

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.

HEAD OFFICE :

State Fire Insurance Building, Wellington.

CHIEF ADMINISTRATIVE OFFICERS :

G. E. MILLER, Manager.

K. J. CAVERHILL, Secretary.

H. M. CASELBERG }
B. C. McCABE } Supervising Valuers.

F. E. MITCHELL, Assistant Manager.

R. ROBERTSON, Chief Accountant.

V. E. LOUGH, Chief Property Supervisor.

AUDITORS :

L. H. HESLOP.

R. C. BURGESS.

BANKERS :

Reserve Bank of New Zealand and Bank of New Zealand.

1938.
NEW ZEALAND.

STATE ADVANCES CORPORATION OF
NEW ZEALAND.

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 1938.

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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The Hon. the Minister of Finance.

IN terms of subsection (1) of section 43 of the State Advances Corporation Act, 1934–35, we have pleasure in submitting for your information the Balance-sheet and Revenue Accounts for the year ended 31st March, 1938, together with a report on the work and progress of the Corporation during the period.

PART I.

As this report covers the first complete year of the administration by the Board of Management of the mortgages taken over from the State Advances Office and the Department of Lands and Survey, it is appropriate by way of introduction that a brief summary of the main functions of the Corporation and a concise statement showing the volume of business under the direction of the Board at the close of the year should be given.

1. *Principal Functions of the Corporation.*—(a) The administration of existing loans taken over from the Departments mentioned.

(b) The granting of loans secured on first mortgage of land chiefly for the purpose of erection of new dwellings and the refinancing of existing house properties and rural lands.

(c) The management of the new Government rental houses. (Dealt with in Part II of this report.)

2. *Volume of Business.*—Some indication of the volume of business now under the direction of the Board may be gauged by the following figures:—

	Number.	Amount. £
Loans on mortgage at 31st March, 1938.	61,994	49,533,720
Advances on current account at 31st March, 1938	2,631	1,256,299
Local-body loans at 31st March, 1938	1,128	5,056,845
Interest collectable during twelve months	..	2,433,100

3. *Legislation affecting the Corporation.*—As part of the Government's policy of offering practical encouragement for the erection of more houses, amending legislation was passed in December, 1937, giving the Corporation a wider scope in granting loans to local authorities and employers for housing purposes from the Housing Account, which is administered as a separate entity on behalf of the Government by the Board of Management.

Although authority existed for trustees to invest funds in the stock and debentures of the Corporation guaranteed by the Government, the Act was amended enabling Commissioners of local-body sinking funds to purchase this class of security.

Other legislation affecting the Corporation in the management of its securities included the amendments to the Fair Rents Act and the Mortgagees and Lessees Rehabilitation Act.

4. *World Events.*—The trading activities of nations are so interdependent that major events in the political or commercial life in any one country are inevitably reflected in others, and this is particularly so in a country such as New Zealand, which has built up a specialized export trade in primary products and is consequently affected by overseas markets and reciprocal trade agreements.

Although Great Britain has not been directly involved in any international armed conflict, the political and economic outlook of the nation has, without doubt, been considerably affected by the repercussions arising from the activities of other nations, both in the European zone and in the Far East. The decision of the British Government to pursue a more intensive course of rearmament and defence has been an important factor in stabilizing the position in Europe.

The conflict between China and Japan has aggravated the nervous tension between nations, owing to the possibility of reactions arising through the rights of certain of the major powers which have large financial and commercial interests in China being affected.

Economic conditions in the United States of America have an important bearing on international trade, and New Zealand, as well as other countries which must rely on external markets for the disposal of the major portion of their produce, is interested to no small degree in the attempts that have been and are still being made to stabilize trading conditions in the States.

Cheap money is still, for various reasons, a dominating factor in the economic policies of the great financial nations, but the effect of this factor is minimized by the lack of confidence that prevails generally.

5. *Trade and Industry in New Zealand.*—Within the Dominion trade conditions have been favourable, and in value the turnover in both primary and secondary industries has shown an upward tendency.

Reference to official statistics (and to the graphs attached to this report) will show that value of total production for the year ended 30th June, 1937, amounted to £136,100,000, an increase of £21,900,000 over the previous year. Of this increase, £16,100,000 came from farm production, and this in turn was reflected in gross farm income, which rose from £60,500,000 for 1936 to £71,900,000 for 1937. This evidence is a satisfactory feature of the period under review.

The Board is also pleased to note the improvement in the economic position of other sections of the community that is reflected in an increase of £13,600,000 in salary and wage payments.

By means of a graph appended to the 1937 report it was shown that over a five-year period up to 1935 there had been a fairly wide gap between export prices and farm expenditure, but the graph, which is continued in this report on page 22, indicates that the position established at the end of 1936 has been approximately maintained during the past year.

An additional graph, which appears on page 23, supplies an interesting comparison of the trend in retail prices, wholesale prices, wage rates, and value of production over a period of approximately twelve years. Retail prices, which showed a fairly sharp upward movement in 1937, dropped slightly in the first quarter of the current year, whereas wage rates for the same period show a gradual increase.

The trend in wholesale prices up to 31st December, 1937, was still on the up grade and is moving on approximately the same plane as the retail index.

Value of production, which has been rising steadily since the middle of 1935, has continued upward to the middle of 1937, that being the latest period for which figures are available.

A comparison of the export figures for the two past years supplies further evidence of the buoyancy in trading conditions. Exports during the year ended 31st March, 1938, were valued at the record figure of £(N.Z.)65,008,000, which represented an increase of £(N.Z.)4,773,000 over the previous year's figures. The comparison is still more favourable when considered with the value of exports for the year ended 31st March, 1932, which reached the low level of £(N.Z.)33,940,000. The quantity and value of the three principal commodities exported during the past year are set out hereunder, the figures for the previous year being shown in parentheses :—

		Quantity.	Value.
		Cwt.	£
Frozen meat		5,398,731 (4,908,968)	15,030,216 (13,066,703)
Dairy-produce		4,693,907 (4,723,136)	23,816,339 (21,439,178)
		Bales.	
Wool		820,540 (813,028)	16,012,253 (15,787,209)

In the frozen-meat section, lamb was the most important item in maintaining the export figures. It is pleasing also to note that good results have been obtained from the pig industry, the value of exports for the past year being £(N.Z.)271,900 in excess of the returns for 1936-37. This is an encouragement to dairy-farmers to concentrate more on pig-raising as an adjunct to the production of butter, cheese, and casein. Dairy-produce exports for the quarter ended 31st March, 1938, were valued at £1,240,000 more than those for the same period in 1937, and the prospects of selling the balance of the season's output at the higher price level appear favourable.

The wool figures will, of course, include a large quantity of the wool sold prior to and immediately following the 31st March, 1937, when prices were considerably above those ruling during the season just closed. A better indication of the trend of the market is given by a comparison of the value of wool exported during the nine months ended 31st March, 1937 and 1938. They were: 1936–37, £11,462,454; 1937–38, £8,701,064.

Taken on an average for the year, the prices received during the past season were about one-third below those received for the 1936–37 year.

Although it is possible that the position of the stocks of raw material held overseas had a bearing on the price offered for New Zealand wool, it seems probable that the drop in prices was caused principally by reduced purchases by Japan and the United States of America (50,493 bales and 64,322 bales respectively below those for the previous year), although this was countered to some extent by the increased purchases by Germany, which increased by 28,000 bales as compared with the previous year's purchases.

6. *Trend of Interest-rates.*—When comparing New Zealand interest-rates with those operating overseas, it is necessary to take into account the economic conditions and other factors having a bearing on the demand for loan-moneys in the countries concerned. The result of recent loan issues shows that there is ample money available in the United Kingdom for investment in acceptable securities, the Home Government loan of £80,000,000 (1954–58) at 3 per cent. and the British local-authority issues for moderate amounts at $3\frac{1}{2}$ per cent. having been readily absorbed. The rates for British Treasury bills, short-term loans, and discounts have been fairly steady at a low rate of interest, but in general long-term borrowing does not appear to be so readily acceptable on the London market owing to uncertainty and lack of confidence as to the outcome of the international situation.

In New Zealand no new Government issues have been placed on the market during the last financial year, but the sales of gilt-edged securities on the Stock Exchange were maintained at a fairly regular rate and the demand for short-dated Government securities was active. Little movement has been evidenced on the Exchange in local-body securities, and it became apparent in the early part of the year that local authorities were finding it difficult to obtain their loan requirements on the open market. A standard rate of $3\frac{1}{2}$ per cent. has been fixed for the loans recently approved, the currency being varied according to the purposes for which the loans have been required. In pursuance of its policy, the Government decided to make available to the Corporation additional funds for the purpose of taking up local-body loans which had been approved by the Local Government Loans Board and which were required for urgent works. Applications involving a fairly considerable sum have been handled by the Corporation, and further applications are being received from time to time. It has been made a condition that the local authorities should show that they have exhausted all means of raising the required funds from outside sources, and, although in the early stages there was very little offering by other lenders, it is pleasing to note that there is some improvement in this direction and parcels of debentures for comparatively short terms have been subscribed for by other institutions.

The interest-rate of the Corporation for loans on land mortgages has been maintained at $4\frac{1}{8}$ per cent. This rate is below that in operation in Australia for a similar class of business.

In last year's report reference was made to the influence of the Corporation in the land-mortgage market, which was illustrated by a table showing new mortgage registrations at respective interest rates for July, 1935 (when the Corporation was established), and for March, 1937. The table is repeated hereunder with the figures for March, 1938, added. The comparison may be more readily appreciated by an examination of the diagram appearing on page 24:—

	July, 1935. Per Cent.	March, 1937. Per Cent.	March, 1938. Per Cent.
Not exceeding $4\frac{1}{8}$ per cent.	6.8	25.7	26.8
Over $4\frac{1}{8}$ per cent. but not exceeding 5 per cent.	78.8	67.8	63.1
Over 5 per cent. but not exceeding 6 per cent.	11.8	5.0	6.0
Over 6 per cent.	2.6	1.5	4.1
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

It should be noted that these figures relate to the registrations during the months of July, 1935, March, 1937, and March, 1938. As these statistics include only new mortgages, the full effect of reductions granted by the Corporation and other mortgagees as variations of existing mortgages is not reflected in the percentages quoted. There were over 28,000 mortgages varied under section 39 of the State Advances Corporation Act, granting a reduction to a net rate of $4\frac{1}{8}$ per cent., and it will be apparent that the comparison would be still more favourable were these figures included.

7. *Stock and Debentures issued by the Corporation.*—The capital of the Corporation, as distinct from the share capital of £1,000,000 now held by the New Zealand Government, is comprised of stock and debentures issued on various terms. The "B" issue of stock and debentures (guaranteed as to interest and principal by the Government) is still on sale, interest at $3\frac{1}{4}$ per cent., with currency to 1st June, 1944. From the Balance-sheet, published on page 14, it will be seen that the total securities issued by the Corporation amounted to £41,585,970 as at 31st March, 1938.

8. *New Business.*—During the past year there has been a steady flow of new loan applications, and, although the Board has given special consideration to loans required for housing and farms, the securities taken cover a wide range both in regard to class and location. With very few exceptions loans have been granted on the table repayment basis on terms ranging from ten years to forty-five years. The shorter terms are adopted for loans on existing buildings the remaining useful life of which is limited, and in other cases the terms are fixed having regard to the nature of the security and the circumstances of the borrowers. Terms of forty years and forty-five years are appropriate for good farm securities where the depreciation factor is not unfavourable. The following summary showing the annual cost per £100 of a loan at the existing rate of $4\frac{1}{2}$ per cent. for the various terms will be interesting. The amount payable includes both interest and principal, and the regular payment of instalments results in the complete repayment of the loan at the expiration of the term:—

Term.	Annual Amount payable.			Term.	Annual Amount payable.		
	£	s.	d.		£	s.	d.
10 years	12	6	2	30 years	5	16	10
15 years	9	0	2	35 years	5	8	6
20 years	7	7	10	40 years	5	2	6
25 years	6	9	0	45 years	4	18	2

An examination of reports issued by lending institutions overseas discloses that both in regard to rates of interest and manner of repayment the terms offered by the Corporation under its long-term lending policy compare very favourably with those available to borrowers in other countries.

