in terms of orders of Court	£26,071

DELEGATION OF MORTGAGE ADMINISTRATION TO BRANCH OFFICES.

With a view to providing clients of the office with better business facilities and more direct contact, the Board decided to establish branch offices in various parts of the Dominion, and when the transfer of the discharged soldiers' settlement loans from the Lands and Survey Department was arranged the newly established branch offices assumed the responsibility for the local administration of these accounts. There were, however, some fifty thousand accounts administered in the Head Office which the Board considered could be more suitably handled in the branches, and steps have been taken to transfer these accounts to the district offices. This is a matter that requires to be handled gradually so that the work of the office may proceed smoothly. Delegation to branches at Dunedin and Invercargill has so far been completed. Steps were in train at the end of the year to subdivide the Auckland district into two offices, one situated in Auckland City and the other one at Hamilton, and the delegation of the Head Office accounts to both these offices will follow shortly. In handling this reorganization some delay has been occasioned through lack of suitable office space in the provincial towns, but it is anticipated that the complete delegation of Head Office accounts should be attained during the year ending 31st March, 1940, and when this is completed the accounts to be

administered by the various branch offices will, subject to repayments and new loans granted in the interim, be as follows:—

District.	Farm.		Residential.		Total.	
	Number.	Amount.	Number.	Amount.	Number.	Amount.
		£		£		£
Auckland	4,428	4,086,425	10,977	5,587,306	15,405	9,673,731
Hamilton	4,736	6,561,466	4,083	2,839,701	8,819	9,401,167
Napier	1,479	1,754,720	3,011	1,409,865	4,490	3,164,585
New Plymouth	2,571	3,081,080	2,529	1,162,774	5,100	4,243,854
Wellington	2,376	3,047,642	12,573	8,613,658	14,949	11,661,300
Nelson	1,646	1,410,754	1,992	841,582	3,638	2,252,336
Christchurch	2,453	2,697,455	7,493	3,749,861	9,946	6,447,316
Dunedin	1,090	1,176,817	1,634	809,096	2,724	1,985,913
Invercargill	1,750	2,312,570	983	477,909	2,733	2,790,479
Total	22,529	26,128,929	45,275	25,491,752	67,804	51,620,681

ACCOUNTS, 1938-39.

The Revenue Accounts and Balance-sheet which are appended supply details of the Profit and Loss Account and assets and liabilities respectively as at the close of the financial year. Although these statements are to a large extent self-explanatory, the following comments will assist in a comparison with the figures for the previous year.

Interest due and received:—

Year ended 31st March,	Net Interest due.	Interest received.	Shortage.	Percentage of Receipts to Net Interest due.
	£	£	£	Per Cent.
1934	1,96627	1,562,707	403,420	79·48
1935	1,91311	1,711,446	202,165	89·43
1937	1,733,047	1,665,559	67,488	96·11
1938	2,404,385	2,348,385	56,000	96·67
1939	2,167,024	2,152,024	15,000	99·31

NOTES.—(a) The figures for the years 1933-34 and 1934-35 relate to State Advances Office loans only, the Corporation having been established on 1st August, 1935.

(b) The year 1936-37 was the first complete financial year of the Corporation's management, and during that period the reduction in the interest-rate was effective for a proportion of the accounts.

(c) In 1937-38 further accounts were adjusted to the lower rate of interest, and the interest on discharged soldiers settlement loans (representing an investment of approximately £11,000,000) was included for a full year for the first time.

(d) Figures under "Interest received" include both current interest and payments on account of arrears.

The progress and improvement in the percentage of interest received is satisfactory, and in the absence of any major setback in the income of mortgagors of the Corporation, who are, of course, spread over all phases of the population of the Dominion, it is hoped that the present favourable position of the Corporation's collections will be maintained.

Revenue Accounts.—The gross revenue for the year from all sources was £2,393,177, compared with £2,433,100 for 1937-38, and shows a reduction of £39,923, due principally to the reduced rate of interest now payable on a large number of existing mortgages which have been adjusted either in terms of orders under the Mortgagors and Lessees Rehabilitation Act or of section 39 of the State Advances Corporation Act. It is probable that these features will also have some further bearing on this account during the ensuing year. There is an increase of £37,133 in the interest paid on the Corporation's stock and debentures, which is accounted for by the issue of additional securities during the period. As a result of these variations in the gross receipts and payments of interest the amount available for transfer to Profit and Loss Account—viz., £819,071—is £81,227 less than the gross income for 1937-38.

The Profit and Loss Account discloses an increase of £40,152 under the heading of "Management Expenses," due in some degree to the expenses incurred in connection with the Mortgagors and Lessees Rehabilitation Act, but the principal reason is the expansion of the organization, including branch establishments and extension of the field services. By using these local representatives it will be possible for the Corporation to keep in touch with its mortgagors, and regular inspections of securities will ensure that any properties which are deteriorating through lack of attention or mismanagement are promptly brought under control. The Board is confident that the extra cost of the services that are now provided will be more than offset by the curtailment of losses on securities, which have, unfortunately, been brought prominently under notice during the operations of the Rehabilitation Act. A recurring factor, of course, is the normal increases in salaries.

The provision of £15,000 on account of the Contingent Liability Account is necessary to cover the increase in the amount of overdue interest in respect of State mortgages taken over by the Corporation. The reserve for possible losses has been increased by the transfer of £25,157 5s. 7d. bringing the reserve under this heading up to £60,000. The Board considers that in view of the high proportion of advances being made under the special loans section, where the usual margin of security is substantially lessened, a reasonable reserve must be maintained.

The sum of £60,000 has been transferred from the Appropriation Account to the Investment Fluctuation Reserve, due to increased investments in local-body debentures at a comparatively low rate of interest. Local-body loans aggregating £1,296,027 have been advanced during the year at an interest-rate of 3½ per cent., and provision is essential to cover depreciation which automatically arises from the higher interest-rates now available from this class of security.

The net profit available for appropriation shows a reduction from £612,113 to £526,576, due to factors mentioned above, and as the losses written off during the year, principally due to the effect of the Mortgagors and Lessees Rehabilitation Act, exceed the gross profit, there is no income-tax payable, hence the absence of this item from the Profit and Loss Appropriation Account.

The surplus for the year is returned to the Crown in terms of the Act and is, in effect, a dividend equal to 4·196 per cent. on the Authorized Capital and Contingent Liability Account, interest, of course, having been paid in full on the Corporation's stock and debentures and also the State's proportion of the Reserve Fund.

A tabulated statement appears hereunder relating to the profits for the past year and percentages on the basis of:—

- (a) Corporation's capital.
- (b) Gross earnings.
- (c) Gross profit.

Disposition and Appropriation of Profits for Year ended 31st March, 1939.				Percentage per Annum of the Stock Issue* plus Capital.	Percentage of Gross Earnings.	Percentage of Gross Profit.
	£			£ s. d.		
Gross earnings	2,393,177			5·257 (5 5 2)	100·000	..
Less capital charges: Interest	1,574,105			3·458 (3 9 2)	65·775	..
Gross profits	819,072			1·799 (1 16 0)	34·225	..
					100·000	..
Less management expenses and depreciation on fixed assets	252,338			0·554 (0 11 1)	10·544	30·808
	566,734					
Reserves for losses (ex State and Corporation)	100,157			0·220 (0 4 5)	4·185	12·228
Surplus, year ended 31st March, 1939	466,577			1·025 (1 0 6)	19·496	56·964
				1·799 (1 16 0)	34·225	100·000
Add excess income-tax provided for 1937-38	1,234					
Amount due to Treasury	£467,811					

* Stock issued as at 31st March, 1939.

