

GENERAL.

The past year has been one of anxiety from the continued want of rain and consequent scarcity of pasture. Prices for fat stock have also been very low, and our profits thereby affected.

The wool market has suffered very serious decline, especially in respect of coarse crossbreds, but I am in hopes that values will improve later on. Changes of fashion affecting consumption of special products, such as wool, are apt to have severer effect on such produce at the first than is warranted, and recovery to a greater or less degree usually ensues.

During the year we have been successful in the part we have taken as to reducing charges of various descriptions which are so seriously felt whilst prices for our products are so very low.

The prospect of the land market is none too encouraging. Whilst there is good demand in the South for wheat-growing land, we have but very little of this class of country. For the greater portion of our country assets, which consist of medium pastoral land, there is not great demand in large blocks. Small settlers are, however, taking advantage of the Land for Settlements Act, which offers advantages to farmers and men of limited capital which we as a realising company cannot emulate.

TAXATION.

We have paid land- and income-tax for 1897-98, £9,925 17s. 11d., assessed as follows :—

Land-tax on debentures to the amount of improved value of land,	£	s.	d.
£969,133 at 1d.	4,038	1	1
Graduated tax on £606,067	5,050	11	2
Joint interest, &c.	46	6	8
Income-tax on interest of debentures to the value of £451,986 =			
£15,819 at 1d.	790	19	0
	£9,925	17	11
Amount paid 1896-97 through Estates Company	7,130	0	0
Excess for 1897-98	£2,795	17	11

The unimproved value of our land is £606,067, and we should only be called on to pay ordinary and graduated tax on this unimproved value of our land, *plus* mortgages, and not be charged at all on debentures. On this basis for the above period we would have been assessed as follows :—

Ordinary tax on land	£606,067	s.	d.
" mortgages	32,056		
	£638,123 at 1d. =	2,658	16 11
Graduated tax on £606,067 at 2d.	5,050	11	2
	£7,709	8	1

which is some £500 or £600 in excess of the amount paid by the Board through the Estates Company for 1896-97—viz., £7,130—but for this period certain concessions under the hardship clauses of the Act were granted to the Estates Company in respect of its debentures, which reduced the assessment.

Under the Land- and Income-tax Act we could be assessed for the full amount of our outstanding debentures, but the Commissioner decided to only assess us on so much of the debenture-money as was used by the bank to retire outstanding debentures of the Estates Company and Auckland Agricultural Company. This was approximately £1,011,000, but owing to a misconception on the part of the department the amount was estimated for 1896-97 at £1,421,000. Even at the less sum we should pay in excess of our liability if assessed on our land only as set out above.

I take it that the intention of the Legislature in passing the Act of 1895 was to give relief to the bank, as provision was made that no stamp duty should be chargeable on transfers of properties from the Estates Company. I should therefore assume that the imposition of increased taxation under the financial clauses of the Act is decidedly in opposition to the spirit of the intentions of the Legislature, if not of the letter of the Act itself.

Under the present system of taxing debentures the disposal of our properties does not relieve us except to a limited extent. If we sell a property, say, for cash, we are relieved from land-tax on the taxable value of such property, but we are assessed for income-tax on the interest of a similar sum.

I therefore consider that the Government should be approached with a view to fixing our limit of taxation on the unimproved value of our land and mortgages and exempting our debentures altogether from taxation; also as to refunding amount paid in excess of what we should have paid on this basis for 1897-98.

Another point that tells against us in paying on debentures is that our land is assessed as mortgaged land and the land-tax calculated on the improved value, instead of the unimproved value.