The comparative table of loans authorized, which is set out hereunder, gives a useful analysis of the business handled.

New Business.—Statement of Position as at 31st March, 1938.

		For Year ended March, 1937.		For Year ended March, 1938.		Total for Period 1st August, 1935, to 31st March, 1938.	
		£	£	£	£	£	£
Loans authorized—							
Residential—							
Refinance	..	1,435	826,649	961	577,490	3,005	1,838,222
Other purposes ..	..	398	272,815	522	319,074	988	695,494
Erection of buildings	..	1,120	789,990	997	821,554	2,532	1,855,871
		2,953	1,889,454	2,480	1,720,818	6,525	4,389,287
Farm—							
Refinance	..	974	2,154,195	470	977,120	2,099	4,937,985
Other purposes ..	..	212	342,217	237	306,608	493	697,700
		1,186	2,496,412	707	1,283,728	2,592	5,635,685
Total granted ..	..	4,139	4,385,866	3,187	3,004,546	9,117	10,024,972

A perusal of these figures discloses several interesting facts. The number and value of applications dealt with during the year ended 31st March, 1937, is greater than for the succeeding year. This is attributed, firstly, to the fact that the prior period followed closely on the establishment of the Corporation and the announcement of the new terms of lending, and, secondly, the pending removal of the moratorium on mortgages which had been in operation for a number of years.

To give effect to Government policy of encouraging the erection of houses the terms of lending for home-building were further enlarged during the past year, and the Minister of Finance gave written directions in regard to these special home-building loans, which may be summarized as follows:—

- (a) The previous restriction in regard to persons receiving income in excess of £6 per week is removed.
- (b) The maximum loan is increased from £1,000 to £1,250, with special provision for an increase beyond that figure in cases of large families.
- (c) Provided the applicant could make a reasonable cash contribution towards the cost of a section and dwelling and the proposal was otherwise acceptable, there should be no limit on the percentage to be advanced.
- (d) Where little or no cash could be provided by the applicant, he should first be considered for a tenancy of a State rental house if such would be available within a reasonable period.
- (e) Advances on special loan are to be subject to the Corporation being satisfied on the following points—
 - (1) Character and creditworthiness of the applicant, and his present resources.
 - (2) Suitability and value of the section.
 - (3) Suitability and value of the proposed house and improvements.
 - (4) The ability of the applicant, after providing for maintenance for himself and dependants, to meet regularly the instalments, rates, insurance premiums, maintenance, and other outgoings.
- (f) Ownership of an existing dwelling will disqualify an applicant for a special loan.
- (g) Transfer of a property subject to a special loan must be subject to consent of the Corporation, and profit on sale would not be permitted.
- (h) In appropriate cases the instalments to be collected from the mortgagor should cover all outgoings on the property, such as rates, insurance, and maintenance, and should be collected at short intervals in keeping with the circumstances of the borrower. An arrangement should be made for a deduction of the instalments from wages where this is practicable.

An explanatory pamphlet issued by the Corporation relative to these loans is available for the assistance of intending borrowers, and copies are obtainable from the Corporation's offices or Post Offices.

As a further measure of assistance to borrowers in this class, a new Plan Scheme has been introduced, and it is now possible for applicants to obtain from the Corporation a comprehensive service in regard to plans and specifications. Plans prepared by leading architects have been assembled in book form, and applicants have a wide choice of designs suitable for use in different localities. Assistance is also given in calling for tenders, and the erection of the houses is supervised by the Corporation's expert officers.

Many applicants have already availed themselves of this scheme, and it is felt by the Board that, apart from help given to applicants in handling the difficult problems arising in the erection of houses, of which the average citizen has little knowledge, a higher standard will result both in regard to design and construction.

It is not always realized by applicants the importance of locality when planning an investment in a house property. Another factor which cannot be ignored is the increased cost of construction arising from the general activity in the building and allied trades. These and other factors create gaps between values and costs, the successful bridging of which means the difference between a good and a bad investment for both the mortgagor and the mortgagee.

9. *Mortgage-repayment Insurance*.—Up to the close of the financial year now under review provision for cover under this scheme was made in some five hundred loan offers since the inception of the scheme, and the cover to be provided under the policies included therein exceeds the sum of £364,000.

An example will show how the scheme works in practice :—

Borrower is twenty-two years of age and the term of repayment is 30 years—

Amount advanced	..	..	..	..	..	£	1,000
Single premium, approximately	..	..	..	..	..		55
Total mortgage debt	..	..	..	..	..		£1,055
Half-yearly instalment for thirty years on £1,055	..	..	..	..	..	£ s. d.	30 16 3
Half-yearly instalment for thirty years on £1,000	..	..	..	..	..		29 4 2
Half-yearly cost of insurance	..	..	..	..	..		1 12 1
Weekly cost, approximately	..	..	..	..	..	£ s. d.	0 1 3

For a man of thirty the cost of insurance on the same loan would be approximately 1s. 6d. per week.

10. *Establishment of Branch Offices*.—New offices were opened at Whangarei, Hamilton, and Palmerston North during the past year and the advantage of this extension is already apparent.

11. *Transfer of Rural Intermediate Credit*.—The members of this Board, on the 1st July, 1937, assumed control of the rural intermediate credit business, and the active administration of the investments was transferred from the Public Trust Office to the Corporation, but notwithstanding the change in control the accounts and records relating to this work are to be maintained as for a separate and distinct organization.

To facilitate the transfer and management of this business it was necessary to extend the Branch organization of the Corporation to additional district centres in order that the Rural Intermediate Credit Associations and borrowers in various parts of the Dominion should be at no disadvantage owing to the change in control.

The following table gives a summary of the loans and advances at 1st July, 1937 :—

	Number of Loans.	Amount owing.
Loans through Co-operative Rural Intermediate Credit Associations	665	£ s. d. 134,410 5 7
Loans direct by the Board	152	22,855 10 3
Bills discounted	24	993 2 4

The financial year for the Rural Intermediate Credit Board ends on the 30th June, and annual accounts and a report on the administration will be issued after the close of the current year.

12. *Adjustment of Mortgages under Section 39 of State Advances Corporation Act, 1934-35*.—At the 31st March, 1937, the majority of State Advances mortgagors had received offers of variation and had given their decisions, and a commencement had been made with accounts of the borrowers under the Discharged Soldiers Settlement Act. With the exception of a comparatively small number of accounts yet to be dealt with under the Mortgagors and Lessees Rehabilitation Act, the adjustment of accounts under this section has now been completed. It should be mentioned that the borrower's rights under this provision lapse three years from the date of transfer of the respective mortgages to the Corporation.

13. *Mortgagors and Lessees Rehabilitation Act, 1936*.—Applications for relief in which the Corporation was involved totalled 10,291.

To cope with this large volume of work it became necessary to augment the field staff, and the Corporation has been fortunate in obtaining the services of experienced local valuers to assist with the valuations and reports required for consideration by the Board.

The co-operation of the officers of the Lands Department with the representatives of the Corporation in the preparation and presentation of the cases where the Crown was concerned as lessor and the Corporation as mortgagee is gratefully acknowledged. The Valuer-General and his officers have also given valuable assistance, without which the early completion of this work would have been impossible.

By the end of the year good progress had been made, as is shown by the schedule appended :—

Total number of cases	10,291
Number withdrawn by applicants or disposed of by Adjustment Commissions	4,660
Number considered by Commissions and issue of order awaited	1,141
Number awaiting hearing or confirmation by Adjustment Commissions	2,057
Number in course of preparation	2,433

Following the confirmation of a voluntary adjustment or the issue of an order by the Adjustment Commission or the Court of Review, the progress of internal adjustments as at the close of the year was as follows :—

Number of accounts adjusted	1,936		
Total amount written off to 31st March, 1938	£ 292,998	s. 0	d. 0
Reduction of mortgages in addition to above transferred to Adjustable Debts Accounts	4,361	15	1*

* These are recoverable from debtors in terms of orders made by Commission and Court of Review.

Progress with the adjustment of mortgages on Urban Securities has been made more rapid than with Rural Securities, and it is not yet possible to make a useful estimate of the total loss involved.

14. *Field Staff*.—During the past year the staff has been working at high pressure, the principal activities being mainly under the following headings :—

- (a) Inspections and valuations for the purposes of the Mortgagees and Lessees Rehabilitation Act.
- (b) Reports and valuations for new loan applications.
- (c) Survey of existing securities.

The work under (a) was nearing completion at the close of the year, and it is expected that within the first half of the current year this will be practically completed.

In regard to (b), there has been a steady flow of applications for loans, and this was accelerated in the urban sphere towards the close of the year by the announcement of enlarged lending terms for home-building and the provision of a "Plan Scheme" which is referred to separately in this report.

Owing to the heavy calls on the services of the field staff under (a) and (b) the review of existing securities has been confined to the more urgent cases and the comprehensive survey has been deferred until this year. It is expected that steady progress will now be made.

15. *Reverted Securities : Urban*.—The number of urban and suburban properties administered by the Corporation as mortgagee-in-possession has increased from 4,022 as at 31st March, 1937 to 4,082 as at 31st March, 1938. Whilst the Corporation continues in the capacity of mortgagee-in-possession, the mortgagor is still the registered owner, and therefore the Corporation in its management must have regard to the interests of both the owner and other mortgagees who have subsequent charges on the security. Bearing this in mind, an endeavour has been made to ensure that all such properties are revenue-producing. Like other property-owners or trustees, the Corporation is subject to the provisions of the Fair Rents Act, and in appropriate cases action has been taken to adjust the rents on the basis defined by the Act.

The Minister of Finance has given the Corporation the following direction in regard to these reverted securities :—

"The principles on which the Government wishes the Corporation to base its procedure in dealing with these properties are as set out below. Where the mortgagor has some reasonable possibility of resuming possession and meeting his obligations on the basis of the real value of the property, no action should be taken which would prejudice the right of the mortgagor to retake possession. If, however, the mortgagor has definitely abandoned the property or the Adjustment Commission has decided that he is not entitled to retain the property, steps should be taken to place the security on a permanent basis. In those cases where the Corporation considers the properties are suitable to retain for letting to tenants, action should be taken to take title in the name of the Crown and to place control in the Housing Branch of the Corporation. Those properties which are not or cannot easily be brought up to the standard required for renting under the Housing Act should be sold on best terms possible. I desire that before any such securities are offered for sale your recommendation in that behalf should be submitted to me for approval."

The book value of these securities in the aggregate amounts to £3,128,856.

16. *Reverted Securities: Rural.* Pursuant to the Board's policy of reviewing the whole of the Corporation's securities, an effort has been made to deal first with the cases where mortgagors have either abandoned their properties or, through neglect, the farms have reverted so seriously as to become non-productive. If there is a prospect of bringing the land back to a productive state, favourable terms are offered with a view to encouraging a new owner to co-operate in the rehabilitation of the security. There are, however, quite a number of these holdings in deteriorated areas where further expenditure is not warranted, and mortgages on properties of this nature will ultimately require to be substantially written down. The book value of reverted securities is shown at £316,493 12s. 4d. The sum of £41,844 13s. 4d. at debit of Realization Suspense Account represents balances owing in respect of securities realized, but which have not been transferred to Contingent Liability Account pending final investigation and adjustment.

ACCOUNTS FOR 1937-38.

The Revenue Accounts and Balance-sheet which are submitted hereunder furnish in a concise form a statement of the result of the year's business transactions and closing balances.

