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, D. Barnes } Directors.

Revenue Accounts for Year ended 31st March, 1942.

Interest Account.

Dr.	£	*Cr.*	£	£
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
	£2,282,091			£2,282,091

Profit and Loss Account.

Dr.	£	*Cr.*	£	£
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		5
	£619,769			£619,769

Profit and Loss Appropriation Account.

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

Balance-sheet as at 31st March, 1942.

Liabilities.	£	£	*Assets.*	£	£
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				1,504,294
		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				
		255,429			
		£56,313,791			£56,313,791

R. Robertson, Chief Accountant.

A. D. Park, F.I.A.N.Z., F.R.A.N.Z., T. N. Smallwood } Managing Directors.

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, G. D. Stewart, Public Accountant } Auditors.

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