

1928.
NEW ZEALAND.

PUBLIC TRUST OFFICE

(REPORT OF THE) FOR THE YEAR ENDED 31st MARCH, 1928.

Presented to both Houses of the General Assembly in accordance with Section 47 of the Public Trust Office Amendment Act, 1913.

PURSUANT to section 47 of the Public Trust Office Amendment Act, 1913, I have the honour to lay before Parliament the attached report on the working of the Public Trust Office for the year ended the 31st March, 1928.

1. The new business reported for the year constitutes a record for the Office. During the year 3,526 new estates of a total value of £6,511,928 were accepted for administration as compared with 3,581 estates of a value of £5,551,019 accepted during the year preceding. This is the first occasion upon which the new business for any one year has exceeded £6,000,000. The value of estates and funds under administration on the 31st March, 1928, was £44,155,548, the corresponding figure for the previous year being £41,043,523. The following table affords an indication of the growth of the business conducted by the Office during the last thirty-five years:—

Year.						Value of Estates and Funds under Administration. £
1893 .. .. .	..	..	..	..	..	1,450,918
1898 .. .. .	..	..	..	..	..	1,950,314
1903 .. .. .	..	..	..	..	..	2,706,785
1908 .. .. .	..	..	..	..	..	5,531,658
1913 .. .. .	..	..	..	..	..	11,268,311
1918 .. .. .	..	..	..	..	..	17,153,031
1923 .. .. .	..	..	..	..	..	28,904,798
1928 .. .. .	..	..	..	..	..	44,155,548

The figures for the new business accepted during the past five years are impressive and are as follows:—

Year ended 31st March,						Business. £
1924 .. .. .	..	..	..	..	..	3,781,155
1925 .. .. .	..	..	..	..	..	4,621,869
1926 .. .. .	..	..	..	..	..	4,651,447
1927 .. .. .	..	..	..	..	..	5,551,019
1928 .. .. .	..	..	..	..	..	6,511,928
						<hr/> £25,117,418 <hr/>

which nearly equals the total value of estates and funds under administration six years ago—i.e., as at the 31st March, 1922—when the value stood at £25,497,779.

2. The difference between the net increase in the value of estates and funds under administration and the value of new business for the year is to a large extent accounted for by expeditious administration and distribution. The administration of 2,312 estates and funds valued at £1,924,785 was completed during the year, and of these estates 581 had been reported for administration after the 31st March, 1927, a fact which testifies to the despatch with which the Office business is conducted. Realizations in estates not yet completely administered account for the balance of the difference mentioned.

3. The total revenue during the year just past amounted to £275,544, a slight increase over that for the year preceding, whilst the expenditure, exclusive of salaries and depreciation, showed an increase of less than £200 over that for the previous year, despite the considerable increase in the volume of business conducted. In this regard I may mention that excluding depreciation, the total expenditure of the Office, inclusive of salaries, shows an increase of £3,852 only over that for the year ended the 31st March, 1921, when the estates and funds were £21,791,229 less in value. In other words, the work entailed in the administration of almost double the value of estates and funds has been conducted for an increase of £3,852 in expenditure. It has been possible to achieve this very satisfactory result and at the same time not to impair the efficiency in any way by paying close attention to the methods and organization of the Department. An important factor has been the policy of decentralization which has been in force to a limited extent since 1913 and which was in full operation by 1922.

4. Office investments, which last year stood at £26,179,886, have now reached a total of £28,465,963. The volume of investments during the year has been heavy, and, exclusive of those on behalf of estates the funds of which do not form part of the Common Fund, amounted to £3,065,524.

5. These figures give evidence of the extent to which the Public Trust Office is assisting to meet the financial needs of all classes of borrowers throughout the Dominion, and the important part which is played by the Office in assisting the development of the country by the provision of ample funds at a moderate rate of interest and on terms favourable to borrowers. Some of the criticism which is from time to time directed against the Public Trust Office has implied that moneys coming into the hands of the Public Trustee for investment are diverted from channels which are useful to the community as a whole and are used in some way which is less advantageous to borrowers, but this idea is completely dispelled when it is realised that practically the whole of the funds coming into the hands of the Public Trustee for investment are immediately placed out in channels where they will assist the business community and the farming industry, besides rendering valuable assistance to smaller borrowers for the erection of homes.

6. Apart from the new money invested, renewals of existing mortgages were granted by the Public Trustee during the year to the extent of £1,714,612. The amount dealt with during the year either by way of renewal of loans on mortgage or grants of new loans on mortgage was thus the considerable total of £4,780,136.

7. An important feature in connection with the lending operations of the Public Trust Office to which the Public Trustee has called attention is the increasing application of the instalment system to the Office mortgages. The total loans approved under this system during the year amounted to £1,397,145, whilst including the amounts granted on renewal of existing mortgages, the total sum dealt with under the instalment system during the year was the large one of £2,050,678.

8. The placing of a large portion of the indebtedness of borrowers on a reducing basis is most commendable, and should have a beneficial effect on the economic welfare and stability of the country in the next few years. The advantages of the system both to the borrower and to the Public Trustee as lender are clearly set forth in the Public Trustee's report.

9. Attention may also be directed to the valuable influence which the Public Trustee is exercising in ensuring that the country securities mortgaged to him are farmed in a satisfactory manner, through the insertion of requisite covenants in the mortgage-deeds to secure this result. Another valuable feature is the constant and expert supervision which is exercised over mortgage securities, particularly

those in country districts. The Public Trustee's remarks on the new factors which are now operating in dealing with the investment of trust funds on mortgage securities are worthy of note.

10. The Public Trustee also refers to the decentralization of the investment work, thus completing the decentralized system which has been in process of development for some years past. I am assured that much of the success which has attended the operation of the Public Trust Office in recent years has been due to the "localizing" of the work in close relation to the beneficiaries and clients of the Office, and in proximity to the assets and securities which are under administration.

11. It is abundantly clear from the information supplied by the Public Trustee in his report that the greatest care is exercised to see that the maximum return is obtained on the investments of the Office consistent with the security of the trust funds committed to him, and that every possible precaution is taken to avoid any loss of the funds invested.

12. During the year additional wills numbering 5,789 were deposited by testators with the Public Trustee for safe custody. The number now on deposit is 58,065, an increase of 4,534 over the number held as at the 31st March, 1927. The difference between the number deposited and the increase in the total held is, of course, represented by wills withdrawn through the death of testators or for other reasons. It is estimated that wills on deposit represent prospective business of over £230,000,000, and this in itself assures the future of the Office. The figures afford evidence of the fact that New-Zealanders in increasing numbers are taking steps by means of testamentary directions to ensure the efficient administration of their estates and the protection of their dependants. The testators whose wills are held by the Public Trustee form a very considerable proportion of the country's property-holders. The accommodation provided by the Office for the storage of wills on deposit is most up-to-date, and every care is taken to ensure their safe custody and to preserve secrecy regarding the directions of testators.

13. I have previously directed attention to the Common Fund of the Office, and reference was made in the Public Trustee's last annual report to a plan instituted by one of the large trust companies operating in the United States which had attracted considerable attention in that country. Briefly, the plan pledged the company to absorb any losses in payment of interest or depreciation of principal where trust investments are purchased by the company as a trustee. For this purpose the sum of 2,000,000 dollars was set aside from the company's reserves to meet any such losses. The object of this scheme is to afford beneficiaries protection on somewhat the same lines as is enjoyed by beneficiaries in estates whose funds are invested in the Common Fund, where, however, the guarantee enjoyed is wider and more extensive. It is interesting to note that the Common Fund is attracting attention in the United States, and during the year inquiries as to its working and the investment of the moneys of which it is comprised have been received from persons in that country interested in fiduciary work.

14. The Common Fund provides a safe and easily managed form of investment, and is greatly appreciated by testators and beneficiaries alike. Of course, the problems attendant on the investment of trust funds arise in connection with the investment of Common Fund moneys, but the problems peculiar to the holding of a vast number of estates funds in watertight compartments, as it were, are not encountered under the Common Fund system.

15. The Public Trustee discusses the importance of trusteeship, and sets forth reasons why it is a suitable activity to be undertaken by a State official. A good deal of criticism of the extension of the Office operations is made from time to time, and it is frequently urged that this growth is due mainly to the privileges and powers which the Public Trustee enjoys. These powers have been dealt with at length in previous years, and therefore it is not necessary for me to do so again on this occasion. The justification for these powers should be obvious when it is pointed out that they may be safely given to a public officer like the Public Trustee, subject to public inquiry and criticism, whereas they could not possibly be given to the general body of private trustees. This principle has long been recognized, and we find that the policy of the law has been, in New Zealand and elsewhere, to free a

State-guaranteed official from certain of the restraints and checks necessarily imposed upon private trustees. I cannot find that at any time these powers have been in any way abused by the Public Trustee, and I think that it may be safely said that a fair test of their desirability or undesirability is the fact that, although they have been in operation for a number of years, there has been no complaint from beneficiaries and other interested parties concerning them. Moreover, it should not be overlooked that the Office legislation provides a ready and inexpensive mode whereby beneficiaries dissatisfied with any action of the Public Trustee in an estate or trust may apply summarily to the Supreme Court for redress.

16. The advantages of corporate trusteeship are well known, and therefore I need not stress them here. The Public Trust Office system combines all these advantages and offers additional benefits and safeguards. I am convinced that the real secret of the successful growth of the Department is to be found in the guarantee of safety which it provides, the efficiency of its methods, and also in the generally recognized fact that the day of the private trustee is passing and that with the increasing complexity of modern life the development of corporate trusteeship of some kind is inevitable.

