

been given by the postponement of payment of principal instalments, thus enabling the mortgagor to spend an equivalent sum on the security. The Board feels, however, there should not now be the same necessity to assist mortgagors, who should rather be encouraged to undertake the necessary expenditure from their own resources.

22. Revenue Accounts.—The accounts disclose a gross revenue from all sources for the year of £1,983,513, from which must be deducted £1,236,282 in respect of interest charges, leaving a gross profit of £747,231. The total charge for management expenses under all headings is £129,882, and additional provision has been made to the extent of £72,500 in respect of overdue interest on mortgages transferred to the Corporation. Provision has been made by way of reserve for losses on new business of £10,000, which should be sufficient to cover any contingencies likely to arise. After taking into account the above charges the net profit is £534,849.

Turning now to the Profit and Loss Appropriation Account, dividends to shareholders to the extent of £4,558 are provided for, this being the accrued dividend up to the date of acquisition of the share capital by the Government. A provision of £20,000 for Investment Fluctuation Reserve has also been made, while there is a charge of £58,020 representing additional provision for income-tax for the period ended 31st March, 1936, making the total income-tax for that period £163,020.

On the credit side of the Appropriation Account the sum of £14,748 has been taken into account in respect of Superannuation Reserve provided for in 1935–36, but not now required, in view of the alteration in the status of the staff who are now contributors to the Public Service Superannuation Fund.

The surplus available for the year under review to meet income-tax and to cover a return to the Crown on the Contingent Liability Account is thus £467,020. This surplus, the whole of which is payable to the Crown either as income-tax or as a return on the Contingent Liability Account, converted into a percentage on the Contingent Liability Account and the Capital Account as at the 31st March, 1937, represents 3·672 per cent., which is satisfactory, but it is pointed out that the interest reduction under section 39 is not yet fully reflected in the Revenue Account.

23. Balance-sheet.—On the liabilities side of the balance-sheet the stock and debentures have increased by £8,780,000, representing stock issued to the Minister of Finance in respect of discharged soldiers settlement mortgages and further State Advances mortgages transferred to the Corporation, and by £563,280 as a result of the new issue of stock and debentures. Redemptions of stock and debentures during the year amounted to £6,700, leaving the total figure now standing at £39,774,500.

The contingent liability to the Crown has been increased by the sum of £72,500, representing the further provision made in respect of overdue interest, and by £2,766,493 in respect of discharged soldiers settlement mortgages, and the balance of State Advances mortgages transferred to the Corporation during the year, while ascertained losses amounting to £50,785 on transferred mortgages have been written off against the account. The total contingent liability now stands at £11,715,730.

I would like to repeat the statement made by my predecessor in connection with the accounts for 1936—namely, that this should not be regarded as an estimate of probable losses but as prudent provision for contingencies. As soon as a complete stocktaking of the mortgage assets held by the Corporation is possible, it will probably be found that a substantial proportion of the Contingent Liability Account can be regarded as good.

Individual reserves for losses on investments and in respect of investment fluctuation have increased to £45,000, bringing the total of reserves to the substantial sum of £3,299,300.

On the assets side of the balance-sheet the figures now reflect the transfer of discharged soldiers settlement mortgages to the Corporation, these being fully guaranteed by the Government, as were also the mortgages transferred from the State Advances Office. It will be noted that advances on current account now stand at the sum of £1,409,868, this amount being for the most part in respect of current account advances under the Discharged Soldiers Settlement Act, requiring careful administration.