Balance-sheet.—Taking the liabilities side, the authorized capital remains at £1,000,000. Stock and debentures outstanding show an increase of £2,935,520, bringing the total to £44,521,490, as compared with £41,585,970 outstanding at the 31st March, 1938.

The Contingent Liability Account shows a reduction of £274,040, due mainly to orders for reduction of mortgages in terms of the Mortgagors and Lessees Rehabilitation Act. The total now outstanding under this heading is £10,148,214. By the end of the current year it is anticipated that the full effect of the adjustments under the Mortgagors and Lessees Rehabilitation Act will be ascertainable as regards the amounts to be written off in terms of the Act.

The amount at the credit of the General Reserve Fund is increased by £132,635 to a total of £3,537,438.

On the assets side of the balance-sheet it will be observed that there has been little change in the total amount outstanding on loan in the mortgage section, from which it is apparent that the amount of new loans advanced during the year is about equal to the repayments made by mortgagors, plus the losses written off. Repayments in respect of mortgage investments amounted to £2,072,032 and in the local-body section £207,899.

The capital outstanding in respect of current loans under all sections amounts to £47,792,881, and the average loan in the respective classes of securities is :—

	£
Urban	542
Rural	1,208
Current Account	406

There is an increase of approximately £1,000,000 in local-body investments. The book value of these investments, including interest accrued, is now approximately £6,213,000. The cash resources are fairly large, but against this commitments for loans not yet taken up must be set off.

The total assets of the Corporation now stand at £60,245,890 and show an increase of £1,792,116 over the previous year, and when it is realized that this sum embraces administration of no less than 69,833 accounts, under all headings, plus the administration of houses let under the State Housing Scheme, the part played by the Corporation in the financial structure of the Dominion will be evident.

STAFF.

It is pleasant to acknowledge and appreciate as we do the loyal and effective co-operation of administrative officers and staff. The year has been an exacting one in all sections, and the response has been very good.

A. D. PARK, Chairman of Directors.

T. N. SMALLWOOD, Deputy Chairman of Directors.

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

PART II.—HOUSING ACT.

REPORT OF THE DIRECTOR OF HOUSING CONSTRUCTION.

The following general report on the operations of the Department of Housing Construction up to the 31st March, 1939, is submitted by the Director of Housing Construction :—

“Housing Survey.”—Under the provisions of the Housing Survey Act, 1935, an obligation was placed upon 119 local authorities to conduct housing surveys. To date 115 authorities have complied with the Act, but certain discrepancies and irregularities which necessitated further investigation have been discovered in some of the returns. Subject to the revision now proceeding, the following brief summary indicates the results of the survey to date :—

“ Total population of 115 surveyed towns	901,353
“ Total number of dwellings in above towns	225,363
“ Number of buildings used as dwellings which, though unsatisfactory, are reparable	31,663
“ Number of buildings used as dwellings which are totally unsatisfactory	6,827
“ Number of dwelling units in which equipment is only partially satisfactory	23,768
“ Number of dwelling units in which equipment is totally unsatisfactory	20,096
“ Number of dwellings at present providing accommodation below minimum standard	27,214
“ Number of surplus persons accommodated in dwellings below minimum standard	68,405
“ Number of dwellings overcrowded	9,835
“ Number of surplus persons in overcrowded dwellings	14,761

“Purchase of Land.”—Land for housing schemes has now been purchased in 124 towns. In the larger centres serviced sections are becoming more difficult to procure, with the result that the Department is forced to acquire a considerable amount of undeveloped land. The preparation of these areas for the erection of dwellings involves a tremendous amount of preliminary work in the way of construction of roads, footpaths, water-supplies, storm-water sewers, and sanitary sewers. The fact that a large amount of such construction work has to be undertaken means that suitable areas for housing schemes must be purchased many months in advance of the letting of the contracts for the actual erection of the houses.

“Erection of Houses.”—The first tenders accepted for the erection of houses were those for 52 dwellings at Miramar, Wellington, on the 4th March, 1937. By the 31st March, 1939, tenders had been advertised for 6,698 houses. These houses were grouped into 1,212 different contracts and are located in 106 different towns. Tenders had actually been accepted for 6,092 houses at the 31st March, 1939, and at the same date 5,390 houses were either completed or in some stage of construction. Building-work was actually carried on during the year in 93 towns.

“At the 31st March, 1939, the total number of persons engaged on housing construction and on subsidiary work such as roads, sewer schemes, water-supply, &c., was 5,428, of which number 264 represented the staff of the Department.

“The number of completed houses actually handed over to the State Advances Corporation during the year was 2,665, situated in 70 different towns.

“Size of Contracts.”—In the early stages of the housing scheme the Department was continually criticized on the grounds that its contracts were too large. The average size of each contract has been five houses, but the Department is now receiving never ending requests from numerous contractors that the size of its contracts should be substantially increased.

“Type of Construction.”—No important changes have been made in the various types of construction originally adopted.

“A greater proportion of metal-lath and plaster houses with timber frames are now being erected, particularly in those areas subject to earthquake. Concrete construction is also being used to a greater extent.

"The very large number of different house designs owned by the Department have been thoroughly overhauled, and only the most economic designs are being retained for general use. Further close studies are being made with the object of introducing greater standardization than in the past 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 two years.

"*Flats.*—In several towns the Department has erected a small number of pensioners' flats. These flats are grouped in buildings comprising from four to eight units. In addition, the Department has under construction at Berhampore, Wellington, a large block of flats comprising 50 dwelling units, ranging in size from two to five rooms with conveniences.

"*Elimination of Poles.*—In all the Department's schemes, and particularly in those areas which are being subdivided and developed by the Department, every effort has been made to eliminate unsightly and dangerous poles. In some cases the Department has been successful, with the result that the appearance of the streets is very greatly enhanced.

"*Erection of Fences, Sheds, and Garages.*—The erection of fences, sheds, and garages is carried out after the tenants have entered into occupation of the houses. This work, in a number of places where the shortage of houses is very acute, has been purposely delayed to ensure that all skilled labour available is mainly devoted in the meantime to the actual construction of new dwellings.

"*Planting of Hedges and Trees.*—The planting of hedges and trees on occupied sections is carried out at the suitable time, and tenants are encouraged to provide lawns and improve their gardens. It is appropriate to place on record that the majority of tenants throughout the country have done wonderful work in this respect.

"*Shortage of Labour and Materials.*—The progress of most of the housing contracts throughout the country has been retarded by the shortage of skilled labour, and, to a secondary degree, by the shortage of materials.

"The average number of artisans employed by the contractors per house under construction dropped from 1·88 at the 31st March, 1938, to 1·55 at the 31st March, 1939. It is quite obvious from these figures that the country's resources of skilled building labour are being completely utilized. The figures also indicate that any appreciable expansion in house-building can only be achieved by increasing the existing supplies of skilled labour. The position was recognized by the Government, and arrangements were made for the importation of artisans from Australia and Great Britain.

"With regard to the shortage of materials, the main difficulty experienced has been with the supplies of dry timber. If building is to continue at the same rate or a greater rate in the future it is most essential that more timber-drying kilns should be made available throughout the country. Certain steps have been taken with the object of bringing about such an increase.

"*Expenditure.*—Up to the 31st March, 1939, the total net payments in respect of the purchase of land, provision of services, erection of joinery-factories, erection of houses, and all administration charges amounted to £5,510,503.

"Liabilities and commitments at this date amounted to £2,522,066. The net expenditure for the year under review was £3,974,107.

"*Administration Costs.*—The total cost of administration of the Department of Housing Construction from its inauguration to the 31st March, 1939, is £163,966, of which sum £103,359 represents the expenditure for the financial year 1938–39.