17. In establishing the Public Trust Office Parliament created no monopoly in its favour, but aimed at providing safe and efficient trusteeship for all who wish to avail themselves of the services offered, leaving the individual perfectly free to utilize other agencies if he prefers to do so.

18. There is little doubt, from the success which it has achieved, that the Office is fulfilling a public need, and that it is of the highest utility in the community. A striking feature of all the criticism which is levelled against the Public Trust Office is that there is no question of the efficient manner in which its work is performed.

19. The provision in the Office legislation for the appointment of advisory trustees is important. The Public Trustee deals with this matter at some length, and his comments are worthy of attention. It will be noted that the Office welcomes the appointment of advisory trustees, and has endeavoured to make the system as widely known as possible.

20. In the system of safe-deposit lockers referred to in the Public Trustee's report he renders a service which is much appreciated by the public. Lockers are now available to clients in most of the larger centres, and the service is gradually being extended throughout the Dominion.

21. The Public Trustee refers in the course of his report to the additional duties which are imposed upon him by the Rural Intermediate Credit Act of last session, and the arrangements made under the authority of that Act for the utilization of the Public Trust Office organization in the conduct of the new scheme of rural finance created by the statute. I desire to emphasize that the arrangements made do not impose upon the Public Trust Office any responsibility in respect of the administration of the system other than that of agent for the Rural Intermediate Credit Board, which is the body charged by the Act with the administration of the system. It has been of considerable advantage to the Board to function through the Public Trust Office, with its efficient organization and wide representation, as the expense of setting up a separate organization throughout the Dominion to operate the financial system entrusted to it would have been considerable.

22. Apart from the foregoing, special attention may be directed to the following matters appearing in the Public Trustee's report :—

- (1) The increase in the balance at credit of estates and funds from £26,485,917 to £28,485,442, an increase of approximately £2,000,000 for the year.
- (2) The progress made in regard to the duties imposed on the Public Trustee in connection with the disposal of enemy property and the settlement of pre-war debts between New Zealand and German nationals. As was intimated in the Public Trustee's report last year the compilation of a special report in regard to this work has been discontinued, and a full statement has been included in the report on the working of the Public Trust Office.
- (3) The Public Trustee's statement in regard to his work in connection with claims arising under the Workers' Compensation Act, 1922.

- (4) The Public Trustee's statement in regard to the increasing number of cases where he is appointed Commissioner for sinking, renewal, and depreciation funds.
- (5) The operation of the system of inspection and supervision in force, and also the system of audit in regard to the Department's accountancy work.

23. It is recognized that the work of the Office is of a difficult and technical character, so no pains have been spared to provide a competent staff and an effective system to enable its operations to be carried on in an efficient and businesslike manner. The results of the past year again bear witness that this aim has been successfully achieved, and there is no doubt that the Office is fulfilling a very useful purpose in the community.

24. It is pleasing to note that the operations for the year under review have proceeded smoothly. That entirely satisfactory service is rendered to the community by the Public Trustee is indicated by the numerous expressions of appreciation received from clients and by the absence of justified complaints from beneficiaries and others having business dealings with the Public Trustee.

J. G. COATES,
Prime Minister.

Wellington, 5th September, 1928.

REPORT ON THE WORKING OF THE PUBLIC TRUST OFFICE FOR THE YEAR ENDED 31ST MARCH, 1928.

SIR,—

I have the honour to submit the usual report on the working of the Public Trust Office during the financial year ended 31st March, 1928.

1. It is again pleasing to me to have to record that the year's operations have been very successful, and that there is a steady and continuous expansion in all departments of the Office business.

THE IMPORTANCE OF TRUSTEESHIP.

2. No unprejudiced observer of modern life will dispute the importance attaching to the administration of trusts and the estates of deceased persons, which is the principal duty devolving on the Public Trust Office. The instrument of trusteeship is an ancient device of civilization, and with the economic progress of our highly industrialized age, the springing into existence of new forms of wealth, and the amassing of larger fortunes than in the agrarian era, trusteeship and the administration of deceased persons' estates generally have not only continued their existence but have assumed a prominent place in our midst. When we think of the complexity of the social and economic structure of our civilized world to-day and the magnitude of the accumulations of wealth in numerous instances, it is not to be wondered at that the administration and devolution of property attract increased attention. Formerly the forms of investment or storage of wealth were comparatively few and simple, and the acquisition and possession of land were deemed of primary importance. The ownership of land conferred a social prestige, and the wishes of the landowning classes dominated the political and social structure, so that their cherished desires as to the devolution of property prevailed. However, since the rise of industrialism, the spread of civilized peoples to new countries where old associations were perforce broken with, and still more on account of economic compulsion in every country, the attitude to property has radically changed not only as to those forms which it is deemed desirable to possess and to

store up, but also as to its use in the owner's lifetime and its devolution after his decease. Everywhere* we have ample manifestation that the old stereotyped forms of devolution are no longer slavishly adhered to by the majority of the property-owners in the community. A most striking example of this change is the recent revolution which has taken place in England in this respect by the passing of the Property Acts, which came into force in 1926.

Each property-owner has his own particular desires as to the disposal of his possessions, so that trusteeship nowadays often involves the handling of a large volume of property and the undertaking of the administration of very complex interests, bequeathed or otherwise devolving in multifarious ways.

When we contemplate the vast flow of property which passes through fiduciary channels we begin to realize how much in our modern business and social life we are dependent upon fiduciary service for the conservation and protection of the wealth of the community.

Needless to say, the choice of a trustee has always been a problem of paramount importance, calling forth, as it does, considerations of his *bona fides* and qualifications for the often onerous and always trustworthy nature of the responsibilities of his office.

Inevitable changes in the personnel of fiduciaries—death, disqualification, and other causes—are disturbing factors which may soon remove any personal attachment or association, sever any bonds of friendship which the original trustees may have had towards their trust, and cause a trusteeship to devolve upon incompetent or undesirable individuals. In these days the ramifications and intricacies of commercial and other interests devolving on trustees not infrequently exact a toll of specialized knowledge and experience which is not easy to provide. The extension of the philanthropic spirit and the creation of numerous trusts, at times of considerable magnitude and of more or less perpetual or, at any rate, of long-continuing duration, for eleemosynary purposes or for the social amelioration or benefit of sections of the community render it even more desirable than formerly that there should be a continuity and permanence in their administration. Furthermore, there is the omnipresent need for the security of the corpus and the income of the trust, a requirement which far transcends all others in its importance.

Ever since the institution of trusteeship there has always been a difficulty to choose suitable trustees. This difficulty was very pronounced in the early days of the Dominion, and with the increased complexity of property interests it is even more pronounced now. In the infancy of New Zealand persons desiring to make provision for their children or dependants, or to settle property by will or in any other way, found it no easy matter to select friends and others willing to assume the duties of trustees and at the same time possessing the necessary qualifications to enable them to fulfil those duties in a satisfactory manner. Moreover, in the earlier stages of colonization the colonists were busy men, whose places of residence frequently changed, and who were principally engaged in the hard pioneering work of felling and clearing their holdings and bringing them into cultivation, in making roads and constructing necessary works, and generally setting up habitations for themselves and their families, and turning the wilderness into a smiling countryside.

The difficulty experienced by the early colonists in securing suitable persons to act as trustees, far from disappearing with closer settlement and development and the consequential changes in social and business conditions, is still very marked. In these days of specialization and of increasing stress of business competition men generally find it necessary to devote their principal energies to the particular field into which they have entered, and therefore, as I have stated on previous occasions, as a rule they do not feel disposed to be burdened with the duties of executorship or trusteeship, especially when they realize the responsibilities which these offices entail.

I consider that this difficulty explains in a large measure the rapid development of corporate trusteeship within the last few decades. In past years I have dealt more or less at length with the advantages pertaining to this form of trusteeship. The old system of private trusteeship entailed a great deal of personal worry and responsibility, and often involved an estate in expense by reason of one or in some cases several successive trustees dying within a short period of one another, with the consequent trouble and expense of new appointments and the handing-over of books and securities. Corporate trusteeship is free from all this.

THE STATE AND TRUSTEESHIP.

3. It is frequently asked whether trusteeship is a fit and proper sphere of activity for the State to enter upon. In most democratic countries in modern times we see an extension of the functions of the State—national, local, and municipal—not merely on the political side, but on the economic side as well, so that these latter activities of the State are constantly the subject of the keenest discussion. There are those who strenuously oppose any State enterprise, or, at the most, would permit it only within the most restricted areas.

In considering this question it seems to me that the functions of the State may be conveniently characterized as necessary or optional. The former, mainly political, are those functions which are deemed inseparable from the very notion of the State, and without which it could not prolong its existence. Concerning such as these there can be little or no dispute. Any other functions undertaken by the State are to all intents and purposes optional. These are, for the most part, economic in character, and it is in respect of them that the controversies have been and still continue to be, fiercely waged. These activities are frequently denounced as “pernicious,” “unfair interference,” “unfair State and bureaucratic interference in private enterprise,” or in similar terms. Whilst the controversy is an important one, it is beyond the scope of this report or my province to deal with it here.

It may, I think, be safely said that State intervention is justified in cases where the action of self-interest and competition does not sufficiently protect the individuals—as, for example, where the individuals, though knowing their interests, are not sufficiently strong to enforce them, or where the individual is under a disability, as in the case of children or mental defectives. Moreover, as has been well said, “The validity of State intervention must be determined not by fixed and abstract principles, but by the test of social utility and community service. It is not necessary that there should be an overwhelming probability that the social advantages introduced will more than counterbalance the incidental drawbacks.” Judged by these standards, I am convinced that trusteeship plainly provides a very suitable field indeed for State operation.