Comparative tables similar to those supplied in the 1937 report will, however, assist in showing the variation in the financial position during recent years.

As this is the first complete year of administration of the discharged soldiers settlement loans, it is necessary to make special reference to them and their effect on Revenue Accounts. They are, of course, now under the same control as the ex State Advances loans which were transferred to the Corporation on the 1st August, 1935.

17. *Interest due and received.*—

—					Net Interest due.	Interest received.	Shortage.	Percentage of Receipts to Net Interest due.
					£	£	£	Per Cent.
1933-34	..	..	..	..	1,966,127	1,562,707	403,420	79·48
1934-35	..	..	..	..	1,913,611	1,711,446	202,165	89·43
1936-37	..	..	..	..	1,733,047	1,665,559	67,488	96·11
1937-38	..	..	..	..	2,404,385	2,348,385	56,000	96·67

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-rates 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.

Although very fair progress has been made in bringing the collection of interest back to a normal basis, some reluctance has been displayed by applicants for relief under the Mortgagors and Lessees Rehabilitation Act to making payment before the adjustment of their accounts had been considered. Before the end of the current year it is hoped that this objection will have been entirely removed.

18. *Revenue Accounts.*—The gross revenue from all sources for 1937-38 is shown as £2,433,100, as compared with £1,983,513 for the previous year, the increase being due mainly to the inclusion of interest on the discharged soldiers settlement loans for the full period. Interest charges (in which there is also an increase, arising from the issue of additional stock to the Government in respect of the further assets taken over) have increased from £1,236,282 to £1,532,802. The gross profit for the past year was £900,298, as compared with last year's figure of £747,231.

19. *Management Expenses.*—The transfer of the discharged soldiers settlement loans involved an increase in the Corporation's clerical and field staff, and it became necessary to establish additional district offices, with the resultant increase in the management expenses of the Corporation. The total expenditure under this heading for the past year amounting to £212,185, in comparison with £129,882 for 1937.

The Board considered it prudent policy to make a further reserve for possible losses on new business, and the amount charged to Profit and Loss Account in this regard is £20,000, which brings the additional reserve up to £35,000. Provision has also been made for a transfer of £56,000 to the credit of Contingent Liability Account, this being necessary to cover an increase in the arrears of interest on the transferred mortgages during the financial year. The comparable amount in last year's operations was £72,500. The net profit available for transfer to Appropriation Account amounts to £612,113.

Further consideration has been given to the reserve established to meet fluctuations in the values of the local-body securities held by the Corporation, and the additional amount appropriated in these accounts is £30,000, bringing the reserve up to £60,000. In explanation of this item it should perhaps be mentioned that the Corporation's holding in local-body debentures now amounts to £5,115,133, and a considerable portion of these investments is at comparatively low rates of interest. After making this deduction there is available for payment of income-tax and transfer to the Treasury as surplus profits a sum of £582,114. In effect the whole of this surplus is ultimately received by the Consolidated Fund, either by way of transfer of profits or income-tax, and may reasonably be identified with the share capital—£1,000,000—and the amount owing to the Government in the Corporation's Contingent Liability Account—viz., £11,424,489. The payment represents 4·685 per cent. on the principal owing, but it must be expected that a fairly substantial amount of the principal sum will be written off as a result of reductions granted under the Mortgagors and Lessees Rehabilitation Act.

20. *Balance-sheet.*—On the liabilities side the principal items are Authorized Capital, £1,000,000; Stock and Debentures, £41,585,970.

The former remains the same as for the previous year, but there has been an increase of approximately £2,000,000 in the stock and debenture issue. This additional amount of stock is made up of securities issued to the Government in respect of further assets transferred to the Corporation, together with subscriptions in respect of the Corporation's issues of stock and debentures.

The Contingent Liability Account now stands at £11,424,489, the reduction having arisen through the writing-off of the sum of £403,155 in terms of the Mortgagors and Lessees Rehabilitation Act, less the sum of £56,000 additional credit provided to cover the increase in the arrears of interest on old loans and approximately £56,000 in respect of additional loans transferred to the Corporation during the year.

The General Reserve Fund has increased by £150,503 to £3,404,803, and after adding the £20,000 to the reserve for losses and £30,000 to the Investment Fluctuation Reserve the total reserves are increased to £3,499,803.

On the assets side of the Balance-sheet there is some variation in the investments, the principal items being :—

- (a) A net increase of £340,000 in the amount of Mortgages, bringing the total to £51,199,247. This result is arrived at after taking into account new loans and further advances amounting to approximately £2,974,000 and deducting therefrom loans repaid, instalments of principal received—£2,230,845—and losses written off, £403,155.
- (b) A reduction in the balance owing on Current Account by £153,569. This reduction is due partly to writings off under the Mortgagors and Lessees Rehabilitation Act and partly to the reduction effected in terms of the arrangements made with the borrowers.
- (c) Government and Local-body Securities—£5,056,844—show an increase of £1,885,034. The additional investments under this heading arise mainly through the transfer of further local-body securities from the Treasury, but there were also new advances during the year amounting to approximately £458,500.

In last year's report the average amount owing on the various classes of loans outstanding at the 31st March, 1937, was supplied, and there is set out hereunder the same details in respect of the accounts now under review. A tabulated statement of profits and percentages is appended.

The capital outstanding on mortgage accounts is £50,790,020, including the current account advances referred to above. The average loans on respective classes of securities are as follows :—

Residential	£
Rural	587
Current account	1,145
	478

The cash position at the end of the year was satisfactory, having regard to the loan commitments outstanding.

Tabulated statement of profits and percentages appears hereunder :—

Disposition and Appropriation of Profits for Year ending 31st March, 1938.	Percentage per Annum of the Stock Issue plus Capital.	Percentage of Gross Earnings.	Percentage of Gross Profits.
	£ s. d.		
Gross earnings	2,433,100	5·713 (5 14 3)	100·000
Less capital charges : Interest	1,532,801	3·599 (3 12 0)	62·998
Gross profits	900,299	2·114 (2 2 3)	37·002
		100·000	
Less management expenses and depreciation of fixed assets	212,185	0·498 (0 9 11)	8·721
	688,114		23·568
Reserve for losses (ex State and Corporation)	106,000	0·249 (0 5 0)	4·357
			11·774
Surplus for year ended 31st March, 1938, due to the Crown	582,114	1·367 (1 7 4)	23·924
		2·114 (2 2 3)	64·658
		37·002	100·000
Add excess income-tax provision for 1936–37	3,937		
	£586,051		

21. *Staff*.—Following the transfer of the balance of the discharged soldiers settlement loans to the Corporation towards the end of last year and the establishment of branch offices, it was found that further staff was needed to complete the organization both at Head Office and at the District Offices.

Another matter which has caused some difficulty in providing the necessary personnel at the various centres has been the acceleration of the mortgage-adjustment work by the Court of Review and the Adjustment Commissions. When additional Commissions were appointed the Corporation was required to allocate more officers to this branch of the work to obviate delay in presenting the Corporation's cases when the Adjustment Commissions' programmes had been arranged.

There has also been a need for the appointment of additional Property Supervisors to cope with the new business activities arising from the extension of the special-loan policy.

Owing to the various changes and extensions in the Corporation's work it has been necessary to call upon the staff to give some additional time, beyond the normal working-hours, to ensure that prompt attention was given to the special work that has arisen during the past financial year. The Board is fully appreciative of the loyal co-operation and willing service given by the administration officers and all sections of the office and field staff.

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

STATE ADVANCES CORPORATION OF NEW ZEALAND.

REVENUE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1938.

Interest Account.

<i>Dr.</i>	£	s.	d.	<i>Cr.</i>	£	s.	d.
Interest on stock and debentures	1,398,614	6	7	Interest on mortgages, current accounts, and local-body securities	2,431,104	18	6
Gross income carried forward to Profit and Loss Account	900,298	15	3	Less transferred to General Reserve Fund	134,187	8	0
				Interest on temporary investments and sundries	1,995	11	4
	<u>£2,298,913</u>	<u>1</u>	<u>10</u>		<u>£2,298,913</u>	<u>1</u>	<u>10</u>

Profit and Loss Account.

<i>Dr.</i>	£	s.	d.	<i>Cr.</i>	£	s.	d.
Management expenses (all inclusive)	212,185	9	0	Gross income brought forward from Interest Account	900,298	15	3
Reserve for losses	20,000	0	0				
Contingent Liability Accounts: Amount transferred under section 3, State Advances Corporation of New Zealand Amendment Act, 1935	56,000	0	0				
Net income carried forward to Appropriation Account	612,113	6	3				
	<u>£990,298</u>	<u>15</u>	<u>3</u>		<u>£900,298</u>	<u>15</u>	<u>3</u>

Appropriation Account.

<i>Dr.</i>	£	s.	d.	<i>Cr.</i>	£	s.	d.
Income-tax reserve	175,000	0	0	Net income	612,113	6	3
Less excess provision, 1936-37	3,937	10	0				
	<u>171,062</u>	<u>10</u>	<u>0</u>				
Investment Fluctuation Reserve	30,000	0	0				
Surplus available for distribution to the Crown	411,050	16	3				
	<u>£612,113</u>	<u>6</u>	<u>3</u>		<u>£612,113</u>	<u>6</u>	<u>3</u>

BALANCE-SHEET AS AT 31ST MARCH, 1937.

<i>Liabilities.</i>				<i>Assets.</i>			
	£	s.	d.		£	s.	d.
Authorized capital	1,000,000	0	0	Mortgages and accrued interest	51,199,247	5	9
Stock and debentures	41,585,970	0	0	Securities in course of realization	319,054	1	3
Accrued interest	220,198	9	2	Realization Suspense Account (losses chargeable to Contingent Liability Account when defined)	41,844	13	4
	<u>41,806,168</u>	<u>9</u>	<u>2</u>		<u>360,898</u>	<u>14</u>	<u>7</u>
Contingent liability to the Crown	11,422,254	5	6	Advances on Current Account and accrued interest	1,256,299	8	4
Reserves—				Other securities transferred to the Corporation under section 36 (1) (f) of the State Advances Corporation Act, 1934-35	18,320	12	6
General Reserve	3,404,803	0	10	Government and Local-body securities and accrued interest	5,115,133	19	11
Reserve for losses on investments	35,000	0	0	Fixed assets: At cost, less provision for depreciation office furniture and motor-vehicles	35,774	9	3
Investment Fluctuation Reserve	60,000	0	0	Current assets—			
	<u>3,499,803</u>	<u>0</u>	<u>10</u>	Sundry debtors	20,896	16	1
Sundry creditors	28,181	13	11	Lodgments in transit and cash in bank and on hand	447,203	10	11
Liability to the Crown—					<u>468,100</u>	<u>7</u>	<u>0</u>
Surplus for year	411,050	16	3		<u>£58,453,774</u>	<u>17</u>	<u>4</u>
Income-tax	175,000	0	0				
Balance of interest on contribution to General Reserve	111,316	11	8				
	<u>697,367</u>	<u>7</u>	<u>11</u>				
	<u>£58,453,774</u>	<u>17</u>	<u>4</u>				

R. ROBERTSON, Chief Accountant.

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

AUDITORS' REPORT.

In accordance with the provision 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.

L. H. HESLOP }
R. C. BURGESS } Public Accountants, Auditors.

Wellington, 20th June, 1938.

PART II. HOUSING ACT.

