

to be undertaken. In dealing with discharged soldiers settlement mortgages detailed statements were prepared showing the classes of mortgages and an estimate of the value of the securities at the date of the advance and at the time of taking over. In this respect the same formula was followed as was accepted by the then Minister of Finance in connection with the issue of stock in respect of mortgage assets transferred from the State Advances Office, with this exception, that the whole of the discharged soldiers settlement mortgages were deemed by the Board to have been made on the basis of 90 per cent. of the then value of the securities. Mortgages were classified into two broad headings—those in arrears and those where instalments were paid up to date. With this information before it the Board was able to estimate the provision that would be required for contingencies in respect of the capital sum secured by the mortgages, and came to the conclusion that a Contingent Liability Account should be created in respect of principal.

Arrears of interest and postponed interest outstanding in respect of mortgages at the respective dates of transfer amounted to £378,821, and the Board, following the precedent previously established in connection with the transfer of State Advances mortgages, considered that the whole of this amount should be carried to the Contingent Liability Account, and that 20 per cent. of the interest accrued as at the date of transfer but not then due should also be carried to the Contingent Liability Account, this amount being £15,151. Summarized, therefore, the contingent liability of the Corporation to the Government in respect of capital and interest was as follows:—

In respect of—							£	s.	d.
Capital	..	..	..	..	..	..	2,367,155	0	0
Overdue interest	..	..	..	..	..	..	329,573	0	0
Postponed interest	..	..	..	..	..	..	49,248	0	0
20 per cent. of interest accrued but not due	..	..	..	..	..	..	15,151	0	0
Security protection payments	..	..	..	..	..	..	3,677	1	4
Realization Suspense Account	..	..	..	..	..	..	849	15	10
Total	..	..	..	..	..	..	£2,765,653	17	2

On the above basis the final position might be resolved as follows:—

	£	s.	d.	£	s.	d.
Net assets transferred	..	..	..	11,524,905	8	8
Contingent liability to Government	..	2,765,653	17 2	..		
Amount of stock issue	..	..	..	8,759,251	11	6
				11,524,905	8	8

It was considered, however, that the stock to be issued to the Crown should be adjusted to the nearest multiple of £10,000, so that the final position would then be—

	£	s.	d.
Stock Issue	8,760,000	0	0
Contingent Liability Account	2,764,905	8	8
Total	£11,524,905	8	8

This basis was agreed to by the Minister of Finance, having regard to the provisions of the Act for subsequent adjustments if necessary, and stock to the value of £8,760,000 was issued to the Minister on behalf of the Crown. This stock carries interest at $3\frac{3}{8}$ per cent., and the maturity dates and the amounts of the inscriptions are as follows:—

	£
1st August, 1960	1,260,000
1st August, 1963	1,500,000
1st August, 1966	1,500,000
1st August, 1969	1,500,000
1st August, 1972	1,500,000
1st August, 1975	1,500,000
	<u>£8,760,000</u>

It should be stated in conclusion that the rate of interest on the stock issued as above was determined by section 38 (b) of the State Advances Corporation Act, 1934–35, at the same rate of interest as the first issue of debentures and stock to the public.