Beneficiaries and other interested parties are often ignorant of their rights, or by reason of disability, such as tender age, old age, or inexperience, quite incapable of asserting them. From its very nature, then, in what field of human activity is there greater scope for betrayal, loss, or default, than in fiduciary work? Here competition and self-interest must frequently fail as safeguards. As an economic writer dealing with this point recently said, “The sphere of the Public Trust is clearly one in which competition cannot be relied on entirely to maintain quality of service and reduce costs, so that on that ground it is appropriate for State operation.” So far as I can see, there are inherent in trusteeship no qualities rendering it an activity which it would be undesirable to conduct under Government auspices.

The need for a State official to conduct administration and trustee duties has been widely felt in many countries throughout the world. The idea of such an official is not a new one. An Official Trustee has existed in India since 1843; the Public Trustee of New Zealand was established in 1872; and in 1880 a similar official was set up in South Australia. Since then the system has spread to other parts of the Empire. The most notable example is that of the English Public Trust Office which was created by the Public Trustee Act, 1906, and commenced to function on the 1st January, 1908. As early as 1884 the late Sir Howard Vincent in the course of a visit to New Zealand was very much struck with the working of the system here, and on his return to England in 1886 introduced the first Public Trustee Bill—as the preamble set out, “To meet the difficulty which public bodies and private individuals frequently experienced in finding suitable trustees.” Considerable spirited opposition to the measure was exhibited, and it was not until the end of 1906, after almost annual attempts, that it was finally passed. In the words of the father of the Bill, it placed it “in the power of testators and settlors of property, while living, to ensure that provisions for their widows, children, kindred, and persons or institutions they wish to benefit shall be cheaply, securely, and effectively carried out, and the many cases of heartless robbery of the capital which have been so common in the past, bringing loved ones to starvation and ruin, be guarded against.”

In 1895 a Select Committee was appointed under Lord Loreburn (then Sir Robert Reid, and Attorney-General) to inquire into the administration of private trusts in England. It is interesting to see that this Committee reported that a case had undoubtedly been made in favour of the establishment of a system by which private trusts could be administered, if so desired, by or under the control of some official authority. In making its report the Committee stated that "the evidence puts it beyond question that large sums of money are annually misappropriated by private trustees, and that much loss and consequent suffering is caused by this malversation." It was known that these losses had amounted to several millions of pounds in the course of a few years, while the actual money lost was by no means the greater part of the evil involved.

The late Lord Halsbury gave evidence in favour of a State Trustee before the Select Committee to which I have just referred, and in opening the new offices in Kingsway now occupied by the Public Trustee bore striking testimony to its usefulness. On that occasion the veteran ex-Lord Chancellor remarked that there was a pathetic side to the question of trusteeship. When he was in a judicial position it came to his notice that a great many people were defrauded by their trustees, and it became a scandal that such a state of things should continue. It was not always the intentional fraud, but there was a perpetual conflict between the trustee and the *cestui que trust*. The result of speculation on the part of trustees was often poverty and misery, instead of what had been intended for a comfortable provision for life. Breaches of trust were constant, and serious injury was done. Now the beneficiaries had a trustee who could not be induced by any kind of persuasion that there were going to be wonderful results from this, that, or the other investment. The Public Trustee was iron-hearted in this respect, and would not yield to the flattering words of the tempter. According to Lord Halsbury, what the Department had to do was to go on as it had begun, for nobody could observe the wonderful organization which the Public Trustee had created, and the valuable work which was being done without a penny of cost to the taxpayer, without realizing what a magnificent establishment it was.

The English Public Trust Office has made rapid strides in the twenty years of its existence. The new business for the year ended 31st March, 1928, amounted to £11,041,018. The total number of estates accepted since the Office was instituted is 25,065, representing approximately £273,000,000. Of these cases 7,972 have been completely distributed, leaving 17,093 still under administration. The value of the estates under administration is approximately £200,000,000, with an annual income in the neighbourhood of £10,000,000. It is estimated that the annual turnover of the Office in respect to capital and income is nearly £50,000,000.

ORGANIZATION.

4. With a continuous increase in business the organization of any big concern, if it is to be efficiently run, grows more and more important as its operations extend. This is no less true of the Public Trust Office. In an Office which is handling without respite an enormous and steadily growing business, and which depends for its efficiency upon peculiar care and accuracy in routine, the problems of internal management become year by year increasingly complex, responsible, and varied. It has therefore been necessary to pay special attention to the organization and systems to enable the business to be transacted expeditiously and efficiently. A complex organization is not accomplished by a stroke of the pen, but after years of experience and experiment, and consequently a great deal of care and thought has been devoted to these matters, especially in the past few years during which the volume of business has so phenomenally increased.

In order to conduct its Dominion-wide business satisfactorily it is essential that the Office should be readily accessible to those with whom it deals. Accordingly a very wide scheme of representation has been provided, and it will be recognized that the provision for representation is a conspicuous part of the Office equipment when it is stated that the Public Trustee has branches and agencies in 110 cities and towns throughout the country. Thus clients may, without difficulty, consult the nearest Office representative and obtain his advice or transact their business with

him. This close representation results in speedier administration, and ensures that, no matter where the assets of an estate may be situated, there is an Office representative near at hand to deal with and to protect them.

Coupled with this extensive representation there is another factor in the organization which has played an important part in speeding up and economizing the transaction of the Office business—namely, the scheme of decentralization which was inaugurated by the passing of the 1912 Amendment Act, and to which I have referred at some length in previous reports. Prior to 1912 objections had from time to time been made to the administration of estates spread over the whole Dominion by an official located in Wellington. The old system contemplated everything being done by the Public Trustee, and the result was that with the enormous expansion of business the burden of work in the Head Office had become well-nigh unbearable.

It was only to be expected that such a system would cause dissatisfaction, and that it entailed both in the Head Office and the branches an enormous amount of correspondence and a heavy traffic in documents to and fro. Obviously, had it been allowed to continue, such a system must have broken down under its own weight. Even before 1912 the difficulty had to a certain extent been overcome by the appointment of District Managers and Agents in various parts of the country, but the limited powers possessed by these officers still necessitated frequent references to the Public Trustee, and did not afford sufficient relief either to the Head Office or the branches. A simple and effective remedy has, however, been found in the establishment of District Public Trustees in the principal centres, exercising such functions of the Public Trustee as are delegated to them. As I have stated, this was accomplished by a slight amendment of the Office Act in 1912. The details have been worked out departmentally and have been improved upon and developed in the intervening years, and now decentralization is working smoothly and effectively. Under this scheme the work of the administration of estates and numerous other duties are, subject to certain control by the Head Office, carried out at the various branch offices. The estate accounts are kept at the offices conducting the administration, and payments to beneficiaries, creditors, and others are arranged by these offices. When need arises, the various branches throughout the Dominion perform any necessary work on behalf of estates administered by other branches. Thus the whole of the detail work in estates is now carried on in the district offices in close proximity to the beneficiaries and other interested persons. The process of decentralization has been gradual, and each successive step has conclusively shown that the system was a proper one to adopt. The departmental officers and clients generally bear unanimous testimony that the change has been beneficial to the Office and those who transact business with it.

Another of the Office problems demanding its close attention has been the simplification and standardization of procedure and methods in order to cope with the demands placed upon the Department. The application of modern methods and the use of up-to-date machinery have materially assisted in this direction. The fund of experience which the Office has accumulated during the fifty-five years of its existence is constantly suggesting to its officers new ideas of more simplified methods and improvements in the systems employed. The object aimed at by those responsible for the running of the Department has been to secure improved management, co-ordination between officers and between the various divisions and branches, prevention of duplication and overlapping in work and systems, and the scrapping of wasteful and out-of-date methods. I think it may be fairly claimed that this has in no small measure been achieved, for, in comparison with the year ended 31st March, 1921, when the estates and funds under administration were £21,791,229 less in value, the year now under review has shown an increase of only £3,852 in working-expenses and of only seven in the number of staff employed. A study of modern business and commercial methods is made, and periodical conferences of senior officers are arranged, when Office methods and organization are discussed. The staff is encouraged to make suggestions for the improvement of the organization and working of the Department.

With estates and funds under administration totalling £44,155,548 and investments of £28,465,963, a rigid system of internal check and safeguard is imperative, and the system devised forms an important part of the Office management. Strict

adherence to the safeguards provided enables the Office to function smoothly, and adequately to cope with the heavy volume of business which it transacts. To ensure that the internal check and all office safeguards are being observed and a general efficiency is being maintained, a very complete system of inspections of all phases of the work is in operation. This system is more fully referred to elsewhere in this report.

It is interesting to note the formula which the Parliamentary Committee on Trusts of 1895 (previously referred to by me) considered advisable to observe in establishing an official trustee in England. The report of that Committee said :—

It is indispensable to the success of any system that it should be inexpensive; that those who administer it should be easily and promptly accessible, and personally ready to take the same steps as a sensible private trustee now takes to acquaint himself with all that belongs to the trusts committed to him. Whether the system is to be worked by an official Department or by a Court of justice, or by co-operation between the two, the individual who on any particular occasion manages the trust must not be separated, either by official red-tape or by judicial etiquette, from those with whose interests he has to deal. It must be made clear that he is not a person to be approached by formal proceedings either of an official or of a legal character, requiring to be satisfied of the most trifling facts by prolix and expensive proof; but a man empowered to use his own judgment, to make any necessary inquiries for himself, and to take the initiative in the interests of the trust either of his own motion or at the request, however informal, of any one concerned. If such administrators be made available to any one who desires their services, the system would be of the highest utility.

