

1942.
NEW ZEALAND.

STATE ADVANCES CORPORATION OF NEW ZEALAND.

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 1942.

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 Hon. the MINISTER OF FINANCE, WELLINGTON.

1. We have pleasure in submitting the Balance-sheet and Revenue Accounts for the year ended 31st March, 1942, together with a report on the Board's administration for the period, as required by subsection (1) of section 43 of the State Advances Corporation Act, 1934-35.

PART I.—GENERAL.

2. As at the 31st March, 1942, the Corporation had under administration the following loans :—

Farms : 19,936, £23,352,298 ; residential : 42,033, £24,792,212 ; local bodies : 2,048, £5,778,827.

The greater part of the advances made by the Corporation are repayable by instalments, and it is pleasing to note that the majority of the borrowers have been able to meet their payments regularly. The actual amount in arrear at the close of the year was less than that existing at the close of the previous financial year. Another important and growing branch of the Corporation's work is the management of State rental houses which are taken over from the Department of Housing Construction on completion by the contractors. At the 31st March last 13,482 new houses were under administration located in some 112 towns. Rental payments have been well maintained.

3. *New Business.*—New business accepted by the Corporation during the period has, in accordance with Government policy, been restricted mainly to the building of new houses or the carrying-out of improvements either to residential or rural property. The following is a summary of the new loans granted for the year ended 31st March, 1942—Urban : Number, 1,076 ; amount, £946,735. Rural : Number, 251 ; amount, £434,743.

4. *Interest Rate and Terms of Lending.*—The Corporation has maintained the basis of lending that has been in operation for a number of years—viz., the rate of interest has been $4\frac{1}{8}$ per cent., and loans have been granted on the long-term amortization system.

5. *Financing Increased Production*.—During the year the Corporation's branch organization and field staff have been made available to assist in various measures introduced by the Government for the purpose of maintaining and increasing farm production. Farmers and dairy-factories involved in the drive for an increased output of cheese have both been assisted with loan finance.

6. *Preservation and Protection of Timber*.—During the year operations under the Termites Act, 1940, have proceeded satisfactorily. The State Advances Corporation's staff is assisting in carrying out scientific measures for the destruction of termites which were found to be prevalent in Auckland and New Plymouth, and from recent inspections made of treated buildings there is reason to believe that the measures adopted are effective.

7. *Soldiers' Financial Assistance Board*.—Applications to the Soldiers' Financial Assistance Board have increased during the past year, and this has entailed additional work for the staff of the Corporation, which attends to the investigation of applications and the payment of grants. During the year ended 31st March, 1942, 3,375 applications were considered by the Board, involving commitments amounting to £149,081.

8. *Rehabilitation of Ex-servicemen*.—Under the Rehabilitation Act, 1941, which had as its purpose the provision of the means, financial and otherwise, of assisting ex-servicemen to become re-established in the civil community, the Corporation has been authorized to grant loans for various purposes. Up to the close of the past financial year the undermentioned loans were approved: Tools of trade, 13, £345; furniture, 112, £8,340; businesses, 20, £6,733; houses, 26, £24,760; farms and stock, 5, £8,430.

9. *Assistance to War Industries*.—The provisions of section 29 of the State Advances Corporation Act, 1936, have been utilized in granting financial assistance to a number of firms which have sought help from the Government to enable them to expand their undertakings and thereby increase the output of goods and equipment required for war purposes. Loans granted under this heading during the past year amounted to £37,000.

In pursuance of section 40 of the State Advances Corporation Act, 1936, the Corporation acts as agent for various Government Departments in the administration of loans, &c., and details have been supplied earlier in this report of the work undertaken in connection with soldiers' financial assistance and rehabilitation of ex-servicemen. The following summary will give an indication of the volume of other work of this nature that is now performed by the Corporation:—

Agency.	Number of Accounts.	Amount outstanding. £
Agriculture (E.P.) Act loans	11	36,673
Financing increased production	446	48,600
P.W.D. huts supplied to farmers and factories	1,229	247,765

10. *Balance-sheet and Revenue Accounts*.—*Balance-sheet*: On the liabilities side of the balance-sheet, stock and debentures at £46,115,730 show a reduction of approximately £650,000, representing a redemption of part of the Corporation's short-dated stock issue. On the assets side, mortgage investments at £48,115,511 are reduced by approximately £1,400,000, this being caused by the repayment by instalments and otherwise of existing advances to a value greater than the new advances made during the period. Local-body investments were also reduced by the repayment of instalments, and the total advances of £5,840,896 are approximately £300,000 down compared with the previous year's figures.

