

A slight change has been made in the method of presenting the annual accounts for debt services and interest payments and recoveries. In the past, interest on the capital liability of the Railways and the Post and Telegraph Department has been shown as revenue, while interest received from other trading undertakings, such as electric supply, State coal, housing, and State Advances Corporation has been treated as a reduction of the amount payable for interest on the public debt. This is somewhat confusing, and it is proposed in future to show the full amount of interest payable, on the expenditure side, and the full amount of the interest received from various sources, on the receipts side, of the accounts. This amendment in accounting procedure has the apparent effect of inflating both revenue and expenditure, but it is in fact simply showing the accounts more clearly. The net figure for debt services last year, including interest and repayment, was £15,720,000, but the gross figure was £18,974,000, and this gross figure is comparable with the amount being provided this year, £21,413,000. The net increase in debt services is therefore £2,439,000, made up principally of the increased interest payable on the larger debt, now increased by £63,000,000 as compared with last year, and the consequent increase in the contribution for repayment through the Public Debt Repayment Account. The actual increase in interest is £1,940,000, and in the repayment provision £464,000.

Interest
adjustments.

The following table shows how the net increase in interest is computed and the effect of the alteration in accounting procedure:—

	Interest paid.	Interest received from certain trading undertakings.	Net.
	£	£	£
1943-44	15,613,270	3,250,678	12,362,592
1944-45, with accounts on same basis as last year	17,552,149	2,690,614	14,861,535
	Increase £1,938,879	Decrease £560,064	Increase £2,498,943
1944-45, with interest receivable shown as revenue	17,552,149	Nil	17,552,149

The difference between the net interest shown in last year's accounts and the estimate for interest this year is £5,189,557, and is made up as follows:—

	£
Increase due to increased debt	1,938,879
Interest receivable now shown as revenue	2,690,614
Decrease in amount of interest receivable	560,064
	<u>£5,189,557</u>

Provision has been made for a substantially lower amount as interest receivable on Railway capital as, due to the restricted services, the revenue has been materially affected. Whereas last year £2,691,000 was received from this source, the estimate for the current financial year is shown as £1,500,000.

On the expenditure side, provision was made last year under the permanent appropriations for a transfer of £1,500,000 to War Expenses Account, although, as I have already mentioned, the amount actually transferred was £7,500,000. For the present year this amount is shown at £4,000,000.

It will thus be seen that in respect of the permanent appropriations of £27,533,000 the sum of £21,413,000 is in respect of debt services, and £4,000,000 is in respect of the transfer to War Expenses Account, leaving £2,120,000 under other special Acts. Of this last-mentioned figure, £1,671,000 is the transfer of main highways revenue to the Main Highways Account, and the balance, £449,000, represents various small items as set out in the estimates.