The principles enunciated by the Parliamentary Committee have been well recognized in planning the policy and organization of the Public Trust Office of New Zealand. First and foremost, its charges have always been extremely moderate for the services rendered and the benefits conferred upon those dealing with it.

As I have shown, by its wide system of representation, and still more under its policy of decentralization, the Office is rendered “easily and promptly accessible” to its clients. The requirement that an official administrator should be “personally ready to take the same steps as a sensible private trustee now takes to acquaint himself with all that belongs to the trusts committed to him” has been amply provided for in the Office organization. It is the endeavour of the Public Trustee to give absolute satisfaction to those whose interests he controls. The human element in administration is not overlooked. It is borne in mind that no matter how efficient the organization, if the personal element of those with whom an administrator deals is neglected, misunderstandings and dissatisfaction may arise. Officers of the Department strive to come into close personal contact with the beneficiaries and other parties interested in the estates administered by the Public Trustee. Moreover, as I have stressed in former years, the work in all the larger offices is divided into alphabetical sections, irrespective of the class of estate under administration. Such an arrangement possesses advantages both for the public and for the staff, for it enables an inquirer to be directed without difficulty to the officer dealing with the estate concerned, and permits each officer to be trained in all classes of administration. In charge of each section is an experienced officer who checks the administration, subject to the direction of the controlling officers. Care is taken to assign to an officer only such a number of estates as he can conveniently handle. This permits him to be acquainted with the special features of each estate under his care, and, moreover, he acquires the personal touch with the relatives and beneficiaries. In short, it is the aim of the Office to conduct the administration in as efficient a manner as possible, and at the same time to pay close individual attention and sympathy, to encourage as much as any private trustee cordial relations with its clients, and to inspire confidence in its administration.

As I have outlined, the departmental system has been carefully developed, and its methods and procedure simplified and standardized wherever possible, and I feel sure that no one dealing with the Public Trustee can urge that the transaction of business is hampered by “official red-tape.” The policy of the Department has fostered in the staff a capacity for initiative, for taking responsibility, and for expedition in administration.

Many expressions of approval of the Office and its methods are received from clients both here and elsewhere. Here is a typical appreciation which came to hand from a relative in Dalmatia after the close of the administration of an estate in which he was interested: “Greatly thanking your Office and the British people for establishing such a splendid Office as the Public Trustee is.”

ADVISORY TRUSTEES.

5. A phase of the Office administration to which reference has been made in previous reports is the system of advisory trustees. Although this has been dealt with at length in the past, there still appears to be a certain amount of misapprehension concerning it, and, moreover, a number of not wholly disinterested critics have seen fit to make more or less misleading statements regarding its operation. Accordingly I deem it advisable on this occasion again to make some comments in reference to this system.

Co-trusteeship presents many inherent difficulties and drawbacks. From the inception of the Public Trust Office it has been provided that the Public Trustee should not act jointly with a co-executor or co-trustee. The principal reason for this prohibition is the obviously good one that, while a State may guarantee against a misfeasance of its own officers, it cannot undertake the defaults of private persons also. For some time prior to 1912 there were under discussion ways and means of bringing about some arrangement whereby the Public Trust Office system would be preserved in its entirety and at the same time there would be provided for the Public Trustee in his administration of estates special advice in discretionary matters, such as realization of assets, which would benefit the beneficiaries and also afford the Office protection against imputations of collusion or of failure to obtain the best results in the management and the realization of estates.

When the Royal Commission of 1913 was making its investigations the idea was suggested to its members, and so in its report the Commission recommended that statutory authority be obtained for the appointment of one or more persons as advisory trustees whom the Public Trustee might consult in the administration of estates. According to the recommendation of the Commission, the functions of advisory trustees should in substance be confined to the period of realization and to consultation regarding the management of estates, and also the maintenance and education of infants where those objects have to be considered by trustees and not by their guardians.

Thus in 1913 the Office Amendment Act of that year made provision for the appointment of advisory trustees. This appointment may be made expressly by testators in their wills or settlors in their settlements, and also by the Court upon the application of any interested party, or of the Public Trustee, or any person having power to appoint a new trustee. In applications by persons other than the beneficiaries, the Court has intimated that the consent of the adult beneficiaries must be filed, and also that the Court must be satisfied that such an appointment, which may add to the cost of administration, is necessary and would be an advantage in the administration of an estate.

The provision for the appointment of advisory trustees may also be availed of in the administration of intestate and mental patient estates.

When the Public Trustee acts with advisory trustees the trust property vests in him, and, whilst he has all the powers of a sole trustee, he is authorized to consult with the advisory trustees on any matters relating to the estate. The suggestion that the Office has always been antagonistic to the scheme of advisory trustees is wholly unjustified. The innovation has all along been welcomed by those responsible for the running of the Department, and by propaganda and otherwise every effort has been made to extend its use in appropriate cases.

The advisory trustees are consulted on all estate matters of importance, and their advice is sought as to the course of action to be adopted in various cases which arise for decision. Of course, the matters on which their advice is sought are those upon which they are qualified to advise, and especially those concerning which a trustee has to exercise his discretion. Obviously, it would be futile to consult advisory trustees in respect to the mandatory duties of a trustee—*i.e.*, the duties which he is by law compelled to perform, as, for example, payment of debts, death duties, legacies, &c. Moreover, the Public Trustee or any other trustee would not be justified in following the advice of advisory trustees if the course they suggest is plainly illegal—*e.g.*, the retention of unauthorized investments for which no suitable indemnity or protection could be obtained.

The complaint of realizing profitable but unauthorized investments is a common one against not only the Public Trustee but trustees generally. Dealing with this matter the manager of a trust concern states :—

We have often heard the criticism of trust companies—"My uncle had an estate investment in Westinghouse Electric or United Gas Improvement and the trust company sold these good stocks and put the money in mortgages." The chances are that the trust company had no alternative. The trust company had been appointed by the Court, or the instrument appointing it had failed to give it the power to invest in other than legal investments. It was therefore mandatory that these good securities be sold. Of course, a testator in his will, or a donor under a trust agreement, can give the trustee power to invest in other than legal investments. With this broadened power the trustee can accept and retain, at its discretion, the investments of which the testator died possessed.

The range of trustee investments must necessarily be limited, and, as I have endeavoured to show elsewhere, an extension which would embrace investments of a more speculative nature would be followed by frequent disaster to trust funds.

LEGISLATION.

6. During the last session of Parliament there was enacted very little legislation affecting the immediate interests of the Office and its work. Of the legislation passed last year mention is made of the following :—

LAND AND INCOME TAX AMENDMENT ACT, 1927.

This amendment provides that the duty imposed on companies by the Act of 1923 to act as agents for debenture-holders shall not apply in regard to debentures issued to any person resident in New Zealand if the company issuing the debentures supplies the Commissioner of Taxes, before it has been assessed in any year for tax in regard to such debentures, with a certified list giving particulars of the debentures, the names, addresses, and descriptions of the debenture-holders, and the interest derivable from the debentures. If this is done, the holder of the debentures is then responsible for the payment of tax.

GUARDIANSHIP OF INFANTS AMENDMENT ACT, 1927.

In my report of last year mention was made of the Guardianship of Infants Act, 1926, which gives statutory recognition to the well-known rule of the Courts that the welfare of the infant is the first and paramount consideration. The Act also declares that in matters affecting the custody and upbringing of infants the Court shall take into consideration whether from any other point of view the claim of the father in respect to such custody and upbringing is superior to that of the mother, or *vice versa*. By this Act, too, the mother has been given more extensive rights in respect of her children than she previously possessed.

In dealing with this statute recently, an overseas critic seems to have gathered the impression that the measure in some way or other applied solely and specifically to the Public Trustee, and he included it in the category of special legislation which during the past few years had been enacted in favour of the Office. Of course, this assumption is quite erroneous, the statute being one of general application.

The amendment provides that the Magistrate's Court may consent to the marriage of an infant, and that access to a child may be had by the grandparents in the event of the death of one or both of the parents.

MORTGAGEES' INDEMNITY (WORKERS' CHARGES) ACT, 1927.

This effects a useful and timely amendment in the law. Where injury is suffered by a worker arising out of and in the course of his employment in any mine, building, or factory, the amount of the compensation or damages for which the employer is liable in consequence of the worker's injury may be charged against the land on which the premises on or about which the injury occurred are situated. Such a charge takes priority over all mortgages registered against the land. To cover this liability, it was the practice of mortgagees to require borrowers to take out what were known as mortgagees' indemnity policies to protect them. The premiums payable for this insurance varied from a minimum of 5s. to a maximum of £2,

according to the amount of the mortgage. The prospect of a claim arising under this liability is very remote, and so the requirement to take out these policies usually seemed to the borrowers to be incomprehensible and unnecessary. I understand that there have been few, if any, such claims ever put forward, and, in any case, nearly every one nowadays has his workers insured against accident. Mortgagees felt aggrieved at the annual charges to which they were subjected, and the question of affording them relief from them had been raised on numerous occasions. Accordingly the amending Act was passed totally abolishing mortgagees' indemnity policies. In terms of this amendment a mortgagees' indemnity fee of 1s. is to be charged on all mortgages, and the proceeds paid to the Land Assurance Fund Account. Where any mortgagee suffers loss by reason of a charge against his security for compensation or damages he may claim against this Assurance Fund Account in respect of such loss.

PROPERTY LAW AMENDMENT ACT, 1927.