1. *Report of Director of Housing Construction.*—The following general report on the operations of the Department of Housing Construction up to the 31st March, 1938, is submitted by the Director of Housing Construction :—

“*Housing Survey.*—The housing survey, required to be carried out by local authorities under the Housing Survey Act, 1935, and subsequent extensions, has been completed in most centres of population. Up till the date of writing this report 105 of the 119 authorities affected by the Act have furnished the necessary returns to the Department of Housing Construction. The returns from ninety towns have been analysed, and the following brief summary indicates the results—

“ Total population of the ninety towns in question	655,829
“ Number of dwellings	163,429
“ Number of buildings used as dwellings which are unsatisfactory but reparable	21,697
“ Number of buildings totally unsatisfactory	3,653
“ Number of dwelling units in which equipment is only partly satisfactory	16,174
“ Number of dwelling units in which the equipment is totally unsatisfactory	13,891
“ Number of houses at present providing accommodation below the minimum standard	20,260
“ Number of surplus persons accommodated in these houses ..	50,686

“*Purchase of Land.*—Land for housing schemes was purchased in seventy-three towns during the year. A number of the properties acquired have to be developed by the Department, and the provision of the necessary services involves a considerable amount of engineering.

“*Erection of Houses.*—The first tenders accepted for the erection of houses were those for fifty-two dwellings at Miramar on the 4th March, 1937. By the 31st March, 1938, tenders had been advertised for 3,172 houses. These houses were divided up into 643 different contracts and are located in seventy different towns.

“Tenders had actually been accepted for 2,507 houses at the 31st March, 1938, and 1,959 houses were either completed or in some stage of construction. At the end of the financial year operations had actually been commenced in fifty-three towns.

“At the same date the total number of persons engaged on housing construction and on subsidiary works such as roads, sewerage schemes, water-supply, &c., was 4,311, of which 155 represented the staff of the Department.

“*Type of Construction.*—All the houses in the initial contracts were of wood-frame construction, approximately two-thirds having external walls of brick veneer, while one-third were finished with weatherboards. A proportion of the brick-veneer houses have a plaster finish. In addition to these types of construction, a number of houses have been erected in single- and double-wall concrete. The erection of concrete houses was restricted to those areas where the conditions are peculiarly favourable. A proportion of metal-lath and plaster houses with timber frames are now being introduced into the contracts, particularly in those areas subject to earthquakes.

“It should be mentioned that in all designs particular attention is being given to earthquake-resisting construction. All external foundations are continuous in type and reinforced. All chimneys, both brick and concrete, are likewise reinforced with steel bars. Special attention is given to the bracing of wood-frame construction.

“*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 is being made to eliminate unsightly and dangerous poles.

“Wireless poles are eliminated by the provision of concealed aerials in the roofs of the houses.

"Poles for electric light and telephone services are, wherever practicable, removed from the streets and placed along the back boundaries of the sections.

"*Fences and Gardens.*—Wire-netting fences with reinforced concrete posts are, as a general rule, being adopted for the back portions of the sections. In the front of the houses, however, low kerbs of brick or concrete are in most cases provided. These kerbs, however, are replaced by stock-proof fences wherever the houses are situated on stock routes.

"A policy for the provision of hedges and a limited amount of landscape gardening is being worked out. A landscape gardener to take charge of this section of the work is being appointed.

"*Shortage of Labour and Materials.*—The progress of most of the housing contracts throughout the country has been retarded on account of the shortage of skilled labour and, to a secondary degree, the shortage of materials. The average number of artisans employed by the contractors per house under construction has only been 1·8. There is little doubt that twice the number of artisans could be employed were they available.

"Shortage of materials has also caused some concern. The principal difficulty has been with tiles. The Government's policy is to use New Zealand materials wherever possible, and following upon this policy all houses, except those with very flat roofs, were specified to be roofed in tiles, either terracotta or concrete. The New Zealand tile industry was unable to expand its production fast enough to keep up with the Department's requirements, with the result that steps had to be taken to import a number of tiles from Australia. To ease the situation further a fair proportion of the houses for which tenders have recently been called are specified to be roofed with corrugated iron.

"The inadequacy of supplies of dry timber and of fibrous plaster of satisfactory quality has also given the Department some concern.

"*Expenditure.*—Up to the 31st March, 1938, the total net payments on the purchase of land, provision of services, erection of joinery factories, erection of houses, and all administration charges amounted to £1,523,967. Liabilities and commitments as at this date amounted to £1,666,115."

2. *Loans to Local Authorities.*—As indicated in the report for last year, the Government invited the co-operation of local authorities, and loans were offered for housing purposes at 3 per cent., the terms of repayment being such that the cost to the purchasers or tenants would be within the means of the average wage-earner. It was made a condition of such advances that the type of house and the materials to be used should be approved by the Housing Construction Branch, and there were certain other restrictions placed on the disposal of the houses which were to be erected with the loan-moneys. These restrictions, however, would not in any way hamper the local authorities in their administration of their housing schemes, but were merely introduced to prevent the purchasers or occupiers making a profit out of the favourable terms of borrowing which were possible only through the assistance granted by the Government.

The total number and amount of loans granted to local authorities during the past financial year is as under:—

Number of loans granted	..	..	..	..	..	26
Number of houses to be erected	..	..	..	..	..	192
Total amount of loans granted	..	..	..	..	..	£208,820

3. *Loans to Co-operative Dairy Factories.*—Seven loans under this heading of an aggregate amount of £7,000 have been granted. The terms and conditions fixed for these loans are similar to those adopted for local-body housing loans.

4. *Balance-sheet and Revenue Accounts.*—The accounts for the past year show the results of the various branches of the Housing Section.

The houses erected prior to 31st March, 1937, are in a different category from the new houses, and it is proposed to have such of these older houses as have been abandoned by the purchasers valued for the purpose of recording in the accounts the

true position after allowing for depreciation, which has not been taken into account prior to this date. Action is also being taken to deal with the arrears of rent which have accumulated over a period of some years. After these adjustments have been made it will be possible to show the net returns.

In the Balance-sheet there is an item "Dwellings in course of erection or completed under new housing scheme, £1,089,227 5s. 6d." This represents the total expenditure to 31st March, 1938, on the dwellings which have been or are being erected under direction of the Housing Construction Branch, and it is proposed as soon as the final accounts for each contract are closed off to transfer the cost of properties to an asset account entitled "New dwellings let."

"Freehold land, £332,062 18s. 4d." and "Construction Branch preliminary expenses, £60,607 1s. 6d." are also items representing cost of land and services, respectively, incurred in connection with the new properties, and appropriate transfers will be made to "New dwellings let" at the proper time.

The revenue and cost of maintenance, supervision, and the interest charges in respect of these assets will be separately assessed annually.

5. *Statutory Returns*.—The following information is submitted as required by section 35 of the Housing Act, 1919 :—

- (a) Money expended during the year ended 31st March, 1938, in acquiring land and preparing same for dwellings amounted to £270,611 13s. 3d., representing expenditure in the following localities :—

	£	s.	d.		£	s.	d.
Ashburton ..	1,180	3	5	Mosgiel ..	822	6	7
Auckland ..	35,887	7	11	Napier ..	1,517	6	2
Blenheim ..	1,783	2	2	Nelson ..	1,300	0	0
Cambridge ..	926	11	8	New Plymouth ..	3,563	17	5
Christchurch ..	19,371	6	10	Oamaru ..	1,979	6	1
Dunedin ..	17,859	2	0	Pahiatua ..	802	2	1
Dannevirke ..	1,247	3	1	Palmerston North ..	2,398	10	0
Dargaville ..	1,234	9	7	Stratford ..	984	6	3
Eltham ..	302	4	1	Taihape ..	619	10	5
Feilding ..	2,305	17	1	Tauranga ..	1,179	13	10
Gisborne ..	3,333	7	0	Te Awamutu ..	1,274	6	7
Greymouth ..	561	14	1	Thames ..	709	10	1
Hamilton ..	3,981	7	9	Timaru ..	5,040	2	6
Hastings ..	8,807	7	4	Wanganui ..	4,590	11	0
Hawera ..	1,214	8	0	Westport ..	289	17	2
Invercargill ..	4,244	6	10	Whakatane ..	1,088	18	7
Lower Hutt ..	22,110	8	1	Whangarei ..	67	3	9
Marton ..	2,112	2	5	Wellington ..	105,615	2	8
Masterton ..	2,354	6	6	Other towns ..	4,770	6	7
Morrinsville ..	1,181	19	8				

- (b) Money expended in the erection of dwellings during the year ended 31st March, 1938, amounted to £1,089,227 5s. 6d.

- (c) The amount outstanding on 323 dwellings sold under agreements for sale and purchase is £136,474, and in respect of 810 dwellings let to tenants £500,312. At the close of the year arrears in respect of dwellings sold amounted to £13,604 and in respect of rented dwellings £8,892. In addition to the above-mentioned 810 dwellings, there were under administration 360 houses erected during the year under the new housing scheme the final cost of which is approximately £377,000. (NOTE.—Up to 31st July, 1938, 1,094 new houses had been handed over to the Corporation for administration.)

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

HOUSING ACCOUNT.

(A) REVENUE ACCOUNT.—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	5,082	16	10	Interest on purchase-money .. .	6,874	19	1
Management expenses .. .	488	0	10				
Gross profit to Profit and Loss Account ..	1,304	1	5				
	<u>£6,874</u>	<u>19</u>	<u>1</u>		<u>£6,874</u>	<u>19</u>	<u>1</u>

(B) REVENUE ACCOUNT.—ADVANCES TO LOCAL BODIES FOR YEAR ENDED 31ST MARCH, 1938.

<i>Dr.</i>	£	s.	d.	<i>Cr.</i>	£	s.	d.
Interest Account	78	2	3	Interest on advances .. .	161	9	1
Management expenses .. .	11	8	7				
Gross profit to Profit and Loss Account ..	71	18	3				
	<u>£161</u>	<u>9</u>	<u>1</u>		<u>£161</u>	<u>9</u>	<u>1</u>

(C) REVENUE ACCOUNT.—ADVANCES UNDER PART III, HOUSING ACT, 1919, FOR YEAR ENDED 31ST MARCH, 1938.

<i>Dr.</i>	£	s.	d.	<i>Cr.</i>	£	s.	d.
Interest Account	16	16	6	Interest on advances .. .	32	9	1
Management expenses .. .	2	5	5				
Gross profit to Profit and Loss Account ..	13	7	2				
	<u>£32</u>	<u>9</u>	<u>1</u>		<u>£32</u>	<u>9</u>	<u>1</u>

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

<i>Dr.</i>	£	s.	d.	<i>Cr.</i>	£	s.	d.
Interest Account	17,302	1	1	Rents	33,663	8	0
Insurance and maintenance .. .	5,293	8	10				
Rates	4,290	13	7				
Depreciation Reserve .. .	2,670	13	9				
Management expenses .. .	2,289	11	6				
Gross profit to Profit and Loss Account ..	1,816	19	3				
	<u>£33,663</u>	<u>8</u>	<u>0</u>		<u>£33,663</u>	<u>8</u>	<u>0</u>

(E) REVENUE ACCOUNT.—RENTED PROPERTIES (NEW) ERECTED UNDER NEW HOUSING SCHEME.

<i>Dr.</i>				£	s.	d.	<i>Cr.</i>				£	s.	d.
Interest Account	..	..	..	..	1,054	6 11	Rents	..	..	..	..	4,270	19 9
Depreciation Reserve	..	..	..	..	702	17 8							
Maintenance Reserve	..	..	..	..	702	17 8							
Insurance Reserve	..	..	..	..	263	11 9							
Rates Reserve	..	..	..	..	913	14 9							
Vacant Tenancies Reserve	..	..	..	..	210	17 1							
Management expenses	..	..	..	..	422	13 11							
					<u>£4,270</u>	<u>19 9</u>						<u>£4,270</u>	<u>19 9</u>

(F) FACTORIES AND PLANT REVENUE ACCOUNT.

