

Included in the debt increase is an amount of £1,080,000 Treasury notes issued under the New Zealand Loans Act, 1932, to secure advances negotiated by the Exports Credits Department of the United Kingdom. The Department has agreed to negotiate Treasury notes up to the value of £5,000,000 sterling to enable the New Zealand Government to purchase goods in the United Kingdom.

The amount of interest-free loans received by the Government during the year was £1,381,854 8s. 6d., and is included in the amount of £3,086,054 8s. 6d. raised during the year for War Expenses.

The Treasury bills, which at the end of the year amounted to £25,405,000, were issued for the purposes of the accounts shown in the following table:—

Account.	£	s.	d.
General Purposes Account	9,870,000	0	0
Electric Supply Account	185,000	0	0
Main Highways Account	2,900,000	0	0
Forests Account	100,000	0	0
War Expenses Account	1,250,000	0	0
Housing Account	10,800,000	0	0
	<u>£25,405,000</u>	<u>0</u>	<u>0</u>

£17,172,190 11s. 4d. London Loan matured 1st January, 1940.

On 1st January, 1940, £17,172,190 11s. 4d., 3½ per cent. London stock fell due. To enable this loan to be paid off a new loan of £16,000,000 at 3½ per cent. was arranged in London. £1,008,000 New Zealand holdings were renewed in New Zealand, and the balance, £16,190 11s. 4d., was paid off from funds remitted to England, £163,773 18s. of this latter amount being paid from revenue. The Post Office, one of the New Zealand holders, received no exchange benefit on £618,000 renewed in New Zealand, but was partly compensated by an increase of ½ per cent. in the rate of interest on the new stock issued. A premium of £95,550 on exchange was paid to the Reserve Bank, the holder of £390,000, the balance of the New Zealand holding.

Particulars of the costs, charges, and expenses of renewing the loan are as follows:—

	£	s.	d.
Charges paid to Bank of England	107,777	16	11
Exchange	183,662	11	7
Cash payment to holders converting	32,297	0	0
Discount allowed to new subscribers	127,703	0	0
Net interest paid for period prior to 1st January, 1940, in terms of prospectus	151,016	11	11
	<u>£602,457</u>	<u>0</u>	<u>5</u>

The amount in excess of the Bank charges and exchange included in the above sum—viz., £311,016 11s. 11d.—paid to investors as an inducement to subscribe or convert may be regarded as in the nature of an addition, distributable over the whole period of the loan, to the interest charge of 3½ per cent. The item of exchange £183,662 11s. 7d. is also of a special nature, leaving £107,777 16s. 11d. as the amount paid for *services* rendered in connection with the new loan.

Unauthorized Expenditure.

For some years the Employment Promotion Fund provided funds with which various Departments carried out activities to relieve unemployment. Consequent upon the abolition of the Employment Promotion Fund these funds were not available to the departmental votes, and mainly for this reason issues for the service of certain votes were in excess of the amounts available for such service for the period from the beginning of the year to the passing of the Imprest Supply Act. Section 58, Public Revenues Act, 1926, makes provision whereby a limited amount of expenditure may be made in excess of or without the appropriation of Parliament and charged to Unauthorized Expenditure Account, but this limit was allowed to be exceeded on the Prime Minister giving an undertaking to introduce validating legislation. This was provided in section 9, Finance Act, 1939.