"It will be seen that the administration charge is a remarkably low one, being 3 per cent. of the Department's net expenditure, excluding administration, since the commencement of operations, and only 2·67 per cent. for the financial year under review."

It will be apparent from the foregoing statement that substantial progress has been made in the completion of these new dwellings and as a further step in bringing the scheme into operation the Corporation has provided the necessary staff and organization for the purpose of selecting and allotting the houses to tenants. A considerable amount of work has been involved in investigating the numerous applications for tenancies, which, by the 31st March, 1939, had reached the total of 22,053.

The policy of allotting the houses is to give priority in relation to date of application to those whose needs are most urgent, and where possible special consideration is extended to those with children or other dependants at present living under undesirable conditions.

As the number of houses increases the services of the Corporation will be required to a greater extent, both in relation to the tenancies and the maintenance and supervision of the houses. The Board also had this in view in the reorganization of its branch offices and field staff.

BALANCE-SHEET AND REVENUE ACCOUNTS.

The accounts are presented in a form designed to show the results of various activities under the Housing Act.

In the sectionalized Revenue Accounts the income derived from the assets in each section is assembled with the appropriate charges relative thereto.

In "A" Account there is a net loss of £1,455 0s. 6d., caused by the writing-off of losses arising from reductions granted in terms of the Mortgagors and Lessees Rehabilitation Act, 1936, to purchasers who acquire dwellings under the 1919 scheme.

The local-body loans included in "B" Account are those advanced during the past two years to assist in promoting schemes for the erection of new dwellings. The local authorities have assumed full responsibility for these undertakings, but they have been required to comply with certain conditions laid down by the Corporation and the Housing Construction Branch.

During the year twenty-three loans were granted to local bodies under this section, amounting to £203,000, and the amount paid over during the year was £191,120 on nineteen loans. It will be noted that the total advances outstanding at 31st March, 1939, were £302,173 19s. 2d.

Commitments for loans granted but not paid over at the close of the year amounted in the aggregate to £210,375.

"C" Account relates to the advances made to co-operative dairy companies for the purpose of erecting dwellings for their employees.

Two new loans were granted to dairy companies during the year amounting to £3,000 and the amount paid over was £2,690, bringing the total investment in this heading to £7,093 12s. 10d. at the 31st March, 1939.

"D" Account shows the results obtained from the houses erected under the 1910 and 1919 schemes, and a number of dwellings which were recently taken over from the Department of Lands and Survey, these latter being reverted securities which were originally assets held under the Discharged Soldiers' Settlement Act. Most of the houses in this section are fairly old, and this is the reason for making provision for depreciation of £16,750.

"E" Account covers the transaction for the year in respect of the new rental houses erected since 1936. As the rentals were assessed on the basis of the estimated cost of the dwellings it follows that the outgoings, including reserves to cover accruing charges and contingencies will approximately absorb the gross revenue.

"F" Account supplies similar information in regard to the joinery-factories, the rent from which is sufficient to meet the charges.

The items in the Balance-sheet and Revenue Account do not call for special reference, except perhaps the following:—

Freehold Land (£922,130 3s. 11d.)—This asset comprises the whole of the land which has been purchased, and is now held for housing purposes. Part of the land has already been subdivided and built on, and the value will in due course be allocated under "Dwellings Let" when the exact cost of the various groups of houses has been ascertained.

HOUSING ACCOUNT.

SECTIONALIZED REVENUE ACCOUNT FOR YEAR ENDED 31ST MARCH, 1939.

(A) PROPERTIES SOLD UNDER AGREEMENT FOR SALE AND PURCHASE PRIOR TO 31ST MARCH, 1937.

<i>Dr.</i>	£	s.	d.	<i>Cr.</i>	£	s.	d.
Interest Account	4,828	5	0	Interest on purchase-money	6,133	8	7
Management expenses	334	9	8	Transfer to Profit and Loss Account	1,455	0	6
Losses written off	2,425	14	5				
	<u>£7,588</u>	<u>9</u>	<u>1</u>		<u>£7,588</u>	<u>9</u>	<u>1</u>

(B) ADVANCES TO LOCAL BODIES.

<i>Dr.</i>	£	s.	d.	<i>Cr.</i>	£	s.	d.
Interest Account	2,511	19	6	Interest on Advances	5,579	3	7
Management expenses	304	5	5				
Transfer to Profit and Loss Account	2,762	18	8				
	<u>£5,579</u>	<u>3</u>	<u>7</u>		<u>£5,579</u>	<u>3</u>	<u>7</u>

(C) ADVANCES UNDER PART III, HOUSING ACT, 1919.

<i>Dr.</i>	£	s.	d.	<i>Cr.</i>	£	s.	d.
Interest Account	73	4	0	Interest on advances	160	19	4
Management expenses	8	15	7				
Transfer to Profit and Loss Account	78	19	9				
	<u>£160</u>	<u>19</u>	<u>4</u>		<u>£160</u>	<u>19</u>	<u>4</u>

(D) RENTED PROPERTIES (OLD) ERECTED PRIOR TO 31ST MARCH, 1937.

<i>Dr.</i>	£	s.	d.	<i>Cr.</i>	£	s.	d.
Interest Account	17,489	10	8	Rents	35,784	14	0
Insurance and maintenance	13,692	18	3	Transfer to Profit and Loss Account	20,900	5	0
Rates	6,800	17	2				
Depreciation	16,750	0	0				
Management expenses	1,951	12	11				
	<u>£56,684</u>	<u>19</u>	<u>0</u>		<u>£56,684</u>	<u>19</u>	<u>0</u>

HOUSING ACCOUNT—continued.

SECTIONALIZED REVENUE ACCOUNTS—continued.

(E) RENTED PROPERTIES (NEW) ERECTED UNDER NEW HOUSING SCHEME.

Dr.	£	s.	d.	Cr.	£	s.	d.
Interest Account	25,697	9	10	Rents	104,072	2	10
Depreciation Reserve	17,131	6	4				
Maintenance Reserve	17,131	6	4				
Rates Reserve	22,270	7	11				
Insurance Fund	6,424	7	5				
Vacant Tenancies Reserve	4,856	7	7				
Management expenses	10,278	3	4				
Transfer to Profit and Loss Account	282	14	1				
	<u>£104,072</u>	<u>2</u>	<u>10</u>		<u>£104,072</u>	<u>2</u>	<u>10</u>

(F) FACTORIES AND PLANT REVENUE ACCOUNT.

Dr.	£	s.	d.	Cr.	£	s.	d.
Interest Account	589	5	6	Lease	6,000	0	0
Rates	303	3	10				
Rent	533	0	0				
Depreciation—							
Factories	1,419	0	1				
Plant	1,975	10	7				
	<u>3,394</u>	<u>10</u>	<u>8</u>				
Insurance Fund	1,180	0	0				
	<u>£6,000</u>	<u>0</u>	<u>0</u>		<u>£6,000</u>	<u>0</u>	<u>0</u>

INTEREST ADJUSTMENT ACCOUNT FOR YEAR ENDED 31ST MARCH, 1939.

Dr.	£	s.	d.	Cr.	£	s.	d.
Interest on loan liability	69,590	15	10	Recouped from Revenue Accounts—			
				(a) Properties sold under agreements for sale and purchase	4,828	5	0
				(b) Advances to local bodies	2,511	19	6
				(c) Advances under Part III, Housing Act, 1919	73	4	0
					<u>£</u>	<u>s.</u>	<u>d.</u>
				(d) Rented properties (old)	17,489	10	8
				(e) Rented properties (new)	25,697	9	10
					<u>43,187</u>	<u>0</u>	<u>6</u>
				(f) Factories and plant	589	5	6
				Interest during construction—			
				Preliminary expenses	23	0	0
				Land	4,648	0	0
				Dwelling construction	10,665	0	0
					<u>15,336</u>	<u>0</u>	<u>0</u>
				Profit and loss	3,065	1	4
	<u>£69,590</u>	<u>15</u>	<u>10</u>		<u>£69,590</u>	<u>15</u>	<u>10</u>

PROFIT AND LOSS RECONCILIATION ACCOUNT FOR YEAR ENDED 31ST MARCH, 1939.