Two amendments to the Property Law Act, 1908, are effected by this statute. One of these amendments affects the creation and acquisition of easements of light and air, and remedied a defect in the existing legislation. Under English law there are such easements, but in New Zealand, since the coming into operation of the Light and Air Act, 1894, the effect of which was to do away with the prescriptive right to the access of air and light to buildings, no matter how uninterrupted the enjoyment of such access may have been, no legal right to it has been secured. The only means of acquiring such a right as between neighbours since 1894 has been by deed duly executed, and even then the benefit thereof did not enure for a longer period than twenty-one years. Modern conditions, the erection of numerous and extensive concrete structures, and the length of life which it is anticipated will attach to them, rendered it essential that, under proper safeguards, there should be legal power as between adjoining property-owners to create a permanent easement as to light and air, and not only a right of such a limited duration as twenty-one years.

The other amendment deals with a difficult question which has arisen more in modern times than in previous days, viz., the doctrine of commorientes—i.e., where persons perish together as in a shipwreck or other accident. The old presumption of our law, in effect, treated the deaths of two or more persons dying as the result of a common calamity to have occurred simultaneously unless there was some evidence to the contrary. Under the present-day conditions of locomotion by automobile, aerial machines, &c., accidents causing the deaths of two or more persons are unfortunately extremely common, and it is often impossible to determine the order of survivorship of the persons involved. Obviously, for the purpose of deciding the succession to and rights of property, the question is often one of vital importance. For example, under the laws governing the distribution of intestate estates in the case of a husband and wife, in the absence of lineal descendants, it makes a world of difference to the destination of their property whether husband or wife died first. The amendment follows the English precedent, and provides that the younger shall be deemed to have survived the elder for purposes relating to the succession to property.

THE HOWARD ESTATE AMENDMENT ACT, 1927.

The Public Trustee is the administrator of the estate of Josiah Howard, late of Tikokino, Hawke's Bay, sheep-farmer, who by his will devised all his real and personal property to His Majesty the King without restrictions or limitations, in confidence, however, that the Government of New Zealand would use the property as a foundation or endowment for the purposes of agricultural education. The Howard Estate Act, 1919, was passed in order to give legal effect to the testator's wishes by defining the objects for which the estate is to be applied, and setting out certain powers of management in connection with the Public Trustee's administration.

Some slight amendments were made to this Act by the Howard Estate Amendment Act, 1926, and the Amendment Act of 1927 provides for the establishment of an Estate Advisory Board, to be known as The Howard Estate Advisory Board. This Board is to consist of five members, to be appointed from time to time by the Governor-General on the recommendation of certain bodies specified

in the Act. Its functions are to advise the Public Trustee with respect to any matters concerning the management or administration of the estate and to advise regarding the expenditure of any money derived from the estate and available for the purposes specified in the principal Act.

THE INSURANCE COMPANIES' DEPOSITS AMENDMENT ACT, 1927.

The Insurance Companies' Deposits Act, 1921, applies to companies incorporated out of New Zealand which are carrying on in New Zealand the business of insurance against fire, accident, and employers' liability. The object of the Act is to provide a fund for the security of policyholders or claimants in respect of policies issued by such companies. British companies are required to deposit with the Public Trustee a specified sum in regard to each class of business carried on, whilst foreign companies are required to deposit a lump sum whether one or all classes of business are engaged in. The amendment of 1927 makes similar provisions in regard to the agents of British and foreign underwriters operating in New Zealand.

RURAL INTERMEDIATE CREDITS ACT, 1927.

This Act is dealt with more fully in another portion of this report.

THE WAR DISABILITIES REMOVAL ACT, 1927.

This was another very necessary piece of legislation, which removes certain disabilities suffered by aliens in consequence of war legislation. In short, the effect of this Act is to place persons of ex-enemy origin on exactly the same footing as other aliens, and it follows the precedent created in England in dealing with such persons.

THE PUBLIC TRUST OFFICE, TASMANIA.

7. During the year a request was received from the Premier of Tasmania that a competent officer of the New Zealand Public Trust Office be made available to make an investigation of the system and methods of the Tasmanian institution to ascertain whether any reorganization or improvements were considered necessary for the better working of that Office. Mr. C. J. Playne, the Assistant Controller of the Estates Division, who has had a wide experience in all sides of the Office work, was made available. He made a careful investigation, and has furnished his report to the Premier of Tasmania, who has expressed to the Right Hon. the Prime Minister his thanks and appreciation of the work which has been done.

ECONOMIC POSITION.

8. It is true that the Office is not directly a trading concern, and it does not deal on its own behalf in primary products, but, at the same time, from its very nature its business is closely associated with the economic life of the community. Although, of course, not constituted to be an entrepreneur in industry or commercial undertakings, the Public Trustee does from time to time carry on on behalf of estates businesses of various kinds, and administers all classes of business and other commercial interests. Moreover, as the Office controls such a large volume of assets its business as well as the interests under its management are vitally affected by the interdependence or interaction of economic factors which affect the country at large. It is customary, therefore, in the annual reports of the Department to make brief reference to the economic conditions of the Dominion.

In the year 1925-26 the fall in the returns from our staple products was, for the most part, only the passing result of the operation of the economic laws for supply and demand, although, no doubt, such a fall augurs the setting-in of an era of lower prices more nearly approximating the conditions of pre-war days. At the same time, the diminution in the principal income of the Dominion consequent upon this fall in prices left a good deal of leeway to be made up in succeeding years. Whilst the year 1926-27 closed with an adverse trade balance and fluctuating prices, on the whole the result was fairly satisfactory, and a limited recovery in the financial and commercial conditions of the country was noticeable, especially in respect to the purely pastoral interests. It is gratifying

to see that during the year now under review this recovery has been much more pronounced on every side, and the present indications prognosticate that New Zealand is gradually returning to a period of prosperity. The world generally is slowly returning to normal conditions of trade and finance, and is being freed from the unprecedented fluctuations and chaos brought about, or at any rate accelerated and accentuated, by the Great War. The Dominion is indeed to be congratulated upon its extraordinary recuperative power and the recovery which it has made.

Over 90 per cent. of the Dominion exports are represented by agricultural, pastoral, and dairying products, and the prosperity which we are now enjoying is largely due to the success which has attended these primary industries. Last year was a particularly good one in the principal branches of the primary industries, and all round substantial increases on the previous year are recorded both in the volume of production and the sum which the products have realized. The financial gain accruing from the increase in the proceeds of realization is most satisfactory and will be of immediate benefit to the country, but the most pleasing feature of the figures is that of increased production. The volume of exports during the past few years has shown a rising tendency, and the substantial increases for the past year are matters for general satisfaction. These increases are in no small measure due to increased efficiency brought about by more scientific methods of farming than those adopted in the past. The attention now being devoted to scientific and industrial research, and the increasing recognition amongst farmers of the need for modern methods in their operations, inspire confidence for the future, and induce and encourage the belief that the increases will be sustained. When our national income was so enormously augmented during and immediately after the war, the increase was an unhealthy one, brought about by the abnormal prices for our produce then ruling, engendered by conditions over which we had no control. Such an increase cannot be said to be in any way an index to the soundness of the country, which, it is considered, can be measured only by the true economic gain of increased production, although, of course, the commercial and financial condition of the country depends to a large extent upon price conditions.

It is a commonplace that years of prosperity and expansion are inevitably followed by years of leanness and depression. The psychological influence of prosperity oftentimes leads us into reckless trading and unjustified expansion and speculation. It is true that the present indications in the wool trade show that the prospects for wool-growers are very encouraging indeed. It is gathered from those who are competent to judge and make a forecast that the accumulations of the war and the near post-war period have now been all absorbed, and that the demands of the manufacturers exceed the available supplies. At the same time, whilst the most reliable advisers from the great manufacturing centres intimate that not only are the present good prices likely to be maintained, but show a tendency to harden, it should be realized that the existing price-levels cannot continue indefinitely and sooner or later will probably fall. To provide for this producers should in their years of prosperity strive to reduce their liabilities, accumulate a store of savings, and improve their stock and methods, so that when the fall comes the quantity and quality of their products will compensate them for any diminution in the prices they realize. This policy is being adopted in the farming estates and other interests controlled by the Public Trustee. It is gratifying to be able to record that the position in regard to the collection of amounts due to estates has very much improved during the past two years, largely due to the more prosperous economic conditions which have prevailed in the primary industries.

In the dairying industry it is a matter of satisfaction to note the increased attention which is being paid to top-dressing and the improvement of herds. A recent writer in a publication devoted to dairying interests estimates that £5,000,000 is being lost annually through under-production due to poor stock and to the neglect of herd-testing. It is interesting to observe that our competitors in the world's market—for example, Denmark and Ireland—are taking active steps in certain directions to overcome these problems. The Office administers a large number of estates more or less closely interested in the dairying industry. Modern movements and the problems surrounding them are carefully followed, and strict attention paid to factors which will reduce overhead expenses or increase production.

FINANCE.

9. The strictest attention has been given to the investment of the available funds to ensure that, on the one hand, the moneys falling into the Common Fund shall be closely invested, and, on the other, that there shall be sufficient provision for the heavy demands for funds made by the distribution of estates, the payment of income, the maturity of sinking funds, and the innumerable payments associated with the administration of so many estates and funds and the management of the Office itself. With estates and funds under control to the value of over £44,000,000, it will be realized how important this matter has become. The Department is so well organized, however, that the difficulties inseparable from such a volume of business are systematically dealt with, and the operations of the year under review have been as smoothly and successfully conducted as in past years, when the transactions were very materially less in number and in the amounts involved.

