I am pleased to record that the branch organization is now nearing completion. The scope of the offices at Auckland, Wellington, and Christchurch has been extended, and additional branches have been established at Napier, New Plymouth, Nelson. Dunedin, and Invercargill to cope with the work. Sub-offices at Gisborne and Blenheim have also been opened, and arrangements are now in train for the opening of further sub-offices at Whangarei, Hamilton, Wanganui, and Palmerston North.

The organization of these offices with the attendant problems of office accommodation—very real in most cases—staffing and equipment has thrown a considerable burden of work upon the Head Office staff, which has been depleted through the transfer of officers to branches without any immediate diminution in administration work. The Board was, however, fortunate in being able to arrange for the transfer of experienced officers from the Lands Department concurrently with the transfer of the mortgage assets, and the ready co-operation and assistance rendered by the Under-Secretary for Lands in this matter is freely acknowledged.

11. *Transfer of Discharged Soldiers Settlement Mortgages.*—Provision was made in section 36 of the State Advances Corporation Act, 1934–35, for the transfer to the Corporation of mortgages vested in the Crown in respect of advances made to discharged soldiers or other persons under the authority of the Discharged Soldiers Settlement Act, 1915, and amendments, but for various reasons the actual transfer of these mortgages was not taken in hand when the Corporation was first constituted. In the meantime arrangements were proceeding for the recruitment of a field staff and for the establishment of branch offices in anticipation of the taking over of the mortgage assets from the Lands Department. An Order in Council was issued on the 5th August, 1936, providing for the transfer of the mortgages district by district commencing on the 30th September, 1936. The transfer was finally arranged for the respective districts on the following dates:—

Land District.	Date of Transfer.
Wellington	30th September, 1936.
Canterbury	31st October, 1936.
Hawke's Bay and Gisborne	31st October, 1936.
Taranaki	30th November, 1936.
Auckland and North Auckland	31st January, 1937.
Southland	28th February, 1937.
Otago	28th February, 1937.
Nelson, Marlborough, and Westland	31st March, 1937.

The transfer of mortgage assets to the net book value of £11,524,905 8s. 8d. has been completed according to schedule. Details showing how the amount is made up are quoted hereunder:—

Assets.	£ s. d.	£ s. d.
Investments—		
Mortgage loans	9,562,060 4 5	
Current accounts	1,506,814 7 10	
		11,068,874 12 3
Interest receivable—		
Overdue	329,573 5 2	
Accrued	75,757 11 3	
		405,330 16 5
Interest Postponed Account	..	49,247 16 0
Security Protection Account	..	3,677 1 4
Realization suspense	..	849 15 10
		11,527,980 1 10
Less liabilities—		
Fire-loss moneys held in suspense	1,536 4 5	
Credits held in Suspense	1,538 8 9	
		3,074 13 2
Net book value of assets transferred to Corporation		£11,524,905 8 8

Immediately after the transfer the Board gave consideration to the basis upon which these assets should be taken over—that is, the amount of stock which should be issued to the Minister of Finance as consideration for the mortgages and the amount which should be carried to the Contingent Liability Account of the Corporation to the Crown. In dealing with this the Board took into consideration the system followed when the mortgage assets of the State Advances Office were transferred to the Corporation. In neither case was it possible for revaluation of individual securities