Dr.	£	s.	d.	Cr.	£	s.	d.
Interest Account	3,065	1	4	Revenue Account—			
Revenue Accounts—				Local authorities	2,762	18	8
Properties sold under agreements for sale and purchase	1,455	0	6	Part III	78	19	9
Rented properties (erected prior to 31st March, 1937)	20,900	5	0	Rented properties (new)	282	14	1
	<u>£25,420</u>	<u>6</u>	<u>10</u>	Balance, loss for year	22,295	14	4
					<u>£25,420</u>	<u>6</u>	<u>10</u>
	<u>£</u>	<u>s.</u>	<u>d.</u>		<u>£</u>	<u>s.</u>	<u>d.</u>
Balance as at 31st March, 1938	73,397	5	0	Balance as at 31st March, 1939	95,692	19	4
Loss for the year	22,295	14	4				
	<u>£95,692</u>	<u>19</u>	<u>4</u>		<u>£95,692</u>	<u>19</u>	<u>4</u>
	<u>£</u>	<u>s.</u>	<u>d.</u>				
Balance	£95,692	19	4				

HOUSING ACCOUNT—continued.

FACTORIES AND PLANT CAPITAL ACCOUNT AS AT 31ST MARCH, 1939.

[illegible]

CONSTRUCTION BRANCH: CONSTRUCTION EXPENSES ACCOUNT AS AT 31ST MARCH, 1939.

	£	s.	d.		£	s.	d.
Interest during construction	14,871	14	3	Transfer to factories and plant—			
Interest on land purchased	6,210	12	9	Capital Account (31st March, 1937) ..	746	0	0
Advertising	1,642	10	11	Balance	163,966	8	5
Audit fees	1,000	0	0				
Depreciation (furniture and motor-cars) ..	804	2	5				
Light, heating, and cleaning	940	4	8				
Plans and schedules	15,512	4	11				
Quantity surveying	1,378	12	1				
Valuation fees	229	14	0				
Postages and telegrams	884	13	1				
Printing and stationery	3,048	13	11				
Office maintenance	649	9	7				
Motor-vehicle maintenance	1,027	14	6				
Rent	3,462	18	5				
Salaries	90,820	4	3				
Telephones	787	5	7				
Travelling-expenses	7,010	8	3				
Workers' compensation insurance	1,407	19	0				
Administration costs payable to State Advances Corporation	12,447	12	10				
Contingencies	575	13	0				
	£164,712	8	5		£164,712	8	5
	£	s.	d.				
Balance	163,966	8	5				

REVENUE ACCOUNT FOR YEAR ENDED 31ST MARCH, 1939.

<i>Dr.</i>	£	s.	d.	<i>Cr.</i>	£	s.	d.
Interest on loan liability	69,590	15	10	Interest and rentals on investments	151,730	8	4
Gross profit, transferred to Profit and Loss Account	13,501	2	5	Less reserves for depreciation, maintenance, rates, vacant ten- ancies, and insurance ..	84,563	15	7
						67,166	12 9
				Interest capitalized—			
				Land	4,648	0	0
				Dwellings in course of erection ..	10,665	0	0
				Preliminary expenses ..	23	0	0
						15,336	0 0
				Factory and Plant Revenue Account ..		589	5 6
	£83,091	18	3			£83,091	18 3

HOUSING ACCOUNT—continued.

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31ST MARCH, 1939.

	£	s.	d.		£	s.	d.
Management and administration	12,877	6	11	Gross profit from Interest Account	13,501	2	5
Losses written off	2,425	14	5	Balance, loss for the year	22,295	14	4
Insurance and maintenance	13,692	18	3				
Rates	6,800	17	2				
	£35,796	16	9		£35,796	16	9
Balance as at 31st March, 1938	73,397	5	0	Balance, 1st April, 1939	95,692	19	4
Loss for the year	22,295	14	4		£95,692	19	4
	£95,692	19	4				
	£	s.	d.		£	s.	d.
Balance, 1st April, 1939	95,692	19	4		95,692	19	4

STATEMENT OF ASSETS AND LIABILITIES AS AT 31ST MARCH, 1939.

Liabilities.				Assets.			
	£	s.	d.		£	s.	d.
Loan liability	6,458,945	0	0	Principal owing under agreements for sale and purchase ..	125,399	14	4
Interest overdue and unpaid to Treasury	72,284	19	2	Advances to local authorities ..	302,173	19	2
Add interest accrued	7,762	13	4	Advances under Part III, Housing Act, 1919	7,093	12	10
	80,047	12	6		434,667	6	4
Less interest on Treasury bills paid in advance	15,563	14	1	Instalments of principal overdue	8,476	8	8
	64,483	18	5		443,143	15	0
Liability to Consolidated Fund in terms of Section 22, Finance Act, 1926	100	0	0	Dwellings let (old)	479,769	19	5
Sundry creditors—				Freehold land	922,130	3	11
Deposits on contracts	31,548	4	1	Dwellings in course of erection or completed under new housing scheme ..	4,354,110	2	4
Tenancy deposits	2,924	0	0	Factories and Plant Capital Account ..	44,931	18	4*
Rent paid in advance	1,736	4	1	Motor-vehicles	2,085	6	5
Miscellaneous	13,974	3	7	Furniture and equipment	3,457	16	2
	50,182	11	9	Construction Branch preliminary expenses ..	163,966	8	5*
Insurance Fund	19,210	6	1	Sinking Fund investment held by Public Debt Redemption Fund	5,434	7	0†
Sinking Fund Reserve	2,079	7	2	Insurance Fund investment (Government stock) ..	9,750	0	0
Reserves on dwellings completed under new housing scheme	59,477	9	7	Sundry debtors—			
				Labour subsidy	12,409	12	0
				Miscellaneous	5,341	9	2
					17,751	1	2
				Interest receivable—			
				Overdue	7,881	15	7
				Accrued	595	6	10
					8,477	2	5
				Rentals receivable—			
				Overdue	6,069	10	7
				Accrued	2,691	19	10
				Postponed	1,255	3	7
					10,016	14	0
				Insurance premiums—			
				Receivable (overdue)	214	4	5
				Payable (paid in advance) ..	592	8	4
					806	12	9
				Realization Suspense Account ..	2,938	7	1
				Profit and Loss Account	95,692	19	4
				Cash in bank	90,015	19	3
					£6,654,478	13	0
	£6,654,478	13	0				

* Analysed statements are annexed.
Debt Extinction Act, 1910.