As far as it is possible to do so, forecasts are made of the amount that is likely to become available for investment months ahead of the actual receipt of the money, and of the liabilities that will probably have to be met. Of course, these calculations cannot be formed with any degree of certainty, since from the nature of the business unexpected sums become available and unforeseen calls materialize, but it has been found practicable to estimate the position from time to time with sufficient exactness to enable the investment of funds to be arranged as they come to hand and to make full provision for the outgoings.

10. The terms upon which interest is credited on moneys invested in the Common Fund are now so liberal and the charges for the administration of estates so moderate that the margin left to provide for working-expenses is entirely dependent on the close investment of funds, which, therefore, is a matter of the utmost importance to the welfare of the Office and its clients. The interest on the moneys invested in the Common Fund is guaranteed at the rates fixed, but these rates can be maintained only so long as the working of the Office is successful. Losses arising from funds lying uninvested would soon result in a compulsory reduction of the Common Fund rates of interest.

11. The provision in the Office Acts authorizing the Public Trustee to arrange for a bank overdraft greatly facilitates the close investment of the moneys in the Common Fund. Indeed, without such provision it would be almost impossible to carry on the business successfully, for it would then be imperative to retain large sums on current account to meet not only the known liabilities, but those that might arise from the conditions on which a great part of the trust funds are held at any time. It will be seen from the annual accounts that as the result of meeting heavy commitments due on the last day of the year an overdraft existed on the 31st March last. The absence of authority to arrange such an overdraft would have necessitated the prior accumulation of the requisite funds and the consequent loss of interest.

INVESTMENTS.

12. As has been indicated, the volume of investments completed during the year has been very heavy, totalling in all £3,065,524. This total, however, does not include investments amounting to £104,331 made during the year on behalf of estates the funds of which do not fall into the Common Fund. On the 31st March last the investments of the Office amounted to £28,465,963.

VALUE OF ESTATES, ETC., UNDER ADMINISTRATION.

13. The gross value of estates and funds under administration by the Public Trustee on the 31st March, 1928, amounted to £44,155,548, representing an increase of £3,112,025 for the year. On the 31st March, 1921, the value was £22,364,319, and so for the last seven years the figure has increased at an average annual rate of more than £3,000,000.

NEW ESTATES ACCEPTED.

14. Last year, in presenting to Parliament the report on the working of the Public Trust Office, the Right Hon. the Prime Minister stated that it was anticipated that new business exceeding £6,000,000 in value would be reported for administration for the year 1927–28. This anticipation has been more than fulfilled, for

estates and funds to the amount of £6,511,928 have been accepted during the year. In last year's report it was mentioned that for the first time the new business for the year had exceeded £5,000,000. This year an additional increase of nearly £1,000,000 has been forthcoming.

COMPLETION OF ADMINISTRATION OF ESTATES.

15. The Office organization and the special qualifications and wide experience of the staff render possible the expeditious administration and distribution of many of the estates entrusted to its care. The early closing of so many estates to a large extent accounts for the difference between the value of the new business for the year and the net increase in the value of estates under administration on the 31st March, 1928, compared with the total for the 31st March, 1927. Realizations of assets in estates not yet completely administered also account for a substantial sum. The administration of 2,312 estates and funds valued at £1,924,785 was completed during the year. Of those estates, 581 had come into the Office for administration after the 1st April, 1927—testimony to the despatch with which the business is transacted. Whilst the utmost expedition is aimed at every care is taken to consult beneficiaries and other interested persons in the realization of assets and the general administration to ensure the fullest protection of their interests, and at the same time every precaution is exercised to prevent assets being in any way sacrificed. It is to be understood, too, that the prompt closing of estates is possible only in those cases where the relative wills or trusts permit of such a course, or in the case of intestacies where the beneficiaries are *sui juris*.

EXPENSES OF THE OFFICE.

16. Although the business of the Office has shown such a remarkable increase, it is satisfactory to note that the growth has not been accompanied by a corresponding increase in the working-expenses. On the contrary, as I have pointed out earlier in this report, while the volume of business has doubled during the past seven years, the expenditure (apart from depreciation on Office property) shows an increase of only £3,852 over that for the year ended the 31st March, 1921.

RESULT OF THE YEAR'S WORKING.

17. The accounts of the year's operations disclose a net profit of £31,105 after providing for depreciation on Office property on a sound basis. In view of the substantial benefits which during the past three years have been conferred on beneficiaries and others interested in the estates and funds administered by the Office, the result is very satisfactory.

GROWTH OF THE OFFICE BUSINESS.

18. Since its inception the Office has made steady progress, and during the past twenty years the growth of its business has been phenomenally rapid. This speedy growth may be exemplified by the following comparative table for the decennial period 1919–28 :—

Year ended 31st March,						Total Value of Estates in Office, including unrealized Assets.	Funds at Credit of Estates and Accounts.	Gross Income.
						£	£	£
1919	..	..	..	..	..	19,242,347	10,065,027	194,452
1920	..	..	..	..	..	20,860,686	11,911,290	240,469
1921	..	..	..	..	..	22,364,319	13,918,906	244,090
1922	..	..	..	..	..	25,497,779	15,329,125	220,794
1923	..	..	..	..	..	28,904,798	17,466,787	246,692
1924	..	..	..	..	..	32,404,724	19,215,388	257,623
1925	..	..	..	..	..	35,570,642	20,864,356	299,439
1926	..	..	..	..	..	38,009,480	24,426,009	282,386
1927	..	..	..	..	..	41,043,523	26,485,917	274,845
1928	..	..	..	..	..	44,155,548	28,485,442	275,541
Increase in preceding 12 months						3,112,025	1,999,525	699

In considering these figures it must not be thought that the growth of the Office has been assisted by anything in the nature of a monopoly in the classes of work which it undertakes. Trustee and administration work and numbers of the other duties performed by the Department are undertaken by well-established concerns and professional and private individuals throughout the country, thus providing a large amount of useful and stimulating competition.

It is frequently urged that the success of the Department is due to its favoured position, arising from its legislation and special powers. This is erroneous, and the true explanation of its growth is that it is the natural consequence of the conditions of modern life which render desirable corporate trusteeship in some form or other, combined with the safety which it offers. As was said a few years ago by a member of a well-known trust concern, "It was becoming increasingly recognized year by year that the day was rapidly passing when persons were to be found willing to accept the position of private trustee."

GOVERNMENT SUPERANNUATION FUNDS.

19. The Public Trustee is entrusted with the care of the investments of the National Provident Fund, and of the three large Government Superannuation Funds—namely, the Public Service Superannuation Fund, the Teachers' Superannuation Fund, and the Government Railways Superannuation Fund. In the case of the Public Service Superannuation Fund the actual granting of loans is attended to by the Public Service Superannuation Board, but it has been possible for the Public Trustee to render assistance in this respect by making available suitable investments at times when the funds held by that Board for investment have been in excess of the applications on hand—a facility that has been of material benefit to the fund.

In the case of the other three funds the investments are selected by the Public Trustee from those held on behalf of the Common Fund. The allocation of the investments is made as from the first day of the month following the receipt of the moneys, including interest collected under existing investments, so that there is no loss to the funds by delay in obtaining suitable investments. Apart from the finding of suitable investments for new moneys and arranging renewals of maturing mortgages, the organization of the Public Trust Office is made available for their management and administration. The whole service rendered in connection with these funds is maintained for the low charge of $2\frac{1}{2}$ per cent. on the interest collected. The investments of the funds are distributed throughout the Dominion, and with its wide representation the Office has every facility for conducting the large volume of work arising out of their administration.

LOCAL BODIES' SUPERANNUATION FUNDS.

20. On the 31st March last the sum of £195,472 was held on behalf of four superannuation funds set up in pursuance of the provisions of the Local Authorities Superannuation Act. These moneys form part of the Common Fund, and bear interest accordingly. As the moneys are made up of comparatively small contributions received at monthly intervals, and as calls on the funds may be made at short notice, it would in the ordinary course be a difficult matter for the local bodies to arrange close investment at a satisfactory rate of interest. In the Common Fund of the Public Trust Office, however, the smallest instalment begins to earn interest immediately it is received and continues to do so until it is withdrawn. Further, there is no cause for anxiety regarding the security for investments, as they enjoy the State guarantee in respect of both principal and interest.

MISCELLANEOUS ACCOUNTS AND FUNDS.

21. As at the 31st March, 1928, the sum of £99,955 was held on behalf of the following accounts and funds:—

New Zealand Sheepowners' Acknowledgment of Debt	£
to British Seamen Fund	46,066
Electric-power Schemes Deposits Act	500
Government Fire Insurance Fund	53,070
Government Stores Marine Insurance Fund	319
	<hr/>
	£99,955
	<hr/>

INSURANCE COMPANIES' DEPOSITS.

22. Deposits held in terms of the Insurance Companies' Deposits Act, 1921-22, and its amendments amounted on the 31st March, 1928, to £1,056,804, including interest accrued but not yet disbursed. During the year £20,000 was deposited by one company to enable it to take up classes of business hitherto not transacted by it, and towards the close of the year, in terms of the amending legislation passed during the last session of Parliament, £20,000 was deposited by a company transacting business in New Zealand as agents for Lloyd's underwriters. In terms of the Act these deposits form part of the Common Fund.

INVESTMENTS BY MEMBERS OF THE STAFF.

23. For the encouragement of thrift, and to permit members of the staff of the Office to take advantage of the facilities which the Office has for the investment of money, arrangements were made some time ago whereby officers desiring to do so may take up investments to be completed by monthly deductions from their salaries. The scheme has proved very popular, and at the end of the year the sum of £9,110 was held on behalf of members of the staff who had taken advantage of the opportunity to invest their savings.

TRUSTEE FOR DEBENTURE-HOLDERS.

