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 Mortgagors 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.