<i>Dr.</i>					£	s.	d.					£	s.	d.
Interest Account	..	..	..	..	..	584	15 0	Lease	..	..	..	..	5,700	0 0
Rates	..	..	..	..	..	77	3 6							
Rent	..	..	..	..	..	532	5 5							
Depreciation—														
Factories	..	..	..	..	1,421	0 4								
Plant	..	..	..	..	1,954	17 0								
						<u>3,375</u>	<u>17 4</u>							
Insurance	..	..	..	..	..	1,113	18 7							
Sundries	..	..	..	..	..	16	0 2							
						<u>£5,700</u>	<u>0 0</u>						<u>£5,700</u>	<u>0 0</u>

FACTORIES AND PLANT CAPITAL ACCOUNT AS AT 31ST MARCH, 1938.

	£	s.	d.	£	s.	d.	£	s.	d.		£	s.	d.
Factories—													
Auckland	..	13,897	13 2							Balance	..	..	46,517 13 0
Less depreciation		674	3 0										
				13,223	10 2								
Wellington	..	15,397	8 0										
Less depreciation		746	17 4										
				14,650	10 8								
						27,874	0 10						
Plant—													
Auckland	..	10,544	10 3										
Less depreciation		1,000	14 0										
				9,543	16 3								
Wellington	..	10,053	18 11										
Less depreciation		954	3 0										
				9,099	15 11								
						18,643	12 2						
						<u>£46,517</u>	<u>13 0</u>						<u>£46,517 13 0</u>
Balance	..	..	..	..	..	46,517	13 0						

CONSTRUCTION BRANCH.--CONSTRUCTION EXPENSES ACCOUNT AS AT 31ST MARCH, 1938.

	£	s.	d.		£	s.	d.
Interest during construction	4,483	14	3	Transfer to factories and plant .. .			
Interest on land purchased	2,053	17	3	Capital Account (31st March, 1937) .. .	746	0	0
Advertising	804	16	9	Balance	60,607	1	6
Light, heating, and cleaning	383	3	3				
Depreciation (furniture and motor-cars) .. .	236	11	11				
Plans and schedules	11,618	18	2				
Quantity surveying	549	16	1				
Valuation fees	220	3	1				
Postages and telegrams	239	1	6				
Printing and stationery	1,067	4	8				
Office maintenance	35	13	1				
Motor-vehicle maintenance	124	0	1				
Rent	1,252	2	8				
Salaries	30,572	1	7				
Telephones	256	3	6				
Travelling expenses	2,020	18	1				
Administration costs payable to State Advances Corporation	5,236	4	3				
Contingencies	507	11	4				
	£61,353	1	6		£61,353	1	6
	£	s.	d.				
Balance	60,607	1	6				

INTEREST ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1938.

<i>Dr.</i>	£	s.	d.	<i>Cr.</i>	£	s.	d.
Interest	33,735	1	1	Recouped from Revenue Accounts :—			
				(a) Properties sold under agreements for sale and purchase	5,082	16	10
				(b) Advances to local bodies	78	2	3
				(c) Advances under Part III. Housing Act, 1919	16	16	6
					£	s.	d.
				(d) Rented properties (old)	17,302	1	1
				(e) Rented properties (new)	1,054	6	11
					18,356	8	0
				(f) Factories and plant	584	15	0
				Interest during construction—			
				Preliminary expenses	184	0	0
				Land	2,247	16	5
				Dwelling construction	3,978	0	0
					6,409	16	5
				Profit and Loss	3,206	6	1
	£33,735	1	1		£33,735	1	1

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31ST MARCH, 1938.

<i>Dr.</i>	£	s.	d.	<i>Cr.</i>	£	s.	d.
Interest Account	3,206	6	1	Revenue Account : Rented properties	1,816	19	3
				Revenue : Properties sold under agreement for sale and purchase	1,304	1	5
				Revenue Account—			
				Local authorities	71	18	3
				Part III	13	7	2
	£3,206	6	1		£3,206	6	1
	£	s.	d.		£	s.	d.
Balance as at 31st March, 1937	73,397	5	0	Balance as at 31st March, 1938	73,397	5	0
	£73,397	5	0		£73,397	5	0
Balance	£73,397	5	0				

MANAGEMENT EXPENSES, YEAR ENDED 31ST MARCH, 1938.

<i>Dr.</i>	£	s.	d.	<i>Cr.</i>	£	s.	d.
Audit fees	50	0	0	Sundry fees	173	6	0
Commission	2,528	17	8	Balance transferred to Revenue Accounts—			
Advertising	44	5	8	Properties sold under sale and purchase agree-			
Administration costs	763	15	9	ments	488	0	10
Sundries	0	7	2	Advances to local bodies	11	8	7
				Advances under section III, Housing Act, 1919	2	5	5
				Rented properties (erected prior to 31st March,			
				1937)	2,289	11	6
				Rented properties (erected since 31st March, 1937)	422	13	11
	£3,387	6	3		£3,387	6	3

STATEMENT OF ASSETS AND LIABILITIES AS AT 31ST MARCH, 1938.

<i>Liabilities.</i>				<i>Assets.</i>			
	£	s.	d.		£	s.	d.
Loan liability	2,457,820	0	0	Principal owing under agreement			
Interest due and unpaid to				for sale and purchase ..	130,209	3	8
Treasury	34,417	3	9	Advances to local authorities ..	117,627	9	11
Interest accrued	17,888	4	7	Advances under Part III,			
	52,305	8	4	Housing Act, 1919 ..	4,600	0	0
Liability to Consolidated Fund in terms of					252,436	13	7
section 22, Finance Act, 1926	100	0	0	Instalments of principal overdue ..			
Liability to State Advances Account	2,455	19	6		7,269	14	4
Ex Discharged Soldiers Settlement Transfer					259,706	7	11
Reserve Account	4,590	19	3	Dwellings let	500,311	19	11
Sundry creditors	21,204	4	9	Freehold land	332,062	18	4
Deposits on contracts	25,089	4	9	Dwellings in course of erection or completed			
Insurance Fund	10,590	6	2	under new housing scheme	1,089,227	5	6
Sinking Fund Reserve	1,943	16	9	Factories and Plant Capital Account ..	46,517	13	0
Reserves on dwellings completed under new				Motor-vehicles	1,029	13	5
housing scheme—	£	s.	d.	Furniture and equipment	1,582	19	4
Depreciation Reserve	702	17	8	Construction Branch preliminary expenses ..	60,607	1	6
Maintenance Reserve	702	17	8	Sinking Fund investment held by Public Debt			
Insurance Reserve	263	11	9	Redemption Fund	*5,298	16	7
Rates Reserve	913	14	9	Insurance Fund investment (Government stock)	9,750	0	0
Vacant Tenancies Reserve	210	17	1	Sundry debtors	3,083	14	4
	2,793	18	11	Interest receivable—			
Depreciation Reserve: Dwellings let (erected				Overdue	6,499	19	2
prior to 31st March, 1937)	2,670	13	9	Accrued	135	5	4
					6,635	4	6
				Rentals receivable—			
				Overdue	6,895	10	7
				Postponed	1,996	2	0
					8,891	12	7
				Insurance premiums—			
				Receivable (overdue)	302	5	10
				Payable (paid in advance)	205	15	2
					508	1	0
				Realization Suspense Account	3,733	2	2
				Profit and Loss Account	73,397	5	0
				Cash in bank	179,220	17	1
	£2,581,564	12	2		£2,581,564	12	2

* This amount includes the sum of £3,354 19s. 10d. paid into the Sinking Fund in accordance with the Public Debt Extinction Act, 1910.

R. ROBERTSON, Chief Accountant.

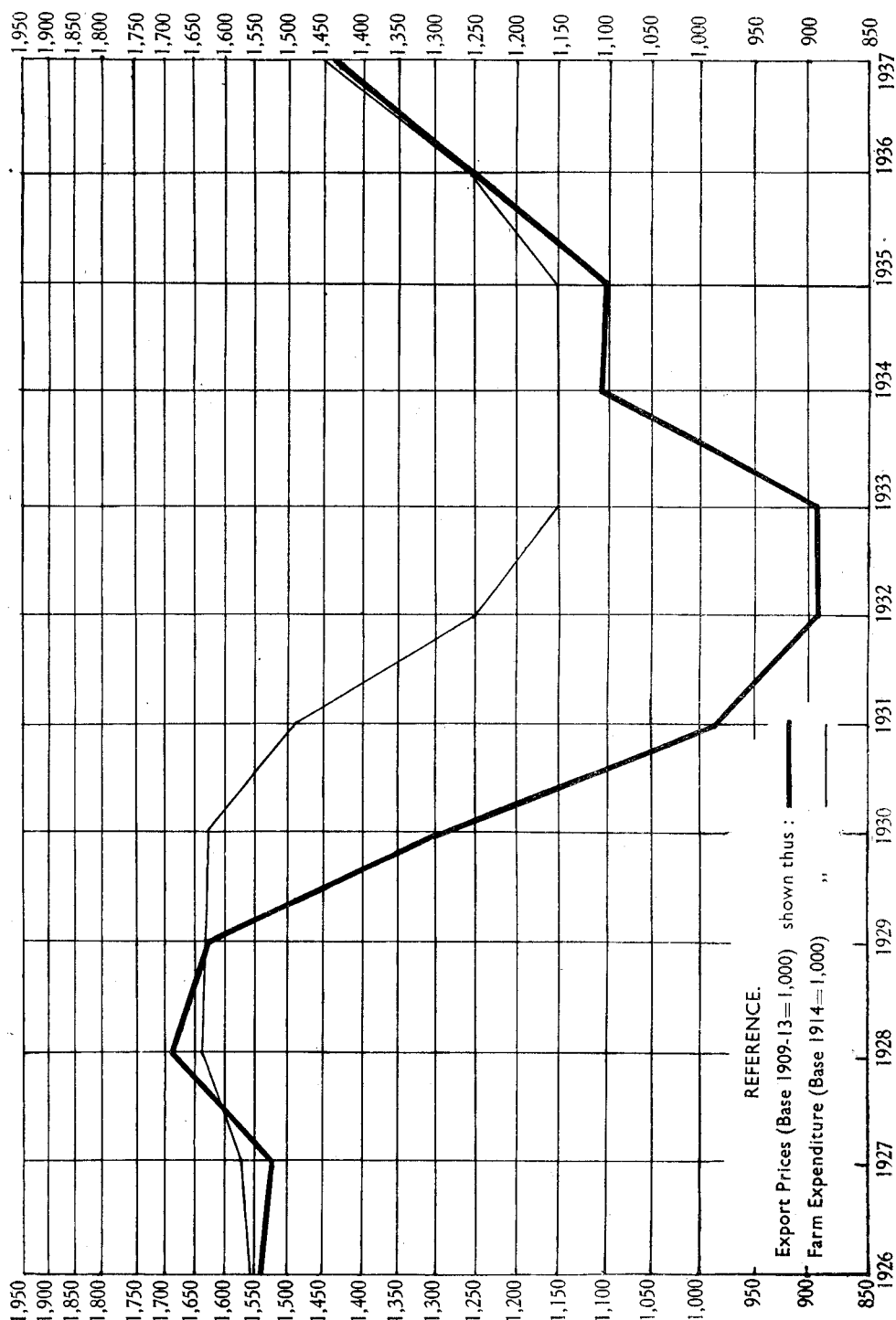
A. D. PARK F.I.A.N.Z., F.R.A.N.Z. } Joint Managing Directors.
T. N. SMALLWOOD }

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

GRAPH OF INDEX NUMBERS OF EXPORT PRICES AND FARM EXPENDITURE.

On semi-logarithmic scale.

