

loans, agreements for sale, and real estate. Generally, I think the financial statements, when read with the explanatory remarks in the body of the report are clear, but I would like to comment on four items.

Real estate

The item in the balance sheet showing real estate of \$123,107,566.79 is supported by the schedule of real estate on pages 42 and 43 of the report. It will be noticed that the book value of war workers' houses at slightly over \$1,500,000 is an average of approximately \$400 a unit. The houses have a real value higher than this. These houses were included in the accounts of the corporation at book values conforming to municipal agreements. These agreements provided for removal or demolition of the houses within six months from the date of the official declaration of the cessation of hostilities, and a valuation was therefore established at six months net rental or \$100 per house. To this valuation has been added the expenditure in capital improvements on those houses which are still in rental account. It will also be noticed that the service men's houses included in the 1947 and earlier program have a book value before depreciation of \$3,000 per unit. These houses were subject to agreements which gave each municipality an option to purchase the houses en bloc at \$1,000 each at the expiration of a certain period of years. That period runs from about 17 to 22 years. The present value of net rentals for that period, and the option purchase price, was established at \$3,000 per unit and the houses were taken into the accounts of the corporation at that figure.

As these houses and other real estate, such as Ajax, were acquired by the corporation without actual cost, valuations for accounting purposes required an off-setting liability item in equal amount shown as "unrealized capital surplus."

Sundry real estate

I would also like to mention that the 819 units shown on the real estate schedule under "sundry other real estate" and brought forward from December 31, 1950, included 659 units at Deep River village acquired from National Research Council and during 1951 returned to the council.

Additions to unrealized capital surplus

When the houses which have been in rental account are sold on deferred payments, the asset in the real estate account is replaced by an asset in the corporation's mortgage and sale agreement account. Because of the low book value of the rental houses, particularly the war workers' houses, the new asset in the agreement for sale account is much larger than the old asset in the real estate account. However, this increase in value is not immediately reflected in a cash recovery. The cash recovery is limited to the down payment and the monthly payments on the outstanding balance of purchase price is collected. The increment in the asset is therefore transferred to the unrealized capital surplus account. As the corporation collects payments against the sale agreements and so realizes on this increased asset, credits are made through the unrealized capital surplus account to the corporation's reserve fund account. In this way, the Reserve fund reflects actual recoveries of the corporation's capital investment in real estate rather than paper recoveries at the time of sale.

Borrowings

You will notice that listed among the liabilities of the corporation are borrowings from the government of Canada under three separate headings.