† This amount includes the sum of £3,354 19s. 10d. paid into the Sinking Fund in accordance with the Public

R. ROBERTSON, Chief Accountant.

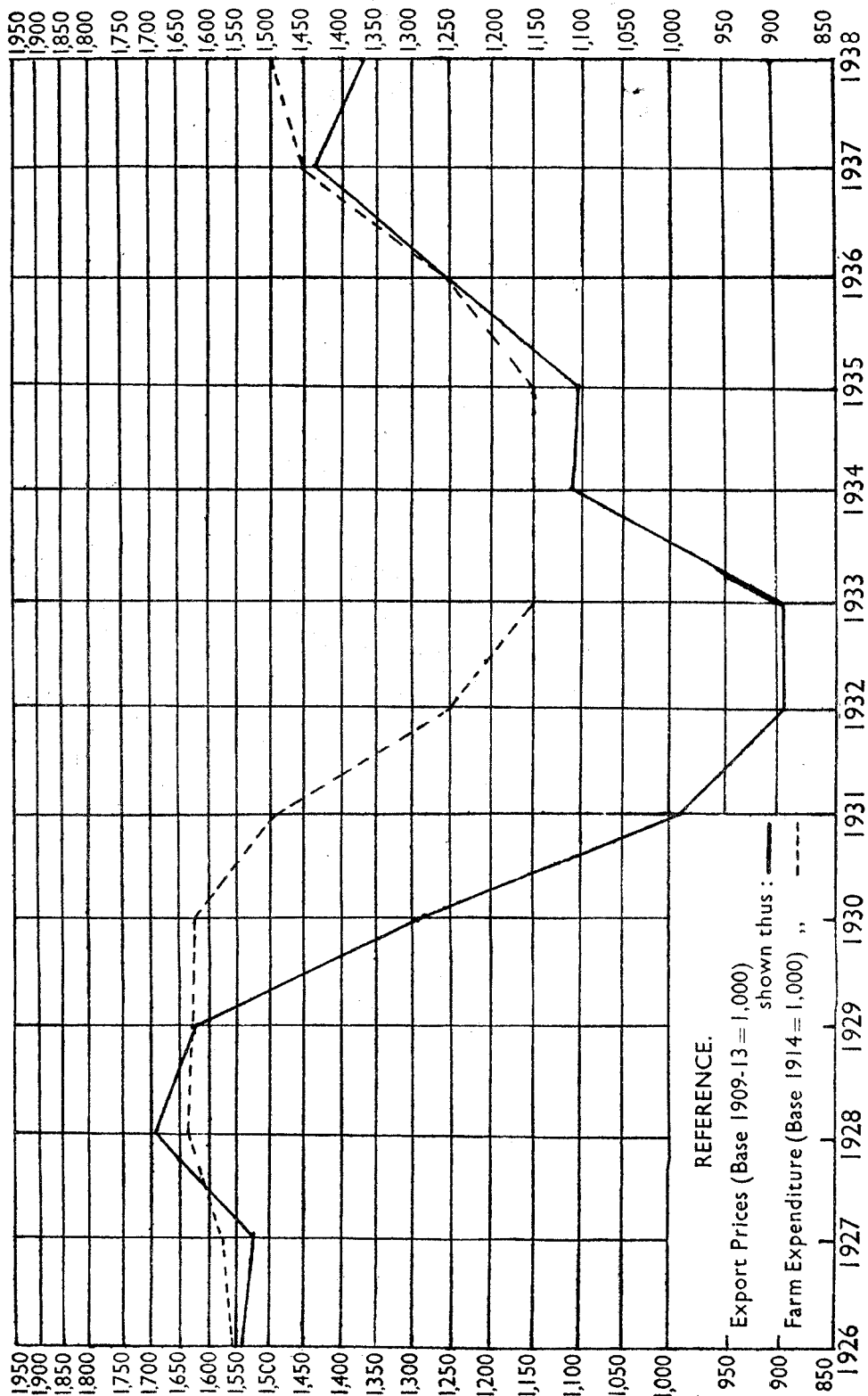
A. D. PARK, F.I.A.N.Z., F.R.A.N.Z. } Joint Managing Directors.
T. N. SMALLWOOD }

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.—
J. H. FOWLER, Controller and Auditor-General.

GRAPH OF INDEX NUMBERS OF EXPORT PRICES AND FARM EXPENDITURE.

On semi-logarithmic scale.

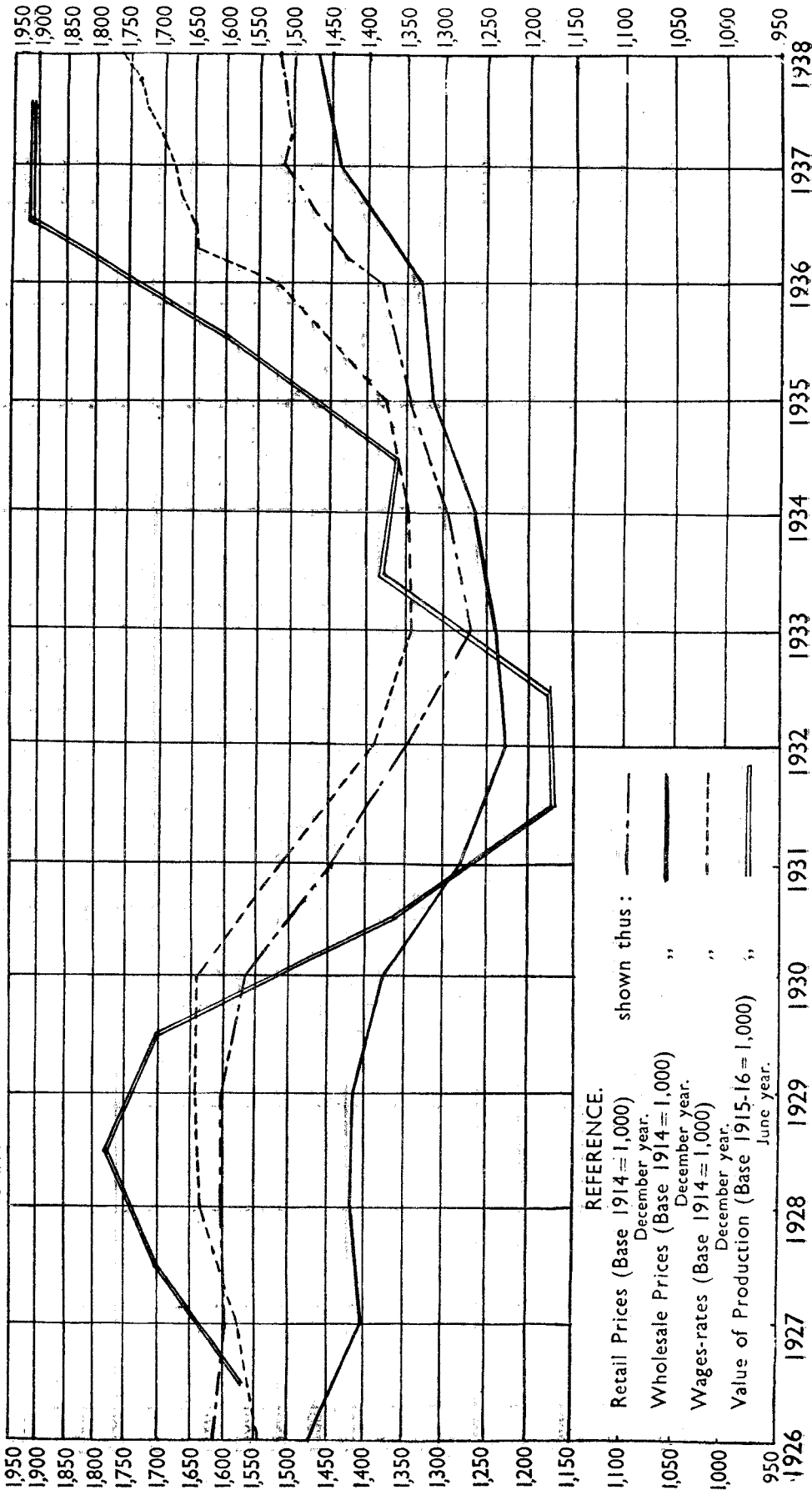
(Figures from *Monthly Abstract of Statistics* or from Government Statistician.)

