

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

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

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

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

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

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

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

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

* Stock issued as at 31st March, 1939.