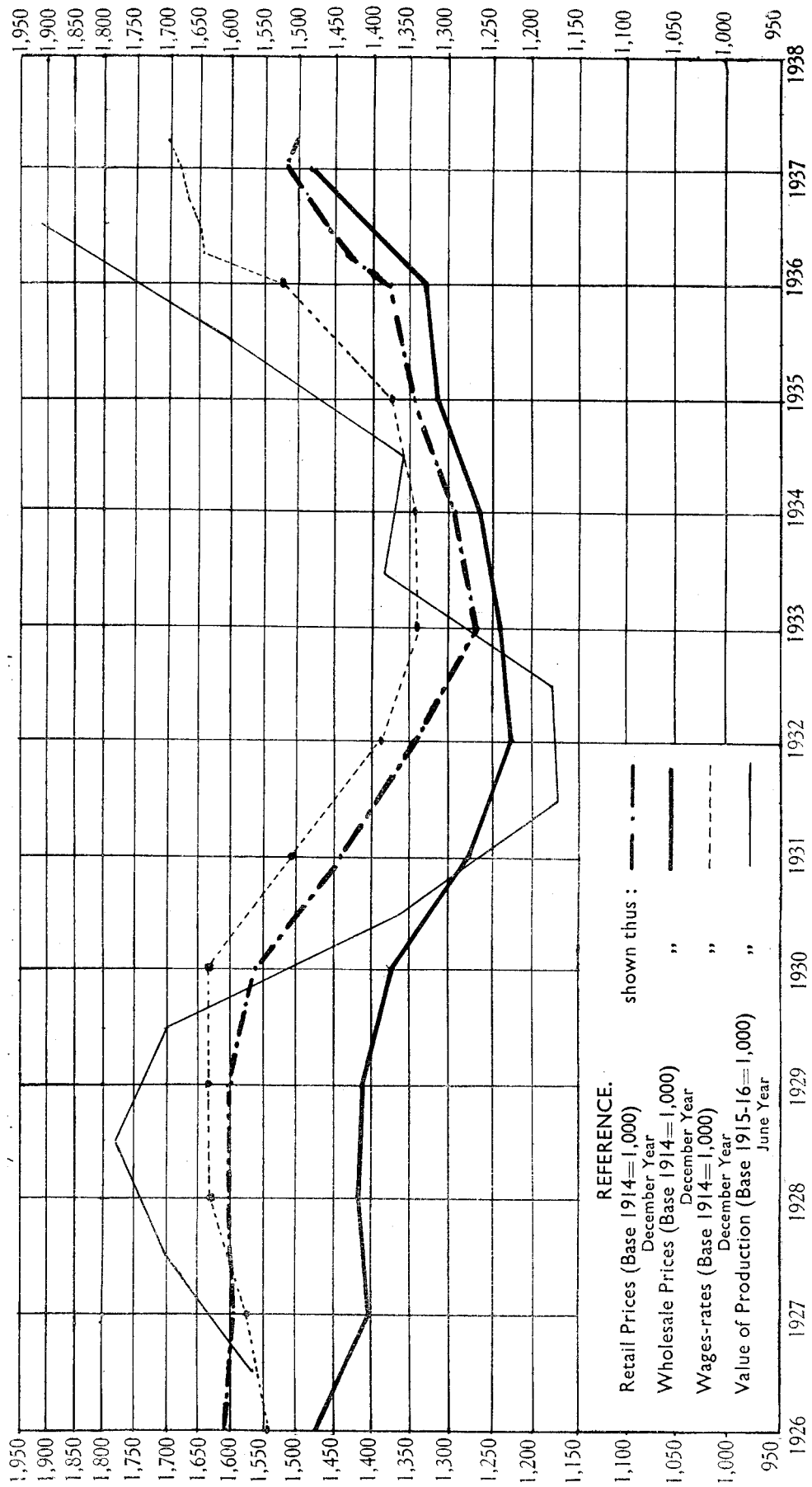
(Figures from *Monthly Abstract of Statistics* or from Government Statistician.)



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

On semi-logarithmic scale.

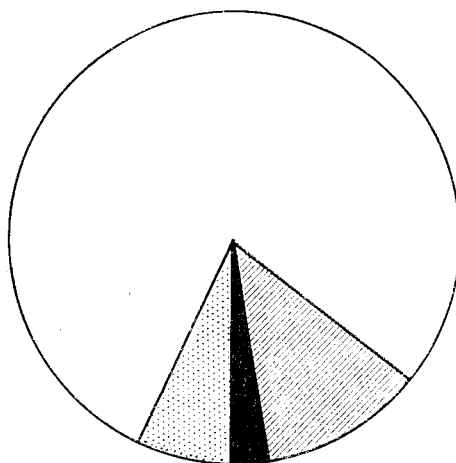
(Figures from Government Statistician.)



MORTGAGE REGISTRATIONS AT VARIOUS RATES OF INTEREST.

1.

July, 1935.



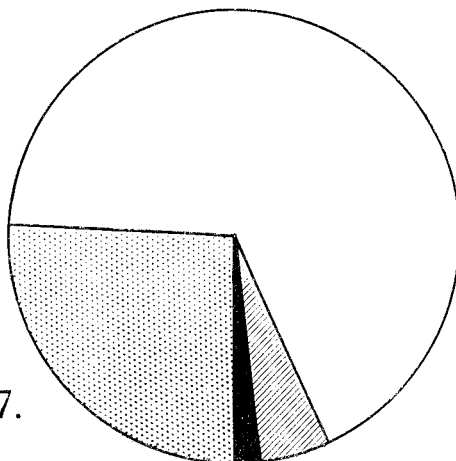
REFERENCE.

Not exceeding $4\frac{1}{8}\%$ — 6·8% shown thus :
 Over $4\frac{1}{8}\%$ but not exceeding 5% — 78·8%
 Over 5% but not exceeding 6% — 11·8%
 Over 6% — 2·6%



2.

March, 1937.



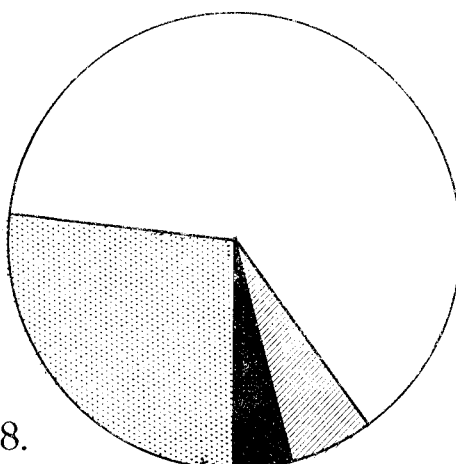
REFERENCE.

Not exceeding $4\frac{1}{8}\%$ — 25·7% shown thus :
 Over $4\frac{1}{8}\%$ but not exceeding 5% — 67·8%
 Over 5% but not exceeding 6% — 5·0%
 Over 6% — 1·5%



3.

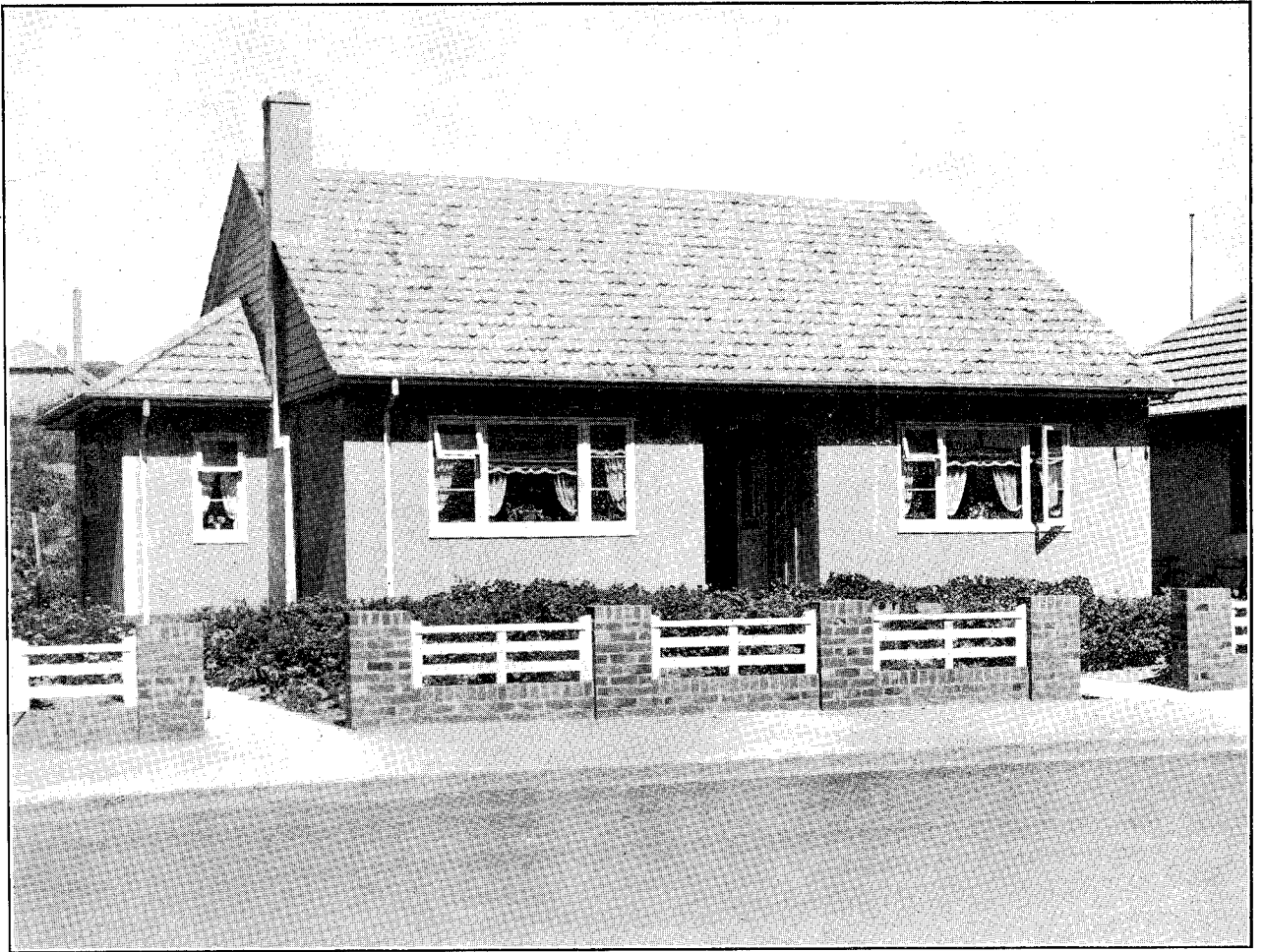
March, 1938.