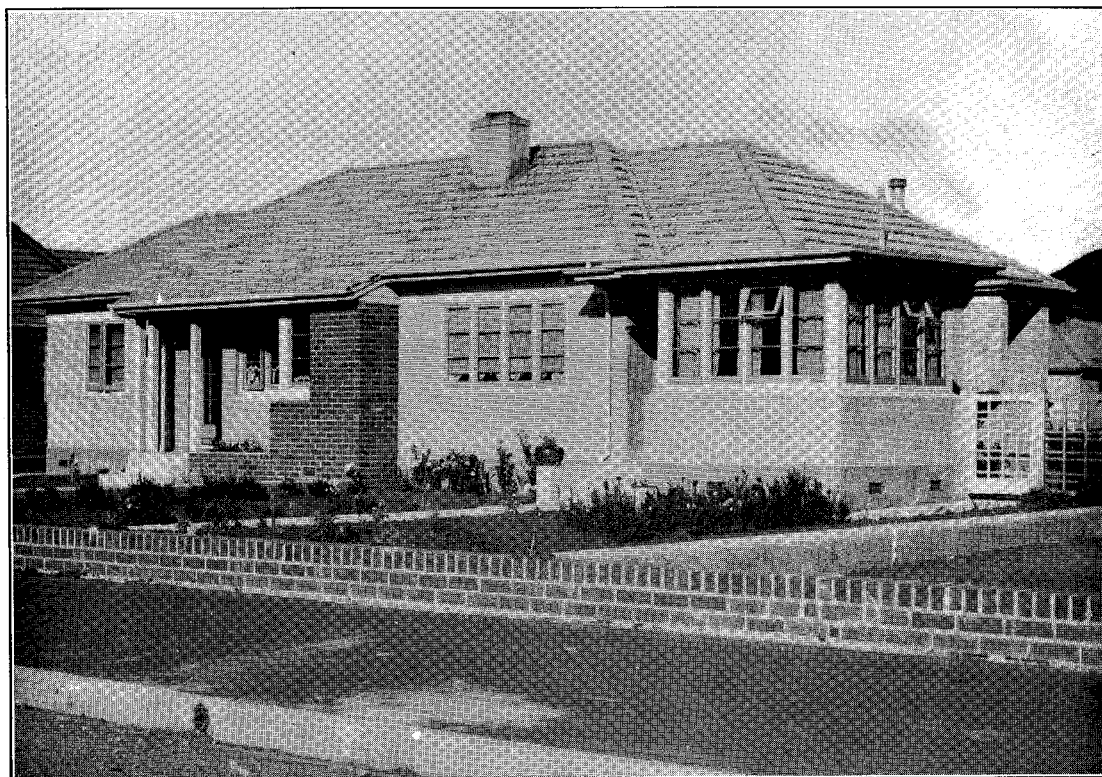


GRAPH OF INDEX NUMBERS OF RETAIL PRICES, WHOLESALE PRICES, WAGE-RATES, AND VALUE OF PRODUCTION.

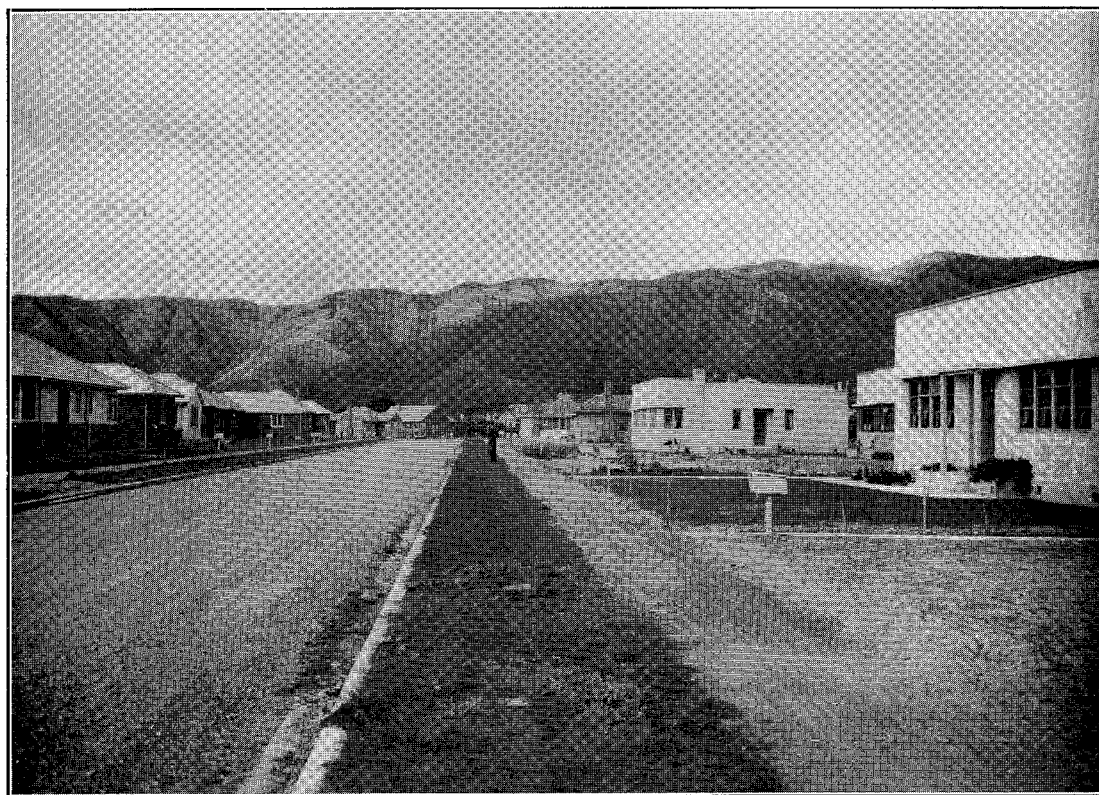
On semi-logarithmic scale.

(Figures from Government Statistician.)

