

accrued Sinking Fund, and to convert the other into stock. By the first process the original debt is lessened by £85,000, but the same amount represented by debentures issued in respect of the accretions of Sinking Fund since 1884 is left outstanding. By the second process, the original debt being converted to the extent of £85,000, a similar amount of Sinking Fund becomes released, and is applied to pay off the same amount of debentures raised to provide for the accretions; so that the old debt remains, under a new name, and the new debt is extinguished. We therefore revert in both cases to the *status quo ante*, thus:—

	£	£	£
Debt in 1884 (£85,000 due 31st March, 1893) ...	1,000,000		
" (£85,000 due 31st March, 1893) ...	1,000,000		
		2,000,000	
Sinking Funds accrued to 31st March, 1893 ...		170,000	
			1,830,000
Debentures created under Act ...			170,000
Debt in 1893 ...			£2,000,000
Debt in 1893 ...	1,000,000		
Less amount due paid out of accrued Sinking Funds ...	85,000		
			£915,000
Amount of debentures (part of £170,000) raised under the Act, equivalent to the accretions ...			85,000
Debt as in 1884 ...			£1,000,000
Debt in 1893 ...	1,000,000		
Less amount due 31st March and converted ...	85,000		
			915,000
New loan, represented by conversion ...			85,000
			£1,000,000
Amount of debentures (part of £170,000) ...		85,000	
Less amount paid off out of Sinking Funds set free ...		85,000	
Debt as in 1884 ...			£1,000,000

I hope that these examples will enable my meaning to be understood.

The estimate of Sinking Fund accretions for the year ending the 31st March, 1893, amounts to £283,354, subject to a deduction of £3,054 to adjust over-estimates of previous years. The net estimate for the year is therefore reduced to £280,300.

The estimated accretions are thus made up:—

	£
Contributions of Sinking Fund ...	104,018
Interest on foreign investments ...	14,526
Interest on Government securities ...	164,810
	£283,354

These accretions must steadily increase year after year: First, by the natural process of the investment of the Sinking Fund and of the interest on these investments; secondly, by the increased amount of "drawn" converted bonds belonging to the Consolidated Loan, 1867. I may explain, in connection with this "drawing" loan of 1867—the feature of which is that Government shall go on paying 5 per cent. interest and 1 per cent. sinking fund on the original loan of £7,283,100 until the debt is extinguished—that £4,252,500 of the bonds have been converted into debentures, and interest at 5 per cent. on these new debentures is charged under "The Consolidated Stock Act, 1884;" but, as these converted bonds are drawn from time to time, they revert back to and again form part of the amount on which the interest chargeable under "The Consolidated Loan Act, 1867," is payable. In other words, the interest on these drawn converted bonds is an additional contribution of sinking fund of this loan. As more than half of the original loan has been converted, and there had been £1,510,600 of bonds drawn to 31st March, 1884, it follows that the remaining portion of the loan to be drawn must largely consist of the converted bonds, and the amount of these that are annually drawn must necessarily increase year by year. This increase will best be seen by the subjoined table:—

	Converted.	Unconverted.
	£	£
1885 "Drawing" ...	72,400	77,400
1886 " ...	107,400	49,100
1887 " ...	122,800	42,400
1888 " ...	131,600	40,900
1889 " ...	133,400	48,600
1890 " ...	144,000	47,600
1891 " ...	146,600	54,500
1892 " ...	158,300	52,200