11. *Revenue Accounts*: Arising out of the adjustment in stock and investments as outlined in the previous paragraph, there is a drop in the gross profit of approximately £60,000 due to the lower return from investments and also the payment of a full year's interest on £5,000,000 of stock issued to Treasury in August, 1940, in part settlement of the contingent liability to the Crown. In the Profit and Loss Account management expenses show a reduction of approximately £19,000 as compared with the previous year, but against this saving, which arises from a contraction in expenditure following staff changes and other adjustments in the organization owing to war conditions, there is an additional item of expenditure in the form of war damage insurance, £42,886, representing the

Corporation's liability for a proportion of the premiums on mortgage securities in terms of the legislation which became effective in December, 1941. The result of the year's operations, a net profit of £283,569, is considered satisfactory in the circumstances.

12. *Staff*.—Although many of our staff are now on military duties, essential work has been well maintained, and our thanks are due to permanent officers and temporary clerks who have made this possible.

It is with regret that we record the death on the 25th June, 1941, of our esteemed colleague, Mr. G. A. Lewin, C.M.G., who had been a member of the Board since the establishment of the Corporation in 1935.

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

REVENUE ACCOUNTS FOR YEAR ENDED 31ST MARCH, 1942.

Interest Account.

<i>Dr.</i>	£	<i>Cr.</i>	£	£
Interest on stock and debentures	1,561,045	Interest on mortgages, current accounts, and local-body securities	2,310,530	
Interest on State's portion of General Reserve	106,310	Less transferred to General Reserve	35,980	
Gross profit transferred to Profit and Loss Account	614,736			2,274,550
		Interest on temporary investments		7,541
	<u>£2,282,091</u>			<u>£2,282,091</u>

Profit and Loss Account.

<i>Dr.</i>	£	<i>Cr.</i>	£	£
Management expenses	241,419	Gross profit transferred from Interest Account		614,736
War damage insurance	42,886	Rentals: Properties acquired	7,779	
Administration of rehabilitation advances from War Expenses Account	1,614	Less miscellaneous expenses thereon	2,751	
Reserve for losses	50,281			5,028
Net profit transferred to Appropriation Account	283,569	Sundries	28,569	5
	<u>£619,769</u>			<u>£619,769</u>

Profit and Loss Appropriation Account.

<i>Dr.</i>	£	<i>Cr.</i>	£
Reserve for taxes	145,000	Net profit transferred from Profit and Loss Account	283,569
Balance, profits payable to Treasury	138,569		
	<u>£283,569</u>		<u>£283,569</u>

BALANCE-SHEET AS AT 31ST MARCH, 1942.

<i>Liabilities.</i>	£	£	<i>Assets.</i>	£
Authorized capital		1,000,000	Mortgages and accrued interest	48,115,511
Stock and debentures	46,115,730		Securities in course of realization	442,192
Accrued interest	247,633		Advances on Current Account and accrued interest	380,893
		46,363,363	Government and local-body securities and accrued interest	5,840,896
Contingent liability to the Crown		4,430,178	Fixed assets, at cost, less provision for depreciation, office furniture, equipment, and motor-vehicles	30,005
Reserves—			Current assets—	£
General Reserve	3,729,709		Sundry debtors	38,950
Reserves for losses	200,000		Temporary investments, including accrued interest	1,202,490
Investment Fluctuation Reserve	120,000		Lodgments in transit, cash in bank and on hand	262,854
Reserve for taxes	159,483			<u>1,504,294</u>
		4,209,192		
Sundry creditors		55,629		
Liability to the Crown—				
Surplus for year	138,569			
Amount payable to Treasury in reduction of contingent liability	10,550			
Interest payable on State's contribution to General Reserve	106,310			
		<u>255,429</u>		
		<u>£56,313,791</u>		<u>£56,313,791</u>

R. ROBERTSON, Chief Accountant.

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

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

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

Wellington, N.Z., 12th June, 1942.

PART II.—HOUSING ACCOUNT.

REPORT OF DIRECTOR OF HOUSING CONSTRUCTION.

"I have pleasure in submitting the following report on the activities and operations of the Department of Housing Construction under my control for the year ended 31st March, 1942:—

"1. *Purchase of Land.*—During the year 5,372 building-sites were purchased, bringing the number of sites acquired by the Department to 28,372. Of these, 12,706 sites are not yet built upon, so it will be seen that the Department has a substantial reserve of land for further activities.