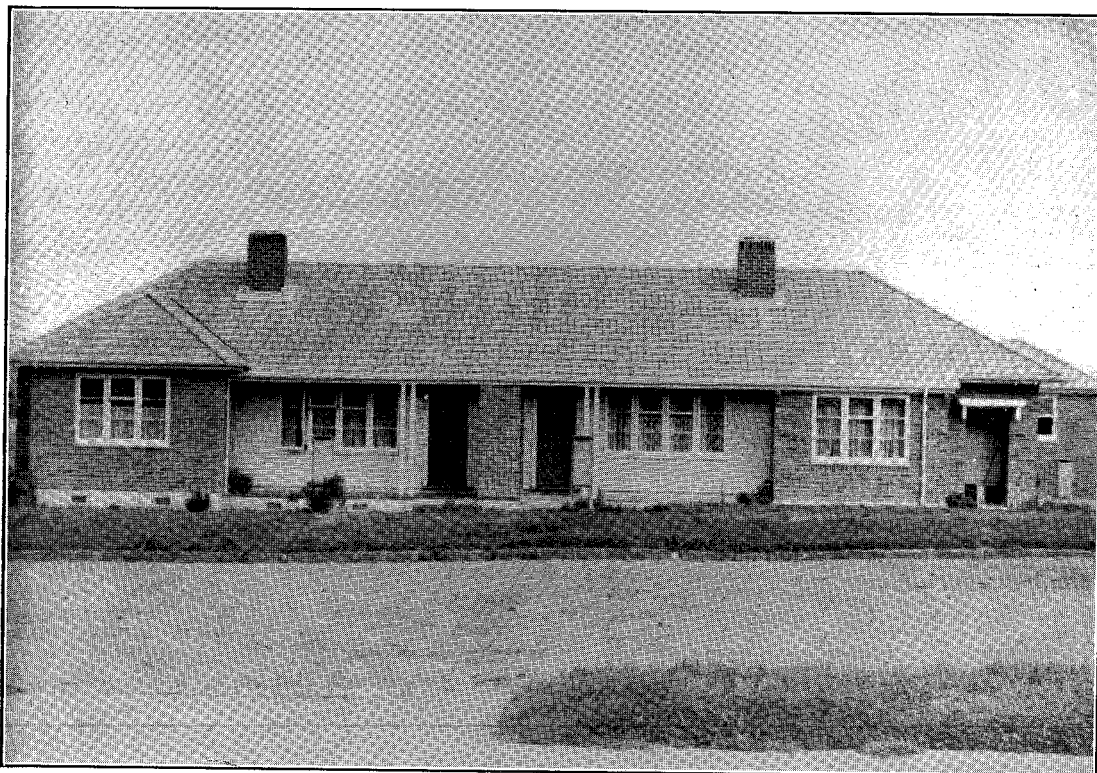




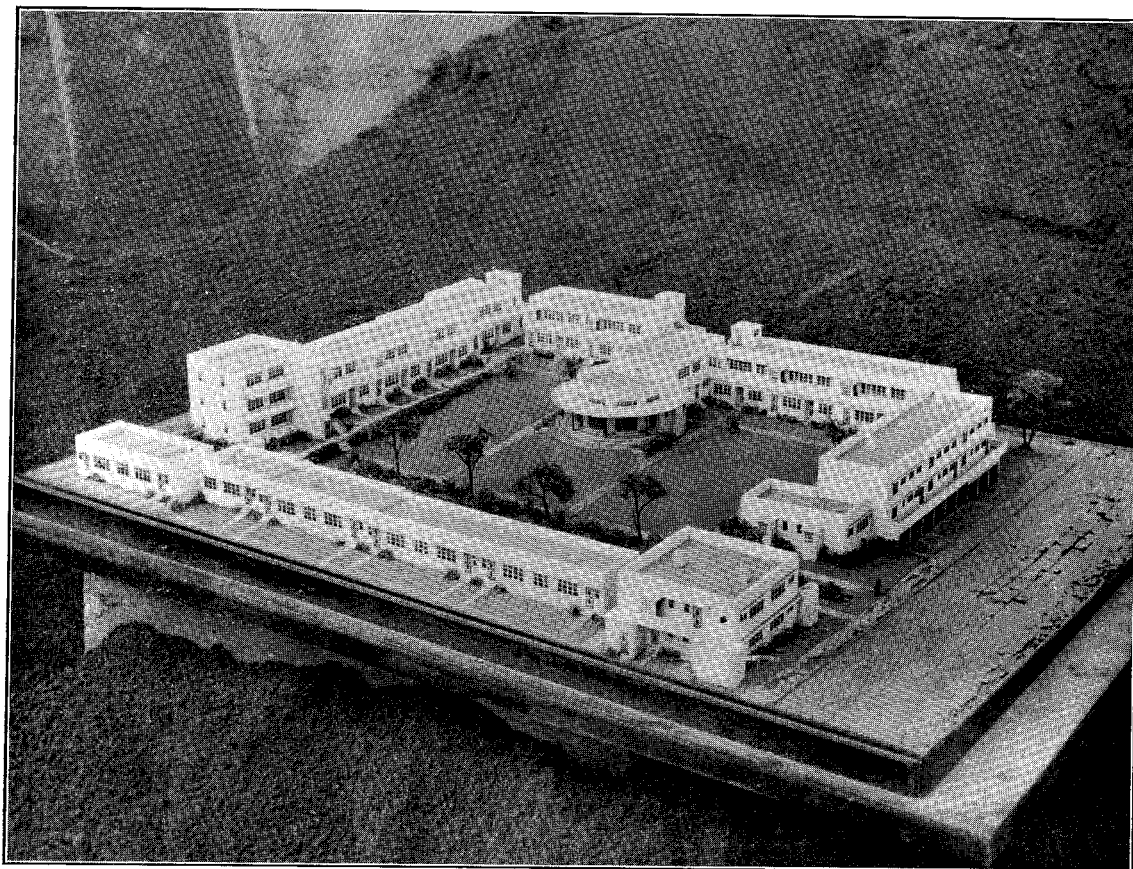
TWO-HOUSE UNIT ERECTED UNDER DIRECTION OF HOUSING CONSTRUCTION DEPARTMENT
AT MIRAMAR, WELLINGTON.



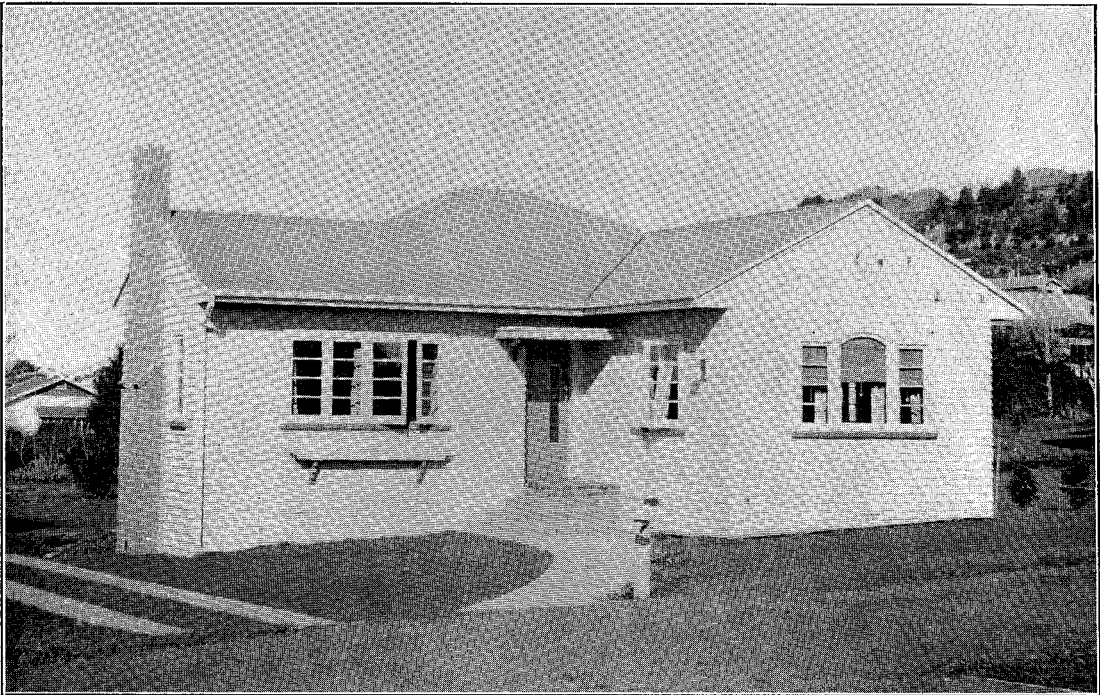
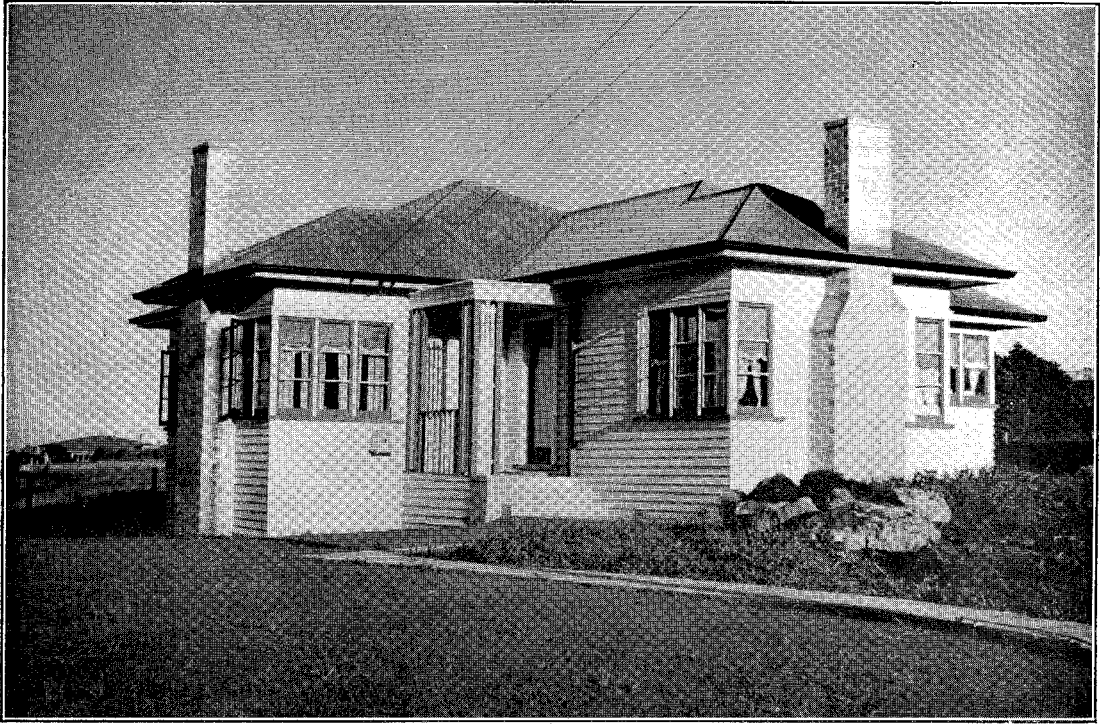
STATE RENTAL HOUSES ERECTED UNDER DIRECTION OF HOUSING CONSTRUCTION DEPARTMENT
AT LOWER HUTT.



