

make a thorough investigation with a view to submitting a comprehensive report on the activities of certain timber pests which local investigations had disclosed. Discussions with the Australian expert disclosed that, apart from the insects which are common to New Zealand and which to the layman are all classified under the heading of "borer," there is evidence that Australian termites—both timber and soil-dwelling varieties—have become established in the northern districts of New Zealand, and the evidence that has been submitted in regard to the destruction of wooden buildings, both in Australia and New Zealand, by these pests, emphasizes the necessity for drastic methods in combating and eradicating them. In certain parts of the Dominion there is a growing tendency to adopt permanent materials, such as brick and concrete, in preference to timber for residential buildings. In view, however, of our national assets in the form of timber forests it is the considered opinion of this Corporation that to ensure a long-term-utility life to wooden buildings and to maintain the confidence of lending institutions in this type of security an active programme of scientific drying and pretreatment of timber by producing and distributing interests is essential. With a view to coping with the Australian soil-dwelling termites, the Corporation has adopted for future loans, in certain areas, a condition providing for complete capping of all foundations.

MORTGAGORS AND LESSEES REHABILITATION ACT, 1936.

The losses written off by the Corporation following adjustments made by the Court of Review and Commissions appointed under the above-mentioned Act were approximately as under :—

	£
Principal written off	1,106,965
Arrears of interest written off	625,878
Amount transferred to adjustable debts	32,945
Total	<u>£1,765,788</u>

It will be understood, of course, that the adjustable debts, £32,945, although not now secured under the Corporation's mortgage, are repayable in terms of the Order made by the Commission or Court of Review, and it is anticipated that the bulk of this sum will ultimately be recovered, thus reducing the Corporation's loss to £1,732,843.

SOLDIERS' FINANCIAL ASSISTANCE BOARD.

In January, 1940, the Government appointed a Board consisting of seven members to administer funds to be made available for the assistance of men enlisting for overseas service, who are unable to meet essential commitments from their own resources, and the Corporation is represented on this Board by one of its Joint Managing Directors, who is also Chairman. It was arranged with the Government that the clerical and investigation work in connection with the applications received from soldiers or their dependants should be undertaken by the staff of the Head Office and Branches of the Corporation. By utilizing the services of this organization it was possible for the Board to commence its operations without delay, and some hundreds of applications have already been dealt with.

REVENUE ACCOUNTS AND BALANCE-SHEET.

The revenue accounts and balance-sheet for the year ended 31st March, 1940, are submitted in the usual form, and, although there is no substantial change in the position since the close of the previous financial year, some explanation of the major items will no doubt be of interest. The majority of the mortgage accounts under administration have been subject to some adjustment during the last three or four years—firstly, under the provisions of section 39 of the State Advances Corporation Act, which provided for a reduction of interest to $4\frac{1}{8}$ per cent. net on certain conditions, and, secondly, in terms of the Mortgagors and Lessees Rehabilitation Act, under which the Court authorized reductions in principal and interest under various mortgages and the revenue derived from the Corporation's investments has been affected by both these factors.