"2. *Town-planning and Land-development.*—During the year the staff on this Section of the Department's work has concentrated its planning activities mainly on large housing projects in Auckland and Wellington, where the greatest demand for houses exists. Actually areas are being planned well ahead of normal building requirements, and many schemes are in course of preparation for development as soon as the defence programme tapers off.

"Landscape-development undertaken during the year included the planting of approximately 450,000 trees and shrubs on tenanted land. It is worthy of note that almost without exception the tenants have developed remarkably good gardens and take a real pride and interest in them.

"*Housing Improvement.*—Legislation is being drafted to meet the requirements of the Department when the time is opportune to promote schemes for the improvement of housing in city areas where unsatisfactory conditions now exist. It is anticipated this will be an important part of post-war rehabilitation work.

"3. *Engineering.*—The work carried out by this Section during the past year comprises the construction of 650 chains of streets, 632 chains of sewers, 218 chains of storm-water drains, and 772 chains of water-mains. Seventy per cent. of the work has been done by contract. In addition, a large part of the technical staff is continuously employed in investigating the cost of roading, serving, and developing the many blocks of land that are offered for sale.

"One of the most noteworthy and interesting works undertaken is the construction of the Hutt Valley main sewer. This has now been completed for a length of 5 miles, terminating temporarily at Taita. In order to accommodate the sewage pumps and auxiliary collecting tanks, required in conjunction with the sewer, a heavy reinforced-concrete cylindrical tank has been sunk at Randwick.

"4. *Architectural Section.*—New house plans have been developed by the Department's Architect and his staff as required for different sites, and existing house plans have been revised from time to time with the object of obtaining economy of planning and variation in design. Lack of certain building materials has also necessitated variations to standard plans.

"Plans are being prepared for blocks of flats at Grey's Avenue, Symonds Street, Cowan Street, Parnell Road, and Edenvale Road at Auckland, and at Petone, Wellington.

"Work of a special nature has been carried out for other Departments—viz., hostel and houses at Mangapechi and rescue-stations and houses at Rotowaro and Ohai for the Mines Department; houses at Karapiro, Tuai, and Addington for Hydro-electric Branch, Public Works Department, houses for the Agriculture Department at Palmerston North, and houses for the Post and Telegraph Department and the Defence authorities at different centres.

"5. *Expenditure.*—Up to the 31st March, 1942, the total net payments in respect of the purchase of land, provision of services, erection of joinery-factories, erection of houses, and all administrative charges amounted to £20,272,869.

"Liabilities and commitments at the close of the past year amounted to £2,535,766. The net expenditure for the year under review was £4,020,060.

"*Administrative Costs.*—The total cost of administration of the Department of Housing Construction, exclusive of interest charges, from its inauguration to the 31st March, 1942, was £559,327, of which sum £149,812 represents the expenditure for the financial year 1941–42.

"It will be seen that the administrative charge is still a remarkably low one, being 2·83 per cent. of the Department's net expenditure, excluding administration, since the commencement of operations, and 3·87 per cent. for the financial year under review.

"6. *Statistics*.—The progress of the Department since its inception as at the 31st March, is as follows:—

	1937-38.	1938-39.	1939-40.	1940-41.	1941-42.	Total.
	Units.	Units.	Units.	Units.	Units.	
"1. Houses advertised ..	3,172	3,526	4,373	3,013	2,945	17,029
"2. Contracts let ..	2,507	3,681	4,165	3,294	2,875	16,522
"3. Houses under construction	1,560	2,326	2,847	2,444	2,033	..
"4. Houses completed and handed over to the State Advances Corporation and various departments ..	399	2,665	3,395	3,966	3,208	13,633
"5. Towns and localities work conducted in ..	Towns. 70	Towns. 106	Towns. 121	Towns. 129	Towns. 142	..

"7. *Staff*.—The past year has been a particularly difficult one for all branches of the Department, owing to large numbers of trained personnel being released for military service. Altogether 103 officers of a total of 443 have been called up.

"There has also been a heavy falling off in the number of men employed both by the Department and by contractors. In 1940 the total number, including staff, was 5,594. In 1941 the number was reduced to 4,287, and in March, 1942, only 2,275 were employed. Despite the heavy reduction in man-power due to the war it is pleasing to note that the total number of units completed this financial year was 3,208.

"During the early part of the year, in spite of the difficulty of obtaining certain essential materials from overseas, good progress was maintained, though with the draw-off of man-power for the armed forces a steady drop in production has become apparent.

"With the advent of the Japanese into the war a new phase of construction became necessary—that is, additional defence works, both military and civil—and all other construction has been subordinated in order that these works may be completed.

