

amount is payable to the Crown virtually as a dividend on the amount of the Contingent Liability Account. An interim payment of £75,000 on account of profits was paid to the Treasury on 31st March, 1936, in terms of the statute, but this, of course, forms part of the sum of £217,996.

Turning now to the balance-sheet, the liabilities do not call for special comment, except perhaps the Contingent Liability Account. This has been increased by £57,000 referred to above, while ascertained losses totalling £13,284 have been written off against the Fund. A comparatively small amount of £5,000 has been set aside as a reserve for losses of interest on new loans, but the Board does not feel much apprehension on this account, as our new business has been carefully selected. It is prudent, however, to establish some reserve, and as new business grows no doubt this reserve will be further built up.

As regards the assets, the mortgages taken over from the State Advances Office are, of course, fully guaranteed by the Government, and the same applies to salvage advances made in respect of these mortgage accounts by the Corporation. Special reserves for these beyond the Contingent Liability Account are therefore not deemed necessary. It may be thought that the Contingent Liability Account of £8,927,521 represents probably losses, but this does not necessarily follow. With careful nursing and efficient supervision a fair proportion of this account can be made good, particularly in view of the improvement in export prices and the general improvement in economic conditions.

The capital outstanding on mortgage accounts is £37,185,034. The average loan on residential securities is £564, and on rural securities £1,150.

Government and local-body securities stand at £3,014,391, representing principally investments of the Reserve Fund. All these securities are quite satisfactory.

The cash position is also satisfactory, but with the demand which now exists for new loans further capital may be required within the next few months.

The following tabulated statement of profits and percentages may be of interest :—

MORTGAGE CORPORATION OF NEW ZEALAND.
Profits and Percentages.

Disposition and Appropriation of Profits to 31st March, 1936.	Percentage per Annum of Stock Issue plus Capital.	Percentage of Gross Earnings.	Percentage of Gross Profits.
£			
Gross earnings (eight months) .. 1,165,261	1. 5·696 (£5 13s. 11d.)	(100·00)	..
Less capital charges—Interest 673,343	2. 3·291 (£3 5s. 10d.)	(57·785)	..
Gross profits 491,918	3. 2·404 (£2 8s. 1d.)	(42·215)	..
		100·00	
Less management expenses and depreciation of fixed assets 72,922	4. 0·356 (7s. 2d.) ..	(6·258)	14·824
418,996			
Reserves for losses (<i>ex</i> State and Corporation) 72,000	5. 0·352 (7s. 1d.) ..	(6·179)	14·637
346,996			
Superannuation contribution .. 15,000	6. 0·073 (1s. 5d.) ..	(1·287)	3·049
331,996			
Less income-tax 105,000	7. 0·513 (10s. 3d.) ..	(9·011)	21·345
226,996			
Dividends 9,000	8. 0·044 (11d.) ..	(0·772)	1·830
217,996			
Surplus profits 217,996	9. 1·065 (£1 1s. 3d.) ..	(18·708)	44·315
		42·215	100·00