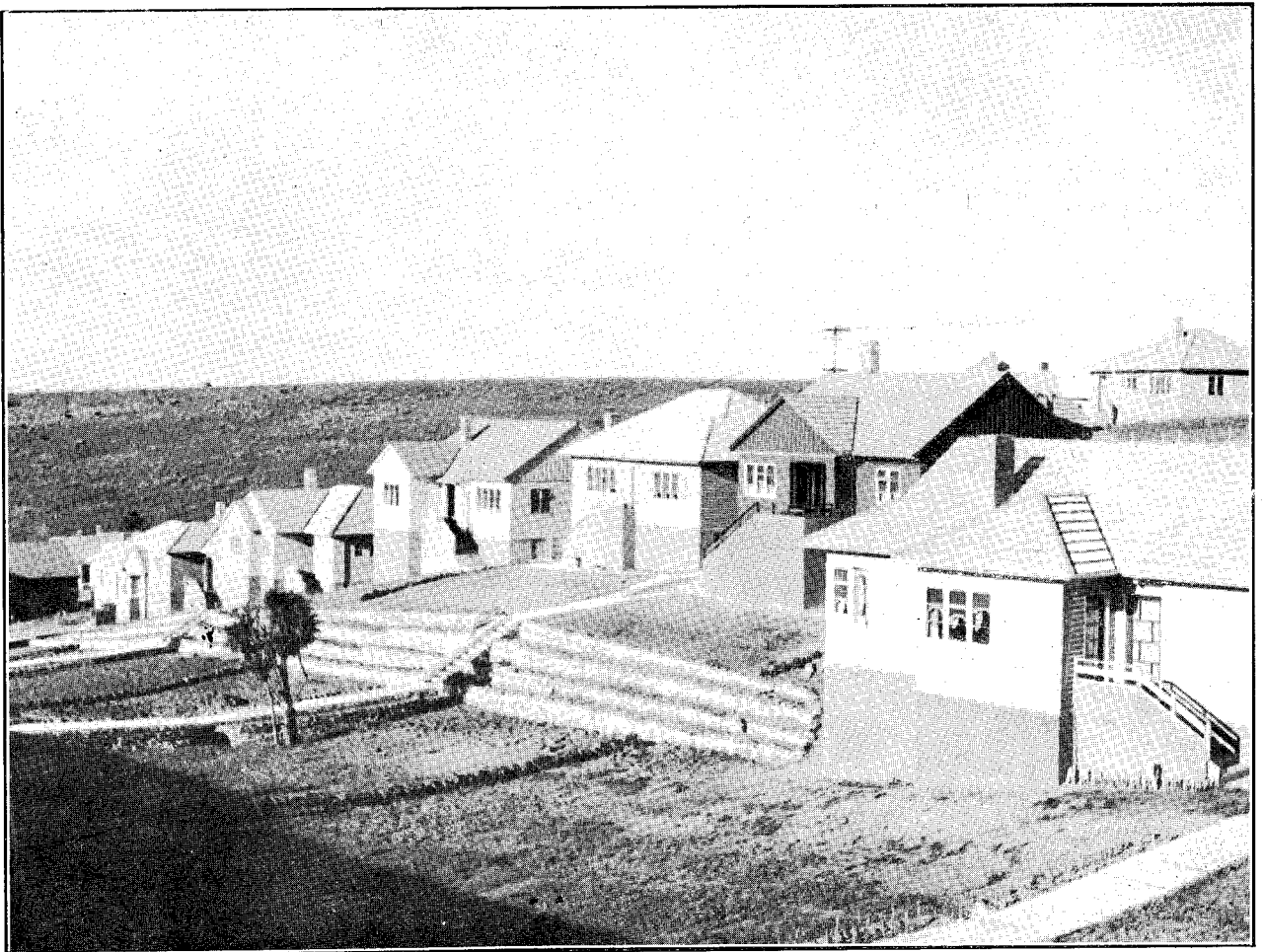
REFERENCE.

Not exceeding $4\frac{1}{8}\%$ — 26·8% shown thus :
 Over $4\frac{1}{8}\%$ but not exceeding 5% — 63·1%
 Over 5% but not exceeding 6% — 6·0%
 Over 6% — 4·1%

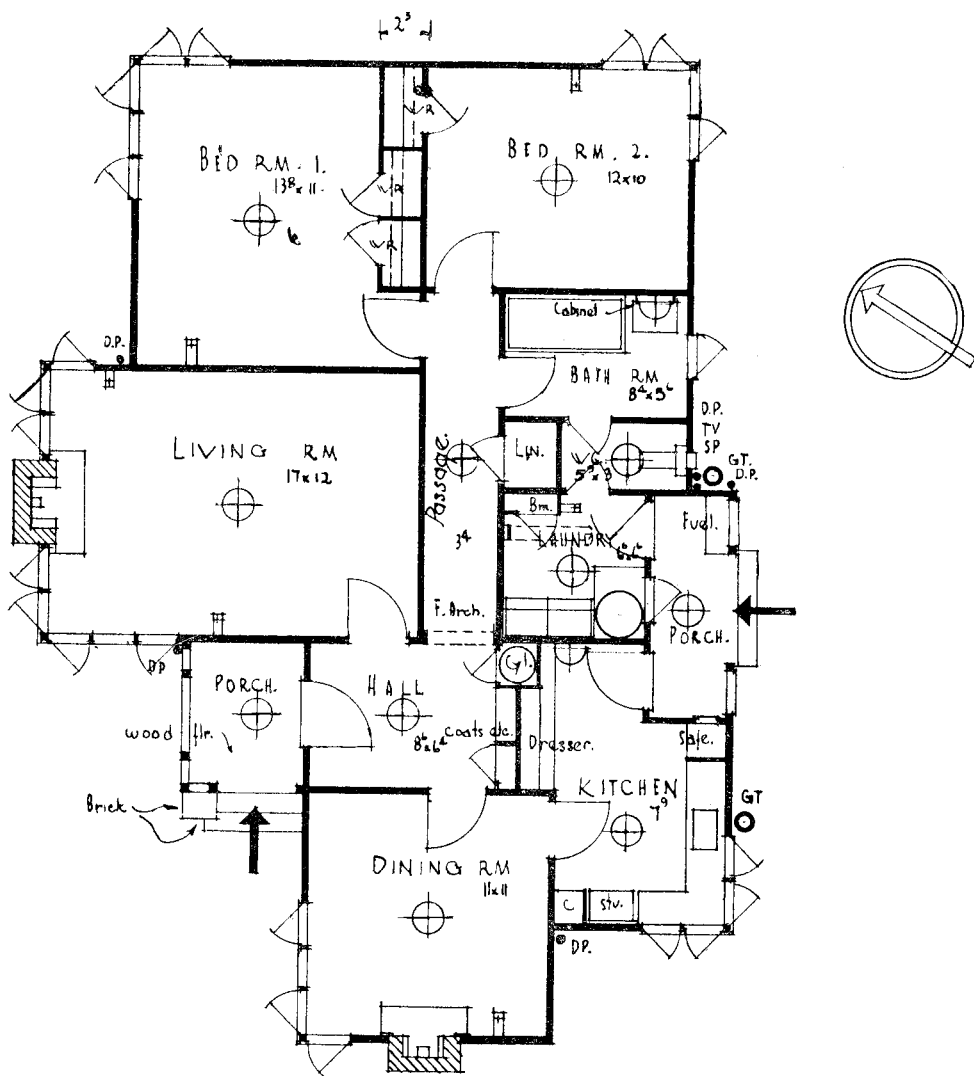
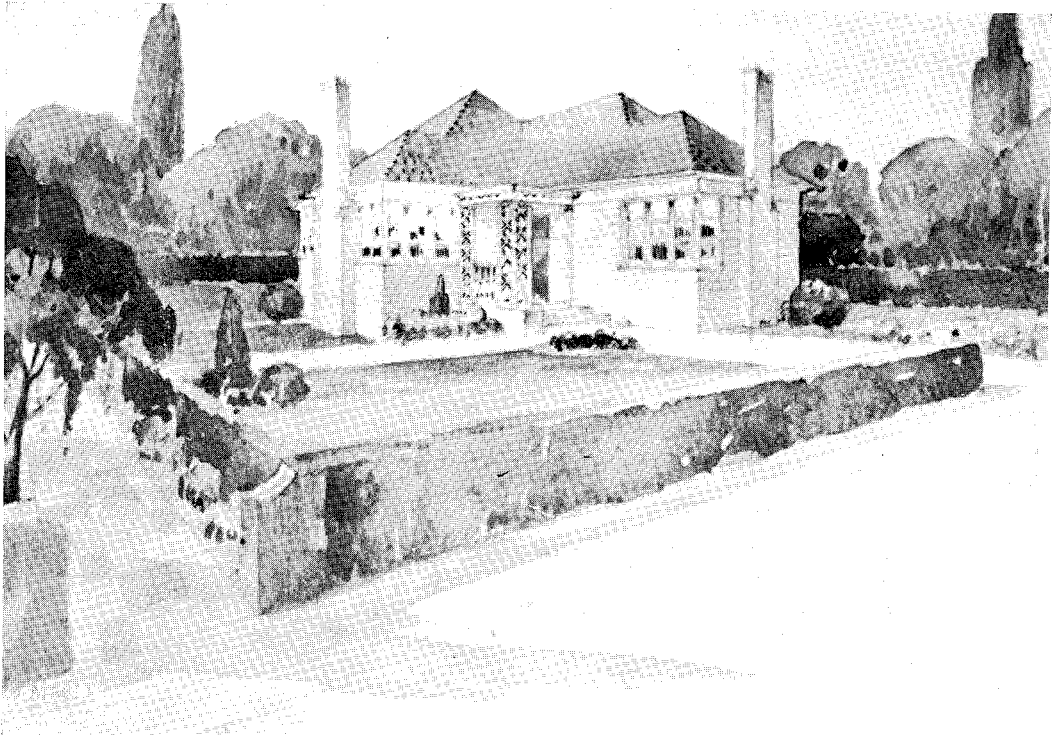




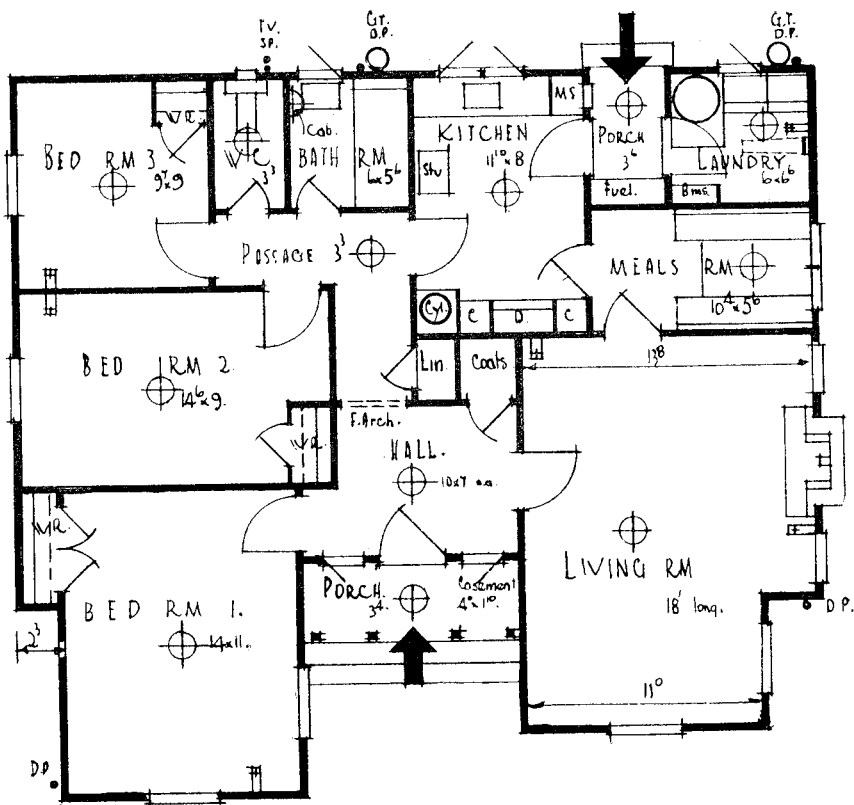
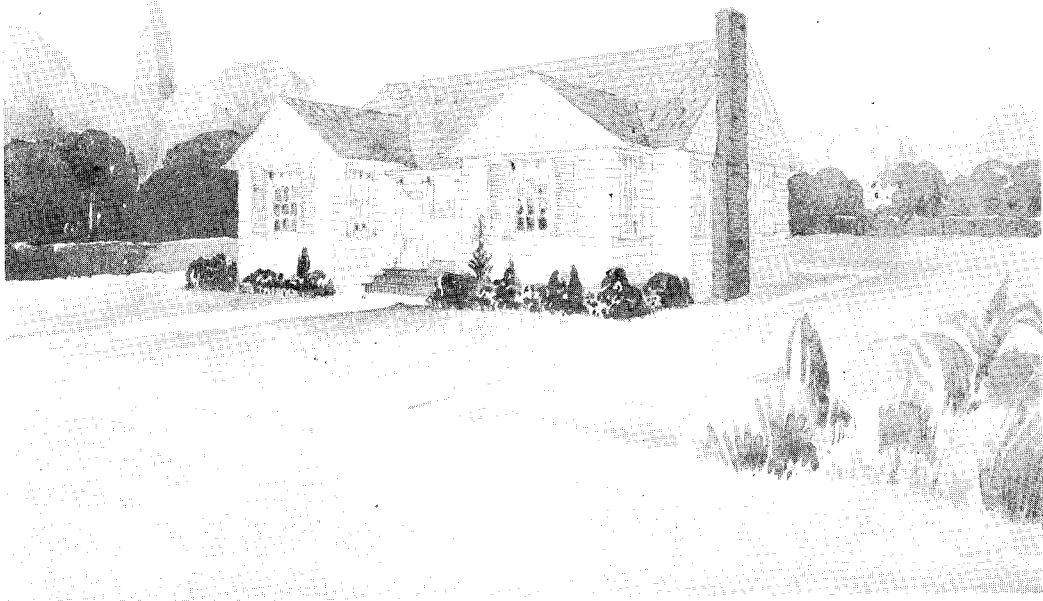
SINGLE HOUSE UNIT ERECTED UNDER DIRECTION OF HOUSING CONSTRUCTION DEPARTMENT.