"To carry out this programme it has been necessary to make available for defence works all of the man-power of the Housing Department and also to curtail drastically all private building that could not be considered essential to the war effort.

"However, the Government considers housing to be second only in importance to defence work and will resume the programme with all possible vigour as soon as the way is clear. It recognizes that housing will play a most important part in our rehabilitation work and there will be a huge demand for houses from returned soldiers who will wish to settle down in the married state as soon as the war finishes. With these requirements in view it is intended that as many additional houses as possible should be built before the termination of the war.

"In the meantime those officers of the Department who are not required for war work are prosecuting the preparation of many schemes throughout the country so that the Government's programme may proceed when labour and material again become available.

"I can confidently say that during the past year considerable progress has been made, and a large amount of the credit must be handed on to a very efficient and loyal staff who have performed their duties with the interests of the Department at heart, and by so doing have earned the goodwill and respect of the Department's associates in all phases of its activities.

"G. ALBERTSON,
Director of Housing Construction."

The most active section of the Corporation's administration under the Housing Act is the State Rental House Scheme, which involves the management and supervision of the houses after they are handed over by the Housing Construction Department. At the 31st March, 1942, there were 13,482 of these houses under administration. The selection of tenants for new and vacated houses, together with the maintenance of the buildings, engages a considerable proportion of the time of the Corporation's office and urban field staff. The repainting of the houses erected in 1937 and 1938 is now having attention, and a system of group contracts has been adopted with a view to conserving labour and reducing transport costs, both for the tradesmen employed and for the Corporation's field officers. In addition to the new rental houses, there are 868 tenancies of houses erected prior to the commencement of the present building scheme.

Difficulty in obtaining labour and materials, together with the unsettled conditions, has caused a considerable reduction in the amount of business transacted under the Rural Housing Act. At the 31st March, 1942, the balance outstanding on loans granted to Local Bodies under the Act was £160,815.

Balance-sheet and Revenue Accounts.—The revenue accounts are presented in the usual form, tabulated to show the results of the various sections of the Government's housing programme. Each subdivision of the account is charged with the appropriate portion of interest and management, and, where necessary, reserves are provided to meet accruing expenditure—*e.g.*, maintenance and rates. Provision is also made for depreciation, insurance, and loss of rents which must be averaged over the estimated utility life of the assets. During the past year it became necessary to make special provision for war damage insurance.

It will be observed that there is a net profit of £9,796 on the combined statement. This, compared with the previous year's loss of £675, shows a satisfactory improvement. The net profit on new rented properties was £19,099, which is offset to the extent of £15,711 by the deficiency on old rented houses. A larger volume of business and a lower average rate of interest on borrowed capital are the principal reasons for the better result.

In the Balance-sheet there is one item on the assets side which calls for special comment—*i.e.*, the "Rented Properties (New)," now standing at £17,719,316. This shows an increase of £4,120,937 as compared with the appropriate figure in the 1941 Balance-sheet. The following items are in the nature of suspense accounts pending the allocation of the costs to the Rented Properties (New) Account as and when the completed dwellings are taken over :—

	£
Dwellings in course of construction	1,127,295
Freehold land	976,201
Construction Branch—Preliminary expenses	47,955

The following statistical information is furnished in accordance with section 35 of the Housing Act, 1919 :—

(1) Amount expended for the year ended 31st March, 1942, on—	£
(a) Erection of dwellings, including administration and supervision ..	3,461,910
(b) Acquisition of land and preparation of same for dwellings ..	562,201
(2) (a) Payments received during the year	1,093,918
(b) Amount of arrears outstanding at the end of the year	23,393

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

HOUSING ACCOUNT.
TABULATED REVENUE AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31ST MARCH, 1942.

