

The half-yearly payments represent both principal and interest, and the following table shows how the debt has been reduced to £26,590,311 :—

Instalment paid.				Interest.	Principal.	Balance of Debt outstanding.
				£	£	£
1st December, 1922	..	..	..	684,794	141,171	27,390,993
1st June, 1923	..	..	..	681,282	144,683	27,246,310
1st December, 1923	..	..	..	677,684	148,281	27,098,029
1st June, 1924	..	..	..	673,996	151,969	26,946,060
1st December, 1924	..	..	..	670,216	355,749	26,590,311

New Zealand has the right, on giving three months' notice, to repay at par any part of the principal. This right was exercised during the past year, and on the 1st December, 1924, in addition to the usual payment, £200,000 was paid off the Naval Defence Loan, as indicated in last year's Financial Statement.

LOANS FALLING DUE.

Loans falling due during the next seven years ending with the year 1932, **Loans falling due.** excluding Imperial debt repayments and Treasury bills, are,—

Year ending 31st March.				London.	Australia.	New Zealand.	Total.
				£	£	£	£
1926	..	..	..	80,000	18,550	13,647,746	13,746,296
1927	..	..	..	3,900	577,100	3,686,950	4,267,950
1928	..	..	..	..	81,100	8,840,216	8,921,316
1929	..	..	..	13,000	..	12,583,135	12,596,135
1930	..	..	..	29,754,679	..	7,632,379	37,387,058
1931	..	..	..	..	59,400	11,521,670	11,581,070
1932	..	..	..	200	334,900	624,540	959,640
Totals				29,851,779	1,071,050	58,536,636	89,459,465

PUBLIC DEBT REPAYMENT.

My predecessor prepared and embodied in a Bill an improved method of **Public debt** dealing with public-debt reduction. **repayment.**

It is desirable that the change outlined in the Bill already circulated should be made, in order that the State may benefit by the savings that would accrue from the actual reductions of debt.

The gross public debt at 31st March, 1925, amounted to £227,814,647, but about £21,400,000 was State Advances, and £5,700,000 for Electric Supply, State Coal, Westport Harbour, Nauru and Ocean Islands, &c., which accounts have special sinking-fund provisions. In addition, £26,600,000, balance of the debt due to the British Government, is funded, leaving the net present debt affected by the Bill approximately £174,000,000.

The present provisions for reduction of the public debt are briefly as follows :—

- (1.) The Public Debt Extinction Act, 1910, whereby an amount is set aside annually to accumulate at compound interest, so that in seventy-five years from the inception of each loan the accumulated fund will equal such loan. This Act, however, does not relate to any debt for which special sinking funds have been instituted.
- (2.) The War Loans Sinking Fund under the Finance Act, 1918 (No. 2), whereby a sinking fund of 1 per cent. of the outstanding war debt is paid annually out of the Consolidated Fund to the Public Trustee. If invested at $4\frac{1}{2}$ per cent. this sinking fund would equal the balance of the war debt in about thirty-two years from the present date.