

1898.
NEW ZEALAND.

THE ASSETS REALISATION BOARD.

(COPY OF GENERAL MANAGER'S REPORT FOR THE YEAR ENDING 31st MARCH, 1898.)

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GENERAL MANAGER'S REPORT FOR YEAR ENDING 31st MARCH, 1898.

Wellington, 1st July, 1898.

I HAVE again the pleasure to submit the balance-sheet, profit and loss statement, and report for the year ending the 31st March, 1898.

Although not up to our last year's figures, we have, I consider, taking into account the very severe climatic conditions of the past twelve months, done extremely well, as a comparison of this and the preceding year will show.

	1897.	1898.
Station properties	£56,336	£43,296
Sundry properties	6,897	6,659
	<hr/> £63,233	<hr/> £49,955

I have had prepared, and attach, full explanatory statements of the various accounts.

STATUTORY CONTRIBUTION BY BANK OF NEW ZEALAND.

Under the statute the bank has to pay us out of its profits £50,000 per annum. There has accrued due to the 31st March, 1897, as under:—

To 31st March, 1896	£50,000
To 31st March, 1897	50,000
	<hr/> £100,000

of which the bank has paid up £75,099 19s. 11d., leaving a balance of £24,900 0s. 1d. This, together with the amount accruing due on the 31st March, 1898, £50,000, I understand the bank will shortly pay over to the Board.

The debenture interest to the 31st March, 1898, amounted to £92,992, provided for as under:—

From Board's profits	£36,362
From balance bank payments (received and accrued)	64,327
	<hr/> £100,689

Showing a surplus over amount of debenture interest of £7,697 available towards probable deficiencies.

REALISATIONS.

The realisations for the twelve months (including sale of the Rangiatea and Okauia Estates made to the Government, but not paid for until after the 31st March) are ...

which, together with 1895-96 sales	£79,943
and 1896-97 sales	63,219
and sales of stock on properties sold	147,548
	<hr/> 19,197

amounts to... .. £309,907

distributed as follows, viz. :—

Auckland District	£61,379
Hawke's Bay District	1,650
Wellington District	71,147
Canterbury District	138,681
Otago District	34,025
Marlborough District	3,025
	<hr/> £309,907

the book cost of which is approximately £468,996, leaving a deficiency of £140,656.

The land market during the year just past has been decidedly more brisk, with an upward tendency in prices. The improvement has, however, been more noticeable in wheat-growing lands than in such property as forms the bulk of our country assets.

Town properties have been inquired for, especially in Auckland, where we have succeeded in placing a fairly good proportion at enhanced figures.

During the year we have held auction sales at the following centres:—

	£
Waikato, 26th November, 1897, realising	1,767
Auckland, 27th October, 1897, realising	7,504
Christchurch, 26th April, 1897, realising	4,654
Dunedin, 30th April, 1897, realising	5,924
Dunedin, 18th March, 1898, realising	19,476
Timaru (Eskbank), 20th April, 1897, realising	7,852
Total	£47,177

There is still good demand for small suburban allotments at Auckland. Our Surrey Hills Estate, Auckland, continues to move off satisfactorily. At Dunedin, also, there has been fair inquiry, but for sections in Musselburgh, where we have our largest and most valuable holding, there is a lull, which is partially due to the recent breach in the sand-hills, with slight inundation of the low-lying land in the neighbourhood. I anticipate, however, renewed demand at an early date.

Considering the stagnant condition of the land market during the past three years, for only two of which has the Board been in actual control, I consider the realisation to have made good progress, notwithstanding the opinion to the contrary expressed by public men. It must be remembered that the amount realised is to be compared not with the amount at which the properties were taken over, but at the actual value, the respective amounts being,—

	Per Cent.
Book cost, £2,731,706; proportion of sales to cost	11·36
Estimated value, £1,879,105; proportion of sales to estimated value	16·51

STATION PROPERTIES.

The result of the working, whilst not up to that of the previous year, is, considering the adverse season and the sale of the Arowhenua and Albury Estates, which were large contributors to revenue, very satisfactory, the profits available for the year being £43,318 3s. 6d. After adding reclamations and deducting surpluses on the previous year's produce shipments the actual amount earned is £42,748 10s. 1d.

The following is a comparison embracing the period since the institution of the Board, stations since disposed of being omitted:—

Actual Profit. £		1896.	
		Equal Per Cent. on Book Cost.	Equal Per Cent. on Mr. Foster's Valuation.
37,000	...	2·28	3·60
54,822	...	1897.	
		3·37	5·29
42,749	...	1898.	
		2·62	4·13

Showing for the period referred to an average profit of £44,847, equal to 2·75 per cent. on book cost, and equal to 4·34 per cent. on my valuation, as compared with the average of the whole time the Estates Company held it of £27,504, equal to 1·68 per cent. on book cost, and equal to 2·66 per cent. on my valuation.

It will be seen by reference to the station balance-sheets that only in one instance have we failed to make a profit, and in this instance the property was small and could not be worked to a profit when all labour had to be paid for. The place has since been sold.

The working-expenses for the two years ending the 31st March, 1898, omitting stations disposed of, were as under:—

Particulars.	1897.	1898.
	£	£
Permanent improvements	4,841	8,260
Renewing pastures, &c. (20 per cent of which is charged to Profit and Loss Account each year)	11,003	9,244
Depreciation in implements and furniture	1,046	1,125
Cost of turniping	15,641	15,093
General expenses, wages repairs, rates and taxes, &c., including feed	39,766	37,796
Rent and interest	1,783	2,269
Rabbiting	2,191	1,204
Grain growing for sale	660	567
Total	76,931	75,558
Deduct expenditure on permanent improvements	4,841	8,260
Actual cost for year	72,090	67,298

Working-expenses are still kept as low as is consistent with the proper management and maintenance in profitable order of the properties. It has been said that our estates are being allowed to run back. This is not the case, as our operations are planned to turn over every inch of our cultivated ground in from five to seven years, besides which we are manuring heavily and taking nothing but wool and mutton off the country. In addition to this, we are, as may be found desirable, bringing in further areas of land hitherto unremunerative.