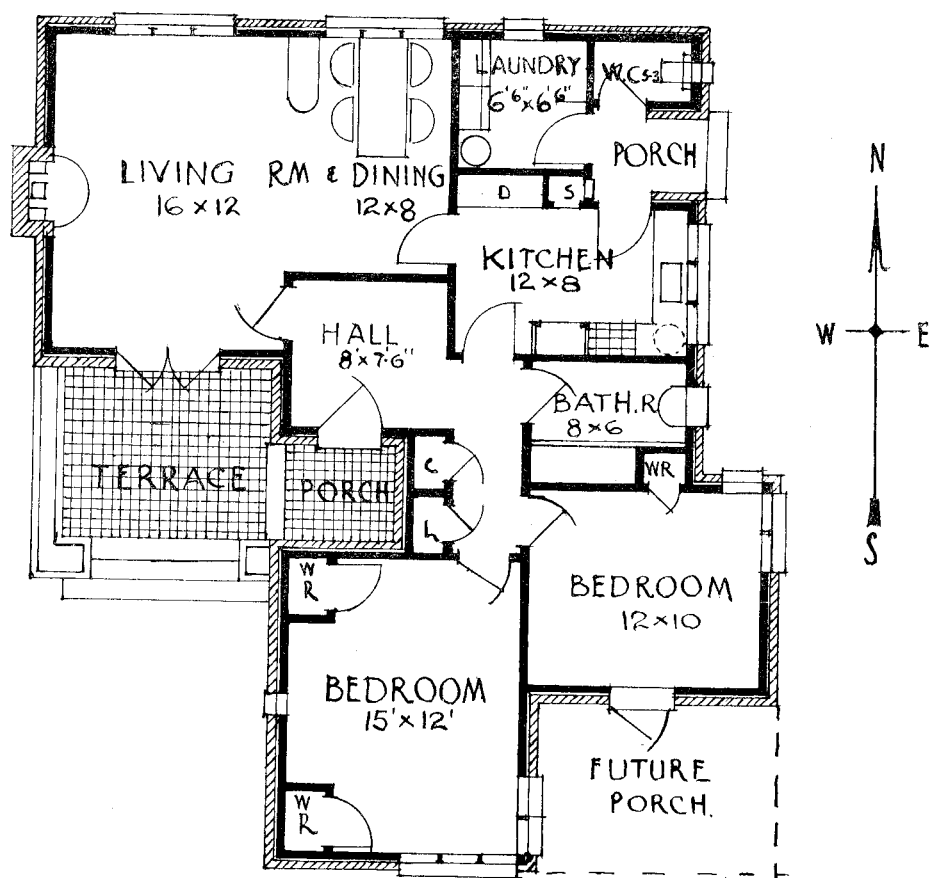
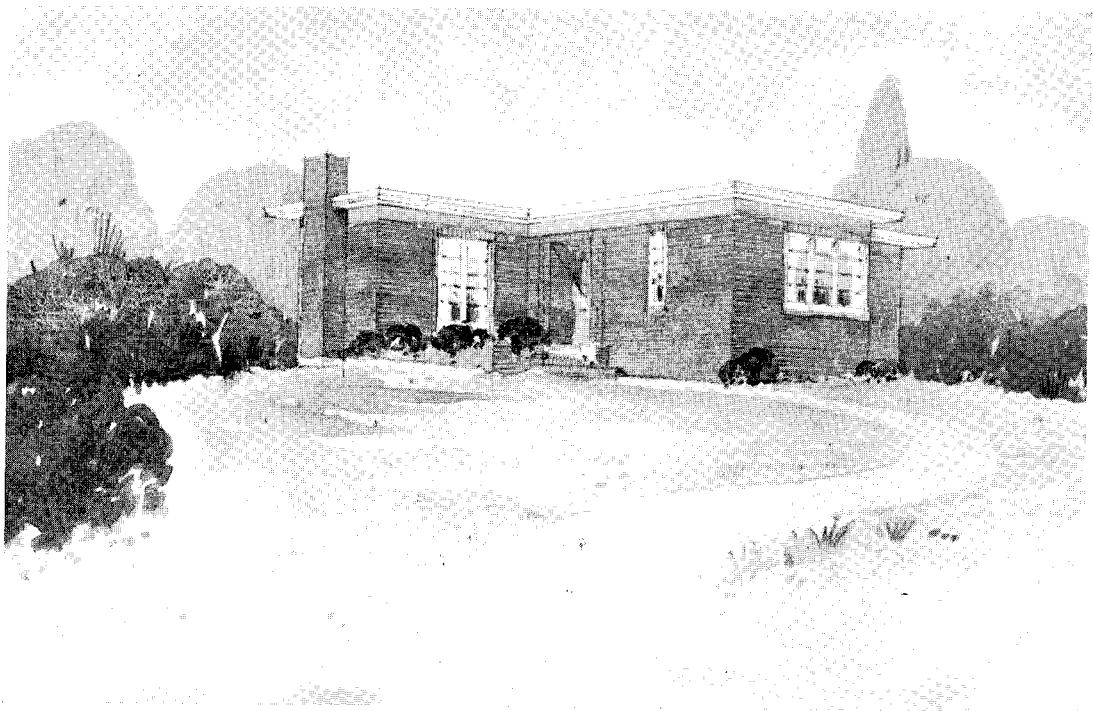
STATE RENTAL HOUSES RECENTLY COMPLETED AT ORAKEI, AUCKLAND.



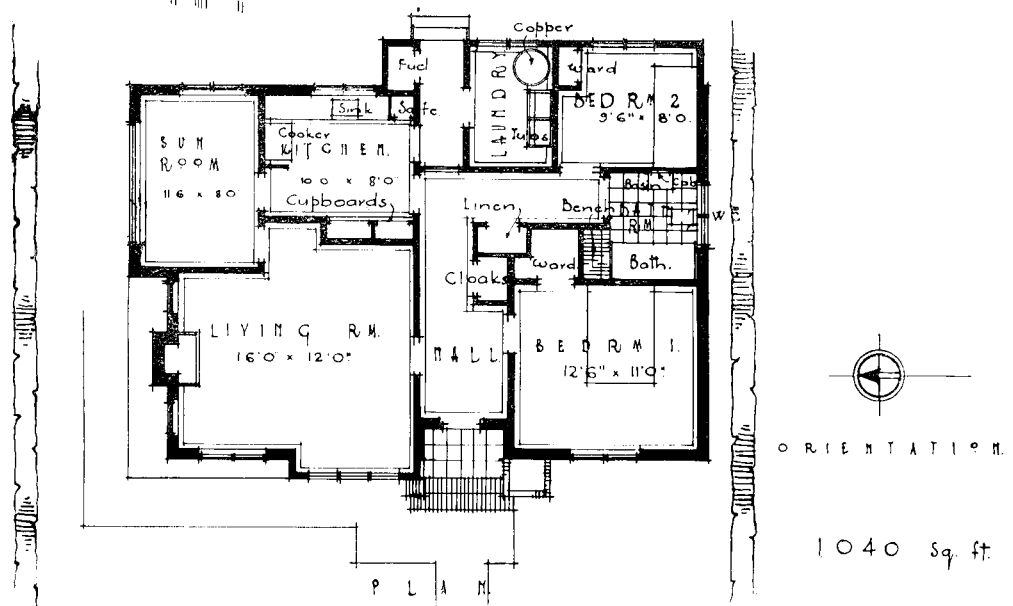
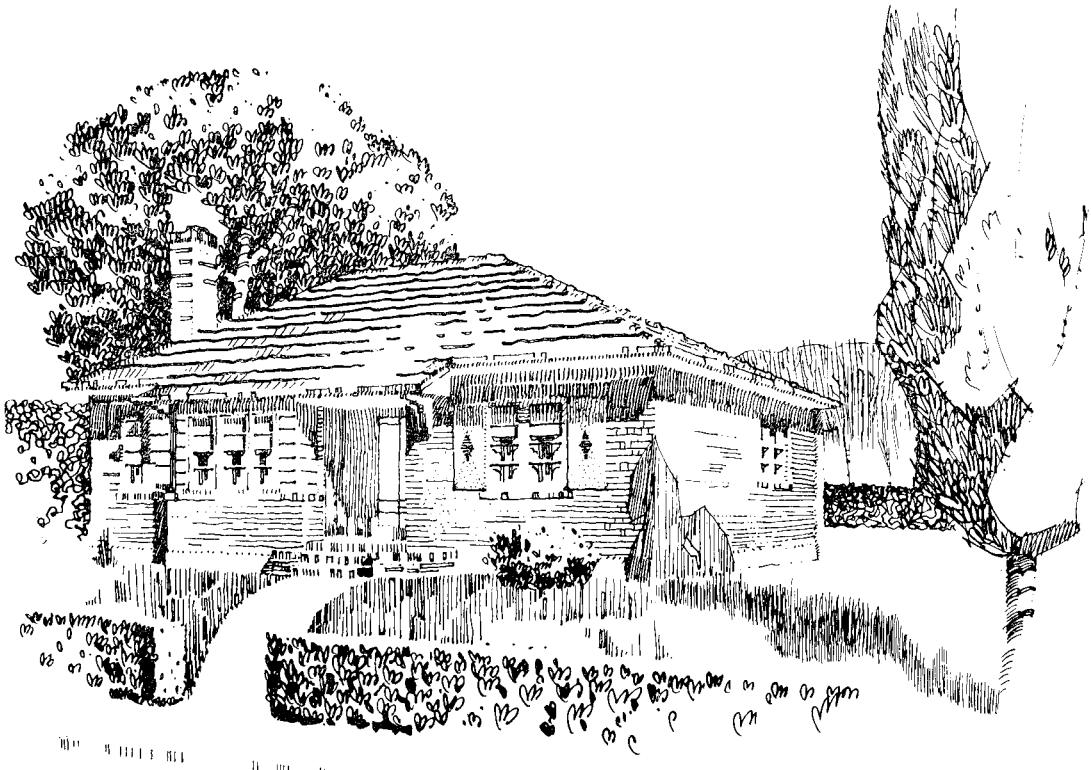
STATE ADVANCES CORPORATION PLAN SCHEME—DESIGN NO. 7 T.



STATE ADVANCES CORPORATION PLAN SCHEME—DESIGN No. 14 T.



PLAN
1096 SQ FT



STATE ADVANCES CORPORATION PLAN SCHEME—DESIGN NO. 631 B.



AERIAL PHOTOGRAPH OF GROUP OF STATE RENTAL HOUSES AT SPREYDON, CHRISTCHURCH.

BRANCH OFFICES :

Branch.				Managers.
Auckland	..	..	..	C. G. S. ELLIS and 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.
Hamilton	..	..	..	D. GRANT.
Gisborne	..	..	..	M. ALDRED.
Palmerston North	..	..	..	J. B. BOYS.
Wanganui	..	..	..	F. R. CHITTEY.
Blenheim	..	..	..	J. MCKNIGHT.

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