1910.

NEW ZEALAND

CONVERSION OF £500,000 GUARANTEED DEBENTURES, DUE 1915

(LETTER FROM MR. S. C. LEARY, ACCOUNTANT, TO MR. W. F. MASSEY, M.P., RELATIVE TO).

Laid on the Table of the House of Representatives by Leave.

DEAR SIR,— 158 Featherston Street, Wellington, N.Z., 20th September, 1910.

Acting under your instructions that I should examine the statement B.-6A and extracts provided with reference to the conversion of £500,000 4-per-cent. guaranteed debentures, due 1915, I now beg to report as follows:—

The debenture-issue of £500,000 was redeemed in the following manner:—

	£
3½-per-cent. new inscribed stock	616,000
4-per-cent. guaranteed debentures converted	500,000
Showing the Dominion's increased indebtedness	£116,000

Consequent upon conversion, the accumulated sinking funds of the guaranteed loan, amounting to £260,073 2s. 5d., were set free, out of which sum sinking-fund debentures amounting to £96,371 were redeemed, leaving an amount of £163,702 2s. 5d. at the disposal of the Dominion.

At the date of the conversion the following was the position:—

	£ s. d.	£ s. d.
Loan, guaranteed debentures		500,000 0 0
Less sinking fund	260,073 2 5	
Deduct sinking-fund debentures	96,371 0 0	
		163,702 2 5
Amount required towards paying off £500,000 loan ...		£336,297 17 7

On the £500,000 loan being converted, another loan of £616,000 was brought into existence, and the available sinking fund of £163,702 2s. 5d. set free. This sinking fund was not appropriated in reduction of the £500,000 loan, but was in effect treated as another advance to the Dominion, the position being—

	£ s. d.
Amount of guaranteed debentures at par	500,000 0 0
Less accumulated sinking fund	163,702 2 5
Dominion's *net* liability	336,297 17 7
Discharged by issue of 3½-per-cent. new inscribed stock ...	616,000 0 0
Dominion's increased liability	£279,702 2 5

If, however, the £336,297 17s. 7d. was raised by the issue of 3½-per-cent. new inscribed stock, it would be necessary to issue £384,340 of such stock;

	£ s. d.
The increased debt of the country would thus have been ...	616,000 0 0
Less	384,340 0 0
	£231,660 0 0

Dealing now with the interest, the position is as follows:—

	£	s.	d.
3½ per cent. on £616,000	21,560	0	0
Less 4 per cent. on £500,000	20,000	0	0
Increase of	£1,560	0	0

To this must be added—

	£	£
Loss of interest on sinking fund of £260,073 at, say, estimated at 3½ per cent.	9,102	
Less saving of interest on sinking-fund debentures, £96,371 at 4½ per cent	4,337	
		4,765
Increased interest of		£6,325

In considering the matter of interest, the question as to whether the net amount received from the sinking fund is or is not being used for reproductive works has not been taken into consideration, this being outside my province, and probably unascertainable.

Yours, &c.,
S. C. Leary.

W. F. Massey, Esq., M.P., Wellington.

Approximate Cost of Paper.—Preparation, not given; printing (1,500 copies), £1 12s.

By Authority: John Mackay, Government Printer, Wellington.—1910.

Price 3d.]