24. In thirty-nine cases the Public Trustee has accepted the position of trustee for the protection of debenture-holders under deeds of trust relating to debentures of the nominal value of £1,140,916. This amount is not included in the value of estates and funds under administration on the 31st March last.

UNCLAIMED PROPERTY.

25. Unclaimed property to the value of £6,179 was under administration by the Public Trustee on the 31st March, 1928, in pursuance of the provisions of Part III of the Public Trust Office Act, 1908. In addition, £5,959 was held representing unclaimed dividends and surpluses paid to the Public Trustee by Official Assignees in accordance with the Bankruptcy Act, and £2,829 held under the Rating Act, representing surpluses on the sales of property for default in payment of rates.

GENERAL LEGAL EXPENSES ACCOUNT.

26. In last year's report reference was made to the benefit which the statutory provisions regarding the General Legal Expenses Account enabled the Public Trustee to confer upon estates under his control. During the year now under review a number of questions of law called for interpretation by the Court. Several of these, although arising out of individual estates, were of general interest to all estates under administration, and in accordance with the authority conferred by section 28 of the Public Trust Office Amendment Act, 1921, the costs involved were charged against the General Legal Expenses Account, thereby obviating an inequitable charge to one estate of an expense from which the estates in general derived a benefit.

OFFICE BUILDINGS.

27. Owing to delays in the arrival from England of structural material and to other causes, the erection of the new Public Trust Office building at Dunedin has not progressed as speedily as was anticipated, and it will be some little time before it is ready for occupation. It is hoped, however, that before the end of the present year the staff will be in occupation, and thus enable the local business to be conducted in a manner more satisfactory both to the Office and its clients than is possible in the present congested conditions.

When departmental premises were being erected at a number of the centres the future expansion of the business was provided for as far as could be foreseen, and in the meantime arrangements were made for leasing any space surplus to present requirements. In other cases the whole of the accommodation has been occupied by the Office staffs, but it was expected that in most of these the space provided would satisfy the requirements for many years to come. So rapid has been the growth of business, however, that it has become necessary at several district offices to make further provision for staff accommodation, either by the

resumption of portions of the premises previously leased or by additions and structural alterations to the buildings themselves. Such alterations are now being arranged at Invercargill, Nelson, Wanganui, Hawera, and Palmerston North, and others will be necessary in the near future.

MUNICIPAL CORPORATIONS' RENEWAL FUNDS.

28. Under the authority conferred by section 114 of the Municipal Corporations Act, 1920, several Municipal Corporations arranged for the investment in the Common Fund of the Public Trust Office of moneys set aside for their Renewal Funds. On the 31st March, 1928, the amount held in this connection was £48,971.

SINKING FUNDS IN RESPECT OF LOANS TO LOCAL BODIES.

29. On the 31st March, the Public Trustee was acting as Sinking Fund Commissioner in respect of 2,483 loans aggregating £28,244,727. This represents an increase of 218 in number for the year, a total of 261 new appointments having been made during the year, and forty-three funds having been closed by application of the funds towards redemption of the relative debentures or by transfer of the balances at credit to the credit of new sinking funds created in respect of redemption loans. The value of assets and securities held on behalf of these sinking funds at the end of the year was £2,467,247, a net increase of £439,507 for the year.

ADVANCES TO BENEFICIARIES AND TO ESTATES.

30. The statutory power enabling the Public Trustee to advance moneys to estates or to beneficiaries on the security of their interests in estates has again been fully availed of during the year. This has been of particular advantage to new estates accepted for administration during the year which had insufficient liquid assets to provide for urgent payments not only to creditors, but also to those dependent upon the estates for maintenance. With this accommodation available the Office was able to postpone the realization of assets which for reasons of prudence or necessity it was desired to retain in the interests of estates pending a more favourable market. Similarly many beneficiaries in need of assistance were enabled to obtain immediate benefit from their interests which were not in a form rendering distribution in the ordinary way possible. By means of this power the Public Trustee has been able to nurse many valuable estate assets in times of financial stress with material benefit to those concerned.

The Public Trustee has also on numerous occasions advanced money on the security of estate assets for the purpose of erecting buildings on or otherwise improving properties owned by estates. One advantage of this means of finance is that the expenses incidental to the arrangement of finance by way of mortgage are avoided. The Public Trustee has a statutory charge over the whole of the assets in any estate to which an advance is made, subject, of course, to any prior encumbrances, so that no documents of security are necessary. A further advantage is that immediately moneys become available for application in reduction of the advance the amount of indebtedness is automatically reduced and the interest charge falls accordingly. The Public Trustee may file with the Commissioner of Taxes a certificate regarding the amount of any advance so made, and such certificate has the same effect for land-tax purposes as has the registration of a mortgage against the title, so that it will be seen that the allowance for land-tax purposes is not lost.

Advances totalling £366,452 were current on the 31st March, 1928.

SAFE-DEPOSIT LOCKERS.

31. Not least amongst the useful services provided by the Office is its system of safe repositories. With the growth of population and the spread of property there has come an increased demand for efficient custodianship, at a moderate cost, of valuables and documents of various kinds. For many years past this system of safe-deposit lockers has been in force, and the facilities which it affords for the safe custody of securities and valuables continues to be greatly appreciated by numerous clients. For a small annual rental a safe-deposit locker located in the Office strong-rooms may be rented, and access to it may be obtained at any time of the day during the ordinary business hours. This feature of the Office activities

has proved very popular with the public, and no doubt it will increase in popularity as it becomes more widely known amongst those who have a feeling of anxiety regarding the safety of securities and articles of intrinsic or sentimental value often kept in places where there is danger of loss by fire or by theft.

The demand for safe-deposit lockers has been particularly heavy in Christchurch. What was considered to be liberal accommodation was provided in the new building in that city which was first occupied during the course of the year ended 31st March, 1926. So keen has been the demand, however, that on no less than three occasions since then has it been found necessary to arrange for the instalment of additional groups of lockers, the third of these groups being now in the course of transit from the English manufacturers.

STAFF.

32. The question of staffing a trust concern like the Public Trust Office is a highly important one. In recent years a great deal has been written on this subject in publications devoted to the conduct of fiduciary work, and therefore it is not necessary for me to labour what has already been said. No one will deny that one of the most urgent problems to be faced in the conduct of an institution such as the Office is the providing of a competent staff to carry out efficiently the multifarious duties of a trust officer. It is true that there is a large amount of routine work, but nevertheless a great deal of the service required is of a highly technical, difficult, and responsible nature. Nearly sixteen thousand estates are under administration by the Public Trustee, each being, "so to speak, a separate microcosm with its own characteristics and constitution, requiring in most cases close individual treatment."

33. The Royal Commission which was set up in 1913 to inquire into and report upon certain phases of the Office work, in discussing the question of staffing said:—

As compared with ordinary Departments of State, the functions of the Public Trust Office are of a peculiarly distinctive character. It is purely and simply a large business organization, and knowledge on the part of its staff of a special nature, such as accountancy and law in relation to the administration of trust estates and intestacies, is a necessary requisite. Many of the officers, very much to their credit, have qualified by study in these respects, and the good resulting is apparent in the highly satisfactory discharge of the duties assigned to them.

My view is that in creating the Public Trust Office Parliament intended that estates should have the special advantage afforded them by a public Department having at its disposal within its own walls experts capable of carrying out its difficult and technical work, and, where outside agencies have necessarily to be employed, capable of criticizing and possibly correcting the work done by them, thus supplementing the advice received through ordinary channels available to a private trustee. As was pointed out by the Committee set up in 1919 to inquire and report upon the organization of the Office of the English Public Trustee,——

It must also be remembered that one of the incidental advantages accruing to the clients of the Public Trustee is the guarantee of the Consolidated Fund to make good all breaches of trust. The security thus afforded to trust estates and the liability thus imposed on public funds make it almost essential that the proceedings of the Public Trustee should be conducted with greater care and with more competent assistance than could be expected from the ordinary private trustee.

In effect, this view has been taken by the English Public Trustee's Department from the commencement of its operations. The majority report of the aforesaid Committee approved this view, and recommended it as the basic policy upon which the Department should conduct its business.

34. Having regard to the varied and responsible nature of their work, trust officers have laid upon them constant calls on their knowledge, experience, alertness, and judgment. The ordinary routine clerk can play but a very small part in the establishment of a trust concern. Men of knowledge, initiative, adaptability, and personality are called for because the personal equation is no small matter in this class of work. As has been well said, an officer performing trust duties must not only have the requisite technical and general knowledge, but also the personality, versatility, and other qualities, to suit him for the varied character of the work and for dealing with the varying types of persons. Such an officer must realize also the importance of the human element in the administration of estates, and must be able to impart a personal touch to his correspondence, interviews, and dealings generally.

Essential attributes of a trust officer are reliability and frankness in his dealings with his beneficiaries, combined with a due appreciation of his obligations of secrecy in the presence of outsiders in respect of the interests handled by him. When we consider the confidences reposed in him, the extent of his knowledge of the private affairs of numbers of persons in the community, it will be realized what untold mischief might be caused were he to betray his trust by divulging in any undesirable way the confidential facts in his possession. The Office takes very special pains to preserve proper secrecy, and every officer has to make an oath of secrecy and fidelity before being employed in the Department.

Administration work very frequently arises after bereavement. Beneficiaries and others—at any rate, in the first stages of the administration of a deceased person's estate—have usually suffered the loss of a kinsman or some one who is near and dear to them. Widows and orphans or persons recently bereaved are amongst a trust officers' daily clients. To such persons the personal touch and kindly, sympathetic, and humane dealing mean a great deal.