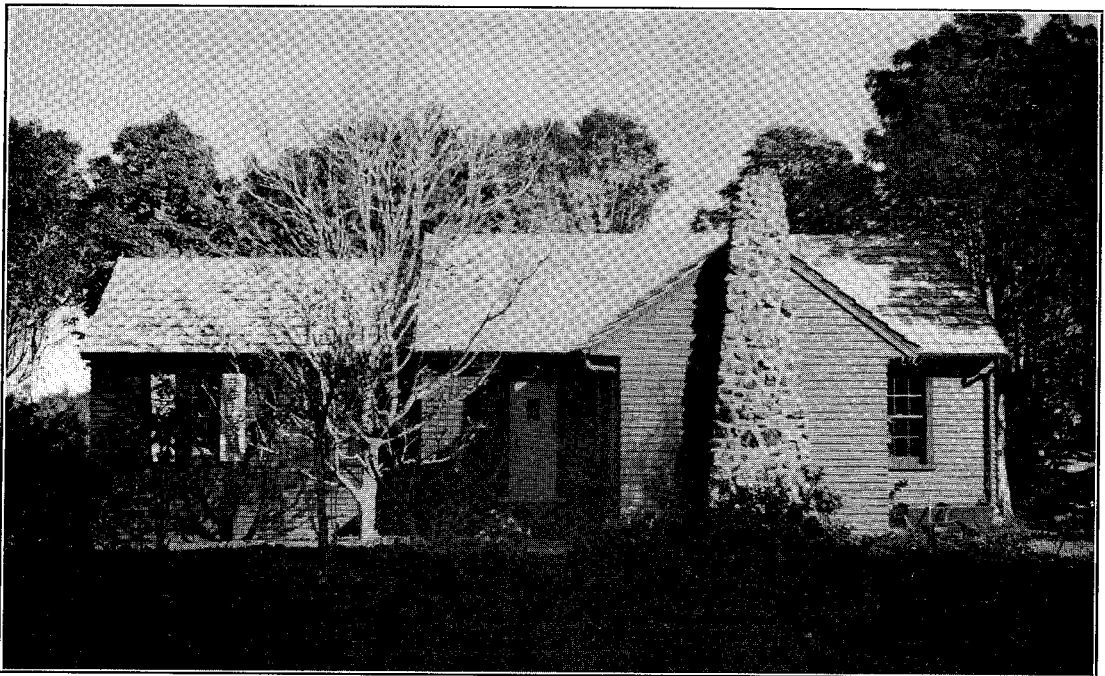
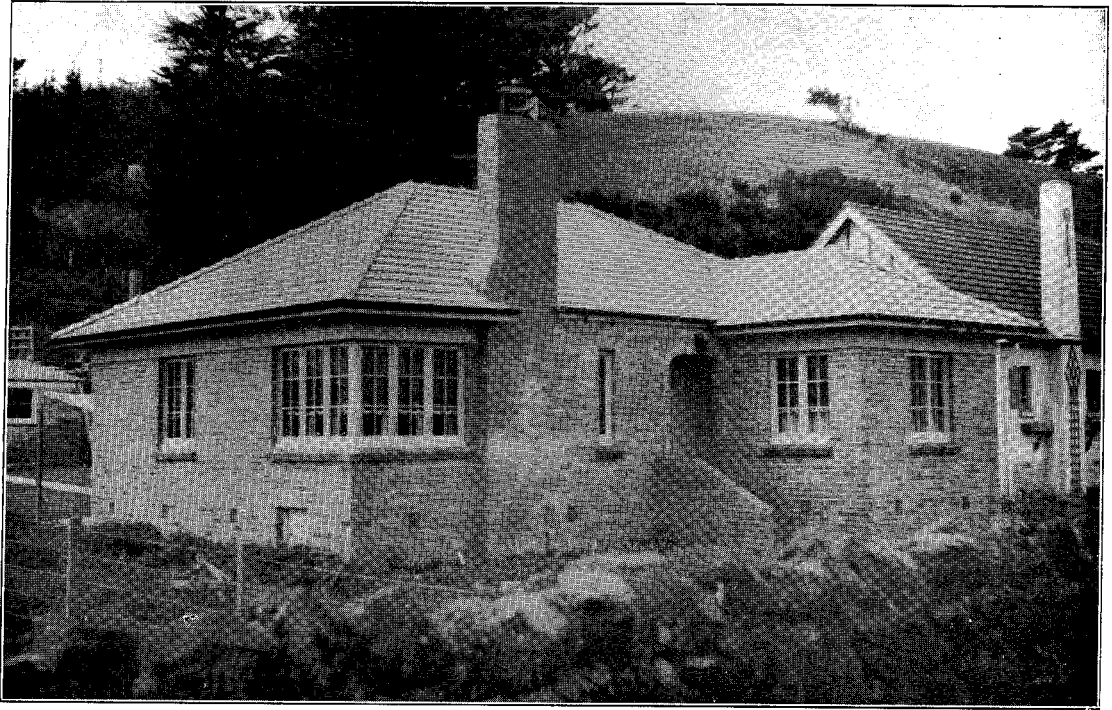
FOUR-HOUSE UNIT ERECTED UNDER DIRECTION OF HOUSING CONSTRUCTION DEPARTMENT AT AUCKLAND.



MODEL OF BLOCK OF FLATS BEING ERECTED UNDER DIRECTION OF HOUSING CONSTRUCTION DEPARTMENT AT BERHAMPORE, WELLINGTON.



DWELLINGS ERECTED UNDER STATE ADVANCES CORPORATION PLAN SCHEME.



DWELLINGS ERECTED UNDER STATE ADVANCES CORPORATION PLAN SCHEME.

BRANCH OFFICES :

Branch.	Managers.
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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	F. W. SULLIVAN.
Gisborne	M. ALDRED.
Palmerston North	J. B. BOYS.
Wanganui	F. R. CHITTEY.
Blenheim	J. McKNIGHT.

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