**Reductions during the year—**

| Name of Account. | Decrease. £ s. d. | £ s. d. |
|---|---|---|
| Consolidated Fund—Ordinary Revenue— | | |
| Nauru and Ocean Islands | 35,865 0 0 | |
| Miscellaneous | 500 0 0 | |
| War Expenses (1914–18) | 1,006,035 0 0 | |
| State Advances Corporation | 1,898 0 0 | |
| Public Works Fund— | | |
| General Purposes | 1,853,512 0 0 | |
| Electric Supply | 300,000 0 0 | |
| Land for Settlements | 26,600 0 0 | |
| Main Highways | 500 0 0 | |
| Samoan Loan Suspense | 5,625 0 0 | |
| State Coal-mines | 6,320 0 0 | |
| War Expenses (1939) | 7,352,506 10 10 | |
| | | 10,589,361 10 10 |
| Total debt as at 31st March, 1942 (see B.–1 [Pt. III], page 8) | | £385,397,732 18 3 |

The foregoing statement shows that the total public debt has been increased during the year by £35,970,158 7s. 1d.

The long-term debt was increased by £27,742,458 7s. 1d. and the short-term Treasury bills debt by £8,227,700, as shown in the following summary:—

| | £ s. d. | £ s. d. |
|---|---|---|
| Treasury bills as at 31st March, 1941 | 30,733,300 0 0 | |
| Treasury bills as at 31st March, 1942 | 38,961,000 0 0 | |
| Increase | | 8,227,700 0 0 |
| Long-term debt as at 31st March, 1941 | 318,694,274 11 2 | |
| Long-term debt as at 31st March, 1942 | 346,436,732 18 3 | |
| Increase | | 27,742,458 7 1 |
| Increase as at 31st March, 1942 | | £35,970,158 7 1 |

Under the Memorandum of Security Agreement £8,243,051 3s. 4d. was borrowed from the United Kingdom Government. This agreement provides for advances to be made to the New Zealand Government for war purposes, and repayment is to be effected at such dates as may be agreed upon. Prior to 31st March, 1942, £5,425,015 14s. 5d. of this amount, as well as the amount of £4,515,661 10s. 5d. which was outstanding at 31st March, 1941, was repaid in London, leaving £2,818,035 8s. 11d. outstanding under the agreement.

**National Development Loans Act, 1941.**

The above-named Act, which came into force on 1st April last, was placed on the statute-book during the year covered by this report. It makes changes in the procedure by which loan-moneys raised for the purposes of various accounts of the State are made available to those accounts, and in the liability those accounts assume in respect of the loan-moneys they receive. It does not apply to loans raised in anticipation of revenue and paid into Consolidated Fund, nor to moneys borrowed for war purposes and paid into War Expenses Account.

Loans raised by the State are secured on the public revenues, which may be said to be the revenues of the Ordinary Revenue Account of the Consolidated Fund. Although that account is therefore responsible to the lender for payment of interest and repayment of principal, loan-moneys do not find their way into it, but into other accounts authorized by Parliament to make use of borrowed money, such as the Public Works Account, the Electric Supply Account, and the Land for Settlements Account, and where any of these accounts are in receipt of revenue or have an earning-capacity they are required to recoup the Ordinary Revenue Account for charges arising from such payments.

Prior to the passing of the Act under notice loans were raised within parliamentary authority for any separate account named in an authorizing Act, and where such account was liable from its nature to recoup the Consolidated Fund for payments of interest and repayments of principal it did so according to the terms on which the specific loan-moneys received by it were raised. Under the new Act two considerable changes in this procedure are made as noted hereunder—

(*a*) Loans-moneys as they are raised are paid to one central account named the National Development Loans Account, and from it they are distributed as required to the various accounts authorized by Parliament to receive loan-moneys. This change is calculated to reduce interest charges arising from separate accounts borrowing in excess of immediate requirements.