Item.	Properties sold under Agreement for Sale and Purchase.		Advances under Part V Housing Act, 1919 (Local Authorities Urban Housing).		Advances under Part III Housing Act, 1919 (Loans to Employers).		Advances to Local Authorities under Rural Housing Act, 1939.		Rented Properties (Old) erected prior to 31st March, 1937.		Rented Properties (New) erected under New Housing Scheme.		Factories and Plant.		Combined Revenue and Expenditure Account.	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
<i>Revenue.</i>																
Interest	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Rents	..	4,989	..	12,885	..	251	..	3,013	..	..	..	..	..	..	21,138	..
Lease	..	..	..	..	..	..	..	..	42,460	..	828,266	..	..	..	870,726	..
Excess of expenditure over revenue transferred to—	..	..	..	..	..	..	..	..	..	..	..	6,020	..	..	6,020	..
Construction Administration Account	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Profit and Loss Account ..	..	918	..	..	..	..	..	..	15,711	..	..	717	..	..	717	..
<i>Expenditure</i>																
(including allocations to Reserves marked *).																
Interest	4,051	..	6,373	..	124	..	1,576	..	18,219	..	238,158	..	588	..	269,089	..
Management expenses	1,060	..	162	..	30	..	550	..	3,912	..	47,398	..	50	..	53,162	..
Depreciation	..	..	..	..	..	..	..	..	11,716*	..	123,404*	..	2,785*	..	137,905	..
Insurance (including war damage insurance)	127	..	..	..	8	..	..	..	1,736*	..	75,686*	..	1,042*	..	78,599	..
Rates	..	..	..	..	..	..	..	..	7,736	..	107,176*	..	360	..	115,272	..
Maintenance	..	..	..	..	..	..	..	..	13,152	..	175,932*	..	1,359	..	190,443	..
Losses and vacant tenancies ..	669	..	..	..	..	..	..	..	1,700	..	41,413*	..	..	..	43,782	..
Rent	..	..	..	..	..	..	..	..	..	..	..	..	553	..	553	..
Excess of revenue over expenditure transferred to Profit and Loss Account	..	..	6,350	..	89	..	887	..	..	..	19,099	..	..	..	9,796	..
Totals	5,907	5,907	12,885	12,885	251	251	3,013	3,013	58,171	58,171	828,266	828,266	6,737	6,737	898,601	898,601

HOUSING ACCOUNT—*continued*.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1942.

<i>Dr.</i>	£	<i>Cr.</i>	£
Balance, 1st April, 1941	118,030	Profit for the year (see combined Revenue and Expenditure Account)	9,796
Termites Act expenditure	800	Balance, 1st April, 1942	110,135
Borer-treatment investigation	33		
Pre-treatment of timber	1,068		
	<u>£119,931</u>		<u>£119,931</u>
	£		
Balance	<u>110,135</u>		

BALANCE-SHEET AS AT 31ST MARCH, 1942.

<i>Liabilities.</i>	£	<i>Assets.</i>	£	£
Loan liability	20,618,945	Principal owing under agreements for sale and purchase	104,517	
Interest on loan liability overdue and accrued	117,873	Advances under—		
Liability to Consolidated Fund in terms of section 22, Finance Act, 1926	100	Part III, Housing Act, 1919 (loans to employers)	8,188	
Sundry creditors—	£	Part V, Housing Act, 1919 (local authorities : Urban housing)	436,633	
Deposits on contracts	31,805	Rural Housing Act, 1939	160,815	
Tenancy deposits	13,542		<u>710,153</u>	
Rent paid in advance	8,536	Instalments of principal overdue	4,814	
Departmental	38,804	Interest receivable—		
Miscellaneous	12,517	Overdue	2,106	
	<u>105,204</u>	Accrued	1,961	
Insurance Reserve	139,364	Recoverable expenditure	106	
Sinking Fund Reserve	2,486		<u>719,140</u>	
Reserves on dwellings completed under new housing scheme (rates, maintenance, bad debts, and vacant tenancies)	459,233	Less amount in hand unallocated	1,921	717,219
		Rented properties (old)	564,139	
		Less depreciation reserve	52,894	511,245
		Rented properties (new)	17,999,430	
		Less depreciation reserve	280,114	17,719,316
		Dwellings in course of construction under new housing scheme		1,127,295
		Freehold land		976,201
		Factories and Plant Capital Account		36,908
		Plant, tools, and machinery		4,742
		Stores		9,077
		Motor-vehicles		1,299
		Furniture and equipment		8,728
		Construction Branch preliminary expenses in respect of dwellings in course of construction		47,955
		Rent receivable—	£	
		Overdue	17,786	
		Postponed	501	
		Accrued	7,638	25,925
		Sinking Fund investment held by Public Debt Redemption Fund		*5,841
		Insurance Reserve Investment (Government stock) and accrued interest		9,859
		Sundry debtors	£	
		Departmental	21,803	
		Miscellaneous	2,460	24,263
		Writings-off Suspense		3,022
		Profit and Loss Account		110,135
		Cash in bank		104,175
	<u>£21,443,205</u>			<u>£21,443,205</u>

* This amount includes the amount of £3,355 paid into the Sinking Fund in accordance with the Public Debts Extinction Act, 1910.

R. ROBERTSON, Chief Accountant.

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

Approximate Cost of Paper.—Preparation, not given ; printing (612 copies), £12 10s.

By Authority: E. V. PAUL, Government Printer, Wellington.—1942.

Price 6d.]