SALES OF STOCK.

The following is a comparison of realisations for the two years ending 31st March, 1898:—

Sheep.

Year.	Number sold.	Net Proceeds.	Average.	Number frozen.	Net Proceeds.	Average.	Total disposed of.	Net Proceeds.	Average.
			s. d.			s. d.			s. d.
1897	62,216	23,247	7 6	18,434	8,029	8 8	80,650	31,276	7 9
1898	67,379	24,129	7 2	23,200	11,105	9 7	90,579	35,234	7 9

NOTE.—1898: The value of frozen meat is estimated.

Cattle.

Year.	Number sold.	Net Proceeds.	Average.
1897	3,606	20,761	£ s. d. 5 15 0
1898	3,836	21,078	5 10 0

NOTE.—1897: Estates since sold are omitted.

Our sales have, owing partly to the disposal of the Arowhenua and Albury Estates and part of Eskbank Estate, been less by 43,827 sheep, but comparing the sales on the stations we are at present working there is an increase of 9,929. Cattle show a decline on last year's rates of 5s. per head, thus affecting profits as compared with last year to the extent of £959.

STOCK ON HAND AND VALUATIONS AT 31ST MARCH, 1898.

	1897.			1898.		
	No. on Hand.	Valuation.	Average.	No. on Hand.	Valuation.	Average.

Sheep.

			£ s. d.			£ s. d.
North Island ...	203,183	87,794	0 8 7	192,454	83,075	0 8 7
South Island ...	149,071	48,797	0 6 7	141,543	45,556	0 6 5
Totals ...	352,254	136,591	0 7 9	333,997	128,631	0 7 9

Cattle.

	21,351	71,039	3 6 6	22,111	70,284	3 3 7
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The valuations of sheep stand practically as at March last year. In the North, market-values have held somewhat better than elsewhere. In the South, under forced sale, prices were depressed, but for good stock with holding capabilities values kept firm. Cattle values have not been so fortunate, an estimated decline over all of 2s. 11d. per head having been provided for, or £3,224, which added to the reduced amount on sales, &c., £959, would, had prices remained at last year, have enhanced this twelve months' profits by a total of £4,183.

WOOL CLIP.

1897.			1898.		
Sheep shorn.	Lambs shorn.	Average per Fleece.	Sheep shorn.	Lambs shorn.	Average per Fleece.
300,282 ...	... 17,084	Lb. oz. 7 4 2 10	298,263 ...	... 20,727	Lb. oz. 7 14 2 4

NET RETURN FOR THE TWO YEARS.

1897.				1898.		
—	Net Weight.	Net Return at Port of Shipment (excluding Insurance).	Equal per Pound.	Net Weight.	Net Return at Port of Shipment (excluding Insurance).	Equal per Pound.
	Lb.	£	d.	Lb.	£	d.
Greasy ...	1,866,251	53,762	6·91	1,979,878	57,214	6·93
Scoured ...	180,569	6,980	9·27	227,462	8,399	8·86
Totals ...	2,046,820	60,742	7·12	2,207,340	65,613	7·13

NOTE.—Stations disposed of are excluded.

LAMBING.

1897.			1898.		
Ewes to Ram.	Lambs cut and tailed.	Percentage.	Ewes to Ram.	Lambs cut and tailed.	Percentage.
111,441	86,496	79	113,712	94,239	83

MORTALITY.

Sheep.				Cattle.			
1897.		1898.		1897.		1898.	
Dead and missing.	Per. Cent.	Dead and missing.	Per Cent.	Dead and missing.	Per Cent.	Dead and missing.	Per Cent.
22,£01	6·45	19,810	5·62	773	3·62	699	3·27

COMPARISON OF OPERATIONS FOR YEAR.

Year.	Rape.	Turnips.		Grassing.		Oats.		Oaten Hay.		Draining.	Bushfelling.	Clearing.	Fencing.
		Without Grass.	With Grass.	With Plough.	Surface-sown.	Acres.	Bush. per Acre.	Acres.	Tons per Acre.				
1897 ...	Acres. 1,901	Acres. 10,467	Acres. 3,283	Acres. 13,465	Acres. 2,023	1,425	20	1,312	11 1/2	Chains 262	Acres. 557	Acres. 1,347	Chains 664
1898 ...	2,979	10,487	4,140	11,178	4,299	950	26	2,001	11 1/2	814	1,151	3,876	1,589
Increase ...	1,078	20	857	...	2,276	...	6	689	...	552	594	2,529	925
Decrease...	...	...	...	2,287	...	475	...	...	1 1/2	...	...	...	...

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
	<hr/>		
	£9,925	17	11
Amount paid 1896-97 through Estates Company	7,130	0	0
	<hr/>		
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		
	<hr/>		
	£638,123 at 1d. =	2,658	16 11
Graduated tax on £606,067 at 2d.	5,050	11	2
	<hr/>		
	£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.

This excess is equal to 4s. 10d. per cent. on the value of improvements, which are over 50 per cent. of unimproved value, thus:—

Unimproved value	...	...	...	...	...	...	£606,067
Improved value	...	...	...	...	...	...	969,133
Difference	...	...	...	...	...	...	£363,066

4s. 10d. per cent. on this is equal to, say, £875.

STAFF.

I have nothing special to report in this connection further than that the officers have in all cases carried out their duties efficiently during the past year.

WALTER G. FOSTER, General Manager.

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