

The main feature in the year's operations, and the only one that is important from the point of view of the current year's Budget, was the buoyancy of the revenue. The surplus of £281,800 realized was entirely due to this factor. The total revenue received exceeded the Budget estimates by £430,000, but subsequent to the Budget being brought down a further review of the revenue estimates was made, and on the basis of that review the 7½-per-cent. increase in salaries and wages and restoration in pensions was back-dated to 1st August instead of commencing on 1st October as was contemplated. The additional amount involved was approximately £140,000, and, if allowance is made for this, the revenue for the year exceeded expectations by some £290,000.

**Increased  
taxation yield.**

The extent to which the revenues have recovered is better illustrated by a comparison of the yield from taxation for last financial year with that of the previous year. With the exception of stamp and death duties and land-tax, every item of taxation shows a substantial increase amounting in the aggregate to £2,092,000. This increase was offset by a decrease of £679,000 in the yield from stamp and death duties, due to abnormal amounts of death duties having been paid during 1934-35, and a decrease of £34,000 in land-tax due to lower valuations.

**Treasury bills.**

Consequent on the surplus of revenue over expenditure, no Treasury bills were outstanding on the 31st March. In this connection I would mention that it is customary to arrange temporary finance from other Government accounts on the security of Treasury bills in anticipation of revenue receipts, and in the financial year under review recourse to bills was necessary to the extent of £3,650,000. All such bills, however, were redeemed by the 31st March. The bills had a currency not exceeding three months, and interest ranging from rates of 1¼ per cent. to 2½ per cent. was paid on them.

**Part liquidation  
of deed of  
hypothecation.**

In addition to repaying all Treasury bills, the amount outstanding under a deed of hypothecation entered into for liquidating reserves invested in discharged soldiers settlement securities was reduced during the year by £950,000, leaving the amount outstanding as at the 31st March last at £2,900,000. This amount is held departmentally, and is not part of the public debt in the ordinary sense of the term.

#### PUBLIC DEBT.

**Purposes for  
which debt  
raised during  
the year.**

The long-term public debt showed an increase of £1,979,881 as a result of operations during the year. Additional debt to the amount of £3,836,591 was incurred for the following purposes:—

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Expenditure on public works .. .. .	2,400,000
Cost, charges, and expenses of dealing with £10,135,800 of London debt last year .. .. .	836,015
Premiums on conversions in New Zealand .. .. .	340,576
Greymouth Harbour Board guaranteed debt taken over .. .. .	260,000
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	£3,836,591

**London  
Conversion  
Loan, 1935.**

Concerning the item for cost, charges, and expenses of the London 1935 conversion, the particulars of this operation are contained in last year's Budget. The conversion issue was at a discount of 1½ per cent., but the largest item in these expenses was £523,270 for exchange on remitting £2,135,800 to London for redemption purposes, the amount converted in London being £8,000,000 only. I may add that the £836,000 referred to did not represent a net increase in the public debt, as approximately £1,250,000 out of the Public Debt Repayment Account was used for redemptions.

Concerning the next item—premiums on conversion in New Zealand £340,576—this is the result of conversion to a lower rate of interest at par of 4-per-cent. securities purchased by Government Departments from time to time at market prices above par. No increase in debt charges was involved.