

Official Report of National Finance Liquidator

Statement to Registrar Shows That the Capital Will Be Wiped Out, But That, With Time, Creditors May Be Paid in Full.

The Liquidator's Accounts and Report of the liquidation proceedings of the National Finance Company, Limited, covering the period from date of liquidation, 1st October, 1914, to 30th April, 1915, was, in terms of the Order of the Supreme Court, duly lodged with the Registrar on 1st instant by the Yorkshire Guarantee and Securities Corporation, Limited, Official Liquidators, through their Principal Officer, Mr. R. Kerr Houlgate. This Report gives a very full and detailed account of the Liquidator's operations since taking charge of the Company's affairs, and is the first official report of the kind prepared by him for public inspection. Judging from the information contained therein, the Liquidator has made a very full and careful examination of all the Company's Books and Securities, and the results obtained in the collection of outstanding debts and accounts, and the consequent reduction of liabilities during the period, considering the existing financial stringency which practically everybody has been experiencing, show that he has evidently been using very strenuous endeavours on behalf of the creditors to get the Estate into shape.

The Statement of Affairs shows that according to Book figures the Assets amount to the considerable sum of \$3,501,436.38, while the Liabilities, including the amounts paid up by Shareholders on account of Capital, total \$2,925,448.63, making an excess of Assets over Liabilities of \$575,987.75 (exclusive of Contingent Liabilities in respect of Guarantees of payment aggregating \$214,750.00). This at the first glance shows a very satisfactory state of affairs, but the respective schedules attached to the Statement must be referred to before their actual conditions can be seen. Here we find that practically all of the really good assets which the Company had were earmarked and assigned by the Directors to some of the larger Creditors as security, some considerable time previous to liquidation, and on this account they are not available for the benefit of Ordinary or Unsecured Creditors, and practically out of the hands of the Liquidator altogether. For instance, the Real Estate holdings according to Book Values are \$848,716.00, but of this, property representing a value of \$566,800.00 has been assigned as security, while there are prior encumbrances in respect of First and Second Mortgages against the total holdings of \$183,055.00, and in addition to this there is a further liability of \$135,734.54 also standing against the properties in respect of balance due to the Vendors. This means that the encumbrances on the properties, even considering them at their book values, and these are known to be considerably in excess of their present actual or realisable value, in almost every case exceed such value by approximately \$37,000.00. It is noted on the schedule also that the figures quoted above refer to principal outstanding only and do not include interest accrued or past due on the Mortgages or Vendors' Agreements.

The Principal outstanding on Agreements for Sale Receivable amount to \$549,944.10 and of this \$471,179.68 has been earmarked as having been assigned as security to creditors, while a further sum of approximately \$10,000.00 represents balances due for properties sold by the Company for which they were not in possession of Title themselves, and the Liquidator has little hope of being able to take this up. The Agreements discounted stand at \$56,327.67, but of this \$17,116.02 is earmarked as security, and this is subject to prior mortgages of \$34,000.00. Of the balance not earmarked as security and belonging to the Company, viz.: \$39,211.65, there are prior encumbrances amounting to \$58,209.00 in respect of first mortgages, so it can be seen that the book value of both these last two Assets are also much

less than the encumbrances on them, and that without taking into account what proportion may be said to be irrecoverable, which the Liquidator evidently thinks is considerable.

The Mortgages Receivable amount to \$177,129.08 on account of principal and \$132,051.24 of this has been earmarked as being the property of Holders of Mortgage Trust Certificates. The balance, \$45,077.84, represents the Company's equity, but of this \$34,670.43 has been further earmarked as security to certain creditors, thus leaving a net unencumbered equity to the Company of \$10,407.11, of which amount the Liquidator thinks that 60% may be written off as irrecoverable on account of depreciation of security.

In Guaranteed Agreements for Sale, which means Agreements for Sale sold by the Company under guarantee of payment of principal and interest, the Company has an equity of \$66,504.47 in respect of past due payments made by them under such guarantee to the various purchasers as they fell due, and as the greater portion of these are much in arrear the collection of a considerable percentage may be considered doubtful. In addition, the prior encumbrances to these Agreements in respect of First Mortgages amount to \$108,830.00.

A detailed list of the shares held in other Companies is also attached, showing a book value of no less than \$839,037.07, but of this amount \$653,100.00 represents holdings in the North American Securities, Limited, and \$84,621.51 in Prudential Builders, Limited, both of which are subsidiary companies of the National Finance, and also in course of liquidation. The balance of these held in companies considered to be of any consequence have all been assigned as security to a few large creditors, and like other such hypothecated Assets, are not available for Ordinary or Unsecured Creditors.

Municipal Bonds purchased and held, stand at a depreciated value of \$77,291.47, but all of these have been in turn assigned as security for an almost equal amount of Call Loans, so that the Company will have practically no equity whatever in these. Notice of intention to sell has already, in fact, been given to the Liquidator, but it is expected that the sale of these will be carried through without any actual loss to the Creditors, as with the present prices ruling on the Eastern Bond Market, a sufficient price should be realised to cover all the liability against them.

The amounts due under the heading of "Sundry Debtors" on Open Account, total \$161,102.49, but this includes the following sums due by subsidiary companies of the National, or companies in which they hold an interest:

B. C. Anthracite Coal, Limited	\$62,214.34
British Coalinga Oil Fields, Limited	10,450.49
Colonial Oil Company	8,567.55
Copper River Coal Claims, Limited	41,950.57
Midway Oil Syndicate	5,681.19
North American Securities, Limited	2,788.11
Okanagan Falls Land Co., Limited	1,232.50
Total	\$132,884.75

The above represents moneys expended or advanced by the National Finance Company, Limited, to develop or carry the properties.

None of them have any funds at the present time, nor have any prospect of making payment of such amounts, unless they are successful in negotiating a sale of their property. The holdings of both the B. C. Anthracite Coal, Limited, and the Copper River Coal Claims, Limited, are well known to be very valuable on account of the vast quantities and the quality of Coal they possess, and it is sincerely hoped that with a betterment in financial conditions generally, a sale will be effected and their indebtedness to