Whilst it is desirable that a trust officer should be patient, long-suffering, and kind, yet he must be firm and steadfast in essentials. He should not confuse sympathy with slackness or inaccuracy. In his dealings he cannot afford to take the line of least resistance, and to say and do only the pleasant things. It is not easy at times to refuse the supplications of those in sad or distressing circumstances, but, if the granting of those requests entails a breach of trust or adversely affects the interests of others, his duty is clear and must be firmly and honestly fulfilled. It is the function of a trustee to give effect to the wishes of a testator or settlor as far as possible.

35. In providing the organization for the Office it has been fully recognized that the personal equation is essentially one of the most important of all the considerations pertaining to the efficient conduct of its business. It is acknowledged that without a competent staff the most complete organization will fail to achieve its purpose, and therefore the greatest care has been bestowed upon the selection and distribution of the Office staff. The present age is the age of the specialist, and the Office includes on its permanent establishment specialists in the various branches of administration, investment, and accounting work.

36. All branches are now well organized, and in the ordinary course comparatively few staff changes become necessary, with the exception of those caused by promotions and resignations. This year has been somewhat exceptional, in that during its course the duties in connection with the loans work hitherto conducted by the Head Office have been delegated to the branch offices. This rendered necessary some strengthening of the staff at the branches by reason of the increase in the work, and the officers previously engaged upon the loans work in the Head Office were distributed amongst the branches as required. The principal appointments during the year were—

- (a) The appointment of Mr. D. L. McKay, First Assistant District Public Trustee, Auckland, to the position of District Public Trustee, New Plymouth.
- (b) The appointment of Mr. P. C. Jordan, Accountant, Head Office, to the position of Reviewing Inspector, Dunedin.
- (c) The appointment of Mr. E. Collins, Second Assistant District Public Trustee, Auckland, to the position of First Assistant District Public Trustee, Auckland.

The following tables indicate the number of the staff engaged at the Head Office and at the branches on the 31st March last and on 31st March, 1927 :—

Head Office—

ON 31ST MARCH, 1927.			
	Male.	Female.	Total.
Permanent ..	101	27	128
Temporary ..	15	7	22
			— 150

District Offices—

Permanent ..	420	37	457
Temporary ..	9	77	86
			— 543
			693

ON 31ST MARCH, 1928.

	Male.	Female.	Total.
Permanent ..	84	24	108
Temporary ..	12	10	22
			— 130
Permanent ..	418	32	450
Temporary ..	15	90	105
			— 555
			685

It will be observed that the staff decreased by eight during the past year.

37. In making provision for the staffing of the Office the requirements of the future are not being lost sight of, and promising juniors are put through a specialized course of training in Office practice and methods. The training-class at Christchurch, which has been dealt with at length in past reports, was continued during the year on the same lines as hitherto. The results have been very gratifying, and show that the class is serving a very useful purpose in training and developing promising junior officers and qualifying them to undertake the exacting duties which they will be called upon to perform.

At all times the staff is encouraged to become acquainted with matters of importance in the administration of estates and the other classes of work undertaken by the Public Trustee.

RECORDS.

38. I have already made reference to the endeavour which is constantly being made to simplify and standardize, where possible, methods and procedure in the Office work. With the rapidly expanding business and the increase in responsibilities, it is recognized that on the grounds of expedition and efficiency, as well as under the irresistible urge of economy, the Office must seek to co-ordinate the various divisions and branches, and scrap wasteful and inadequate machinery and methods. Even in trusteeship, where the procedure and methods, at least in their legal aspect, have long been well known and clearly defined, in the actual handling of a large volume of business a trust concern cannot afford to remain static or hidebound, and, as a rule of rote, cling too tenaciously to more or less useless traditions and archaic forms which have largely survived their serviceability. It must survey its systems and see whether the experience which it is continually gathering in its large turnover does not suggest instances where it might advantageously alter or fashion anew its methods and routine, so that, whilst the duties and responsibilities of a fiduciary are scrupulously fulfilled, the transaction of the business will be facilitated and the running-expenses curtailed.

In accordance with this policy of simplification and standardization, considerable attention has been devoted to the record system, which, when efficient, contributes no small part to the successful organization of a large concern, and may be said to be the pivot in the office routine. It is essential that the records relative to estates, loans, and the multitudinous other matters handled by this institution should be correct, straightforward, and of ready access. To facilitate the recording at the larger offices, where the volume of correspondence is heavy, there are special record sections, but at the smaller branches the record duties are carried out by officers who are partly engaged on other work.

39. The departmental record system aims at simplicity, so far as is consistent with safety and accuracy, and has been favourably commented on by numbers of outside persons who have come into contact with it. A separate file is kept for each estate or other matter, and to this all correspondence relative to the particular estate or transaction is attached. In estates with numerous assets or matters involving a considerable amount of correspondence appropriate sub-files are made. This facilitates the handling of such a matter, for it obviates the perusal of a voluminous mass of papers which have no reference to the transaction under consideration.

The record index for estates and loans is an alphabetical card one. There is a card for each estate or Common Fund mortgage, both current and closed, thus providing a reliable and easily accessible record. The filing of the records is of the simplest possible nature. The files are classified—

- (a) "Estates," which include deceased persons' estates, trusts and benefit funds, sinking funds, &c.; filed alphabetically.
- (b) "Mortgages," comprising the papers relating to the Common Fund mortgage investments; filed alphabetically.
- (c) "Miscellaneous" or "General," being in the main the papers relating to the internal management and organization of the Office. These papers are filed under numerical systems, and a special index is kept to facilitate reference to them.

The administration of many estates may extend over very lengthy periods, and, obviously, in the course of time the incidental correspondence in these cases often becomes very bulky. An important factor in recording is to keep the files up to date. This is secured by removing all dead matter and separately filing it for future reference should occasion arise. Likewise, when the administration of an estate or fund is completed, the relevant files are removed from those relating to current transactions and separately filed. The index cards in these cases are similarly dealt with.

40. With the passing of years the accommodation of the Office records is becoming a matter of increasing difficulty. Periodical overhauls are made to ascertain what may be safely destroyed. The estate files have, however, been kept intact, and the files in every estate handled by the Department since its establishment are still held. The wisdom of this course is proved almost daily, for as a result of numerous inquiries and references it frequently becomes necessary to consult these papers, sometimes even after the lapse of a long period of years. Moreover, the consequences of a trustee's action may be called into question years after, or he may be charged with breaches of his stewardship long after the acts complained of were committed and have passed from his memory, and it is prudent to preserve as far as practicable a complete record of his dealings. This is all the more necessary in the case of a corporate trustee which is permanent and available to be proceeded against at any time. It has been said of this,—

It is a practical matter to keep such records of the doings that years after the occurrence of the events a corporate fiduciary can show that it exercised its judgment. The ability to prove that it did the right thing is a practical matter often fully as important as the doing of the right thing. A corporate fiduciary can take little consolation from the knowledge that it did the right thing, if at the same time it has to pay damages because it cannot prove as a fact that it did it.

ADMINISTRATION OF ESTATES.

STATISTICS.

41. During the year a total of 3,526 new estates and funds came into the Office. These were of the following classification :—

	Number.	Value. £
Wills estates	1,152	3,365,106
Trust estates	290	732,738
Intestate estates	604	482,239
Mental patients' estates	423	360,552
Miscellaneous	1,057	1,571,293
	<u>3,526</u>	<u>£6,511,928</u>

The estates closed during the year numbered 2,312. Of these, 581 were estates which came into the Office after the 1st April, 1927.

On the 31st March, 1928, there were 15,800 estates and funds under administration. These are classified as follows :—

	Number.	Value. £
Wills estates	3,652	10,961,210
Trust estates	2,163	6,753,205
Intestate estates	2,223	1,541,841
Mental patients' estates	1,456	1,552,981
Miscellaneous	6,306	23,346,311
	<u>15,800</u>	<u>£44,155,548</u>

NEW ESTATE BUSINESS.

42. The volume of new estates and funds reported for administration reached a total of £6,511,928, an increase of approximately £1,000,000 beyond that reported during the previous year, constituting a record for the Office. By way of com-

parison it is interesting to mention that the new business for the year aggregates more than the total value of estates and funds under administration only nineteen years ago. I think it may be fully claimed that this sustained growth is an indication of the need which the Office is fulfilling in the community and the esteem in which it is held by the public it serves. Each new estate widens its circle of contact with the public by reason that the work involved in the administration brings it into touch with a number of persons—beneficiaries, creditors, and others—some or all of whom have had no previous dealings with the Public Trustee. By giving satisfaction to these persons, and so impressing on them the numerous advantages and the security which the Public Trustee offers in regard to the administration of estates under his control, the goodwill of his Office is being constantly extended. It is gratifying to note that a considerable portion of the new business arises from clients who, being satisfied with the treatment they have received in previous business transactions, have decided to place their own affairs under the Office management.

43. Apart from the administration of estates, the Public Trustee offers a combination of facilities in other branches of fiduciary work which cannot be found elsewhere. The new business reported during the last few years includes an increasing number of cases where the Public Trustee is appointed Commissioner for sinking, renewal, and depreciation funds, and the Common Fund of the Office selected for the investment of the moneys set aside for such funds. As I have shown elsewhere, an important item in the satisfactory management of sinking funds, &c., is the finding of immediate investments for the instalments, and for the interest arising from the investment of instalments which very often are small in value and consist of broken amounts. As the advantages offered by the Common Fund for the investment of such amounts are unique, it is not surprising that local bodies and others in increasing numbers select this mode of investment in creating sinking funds, &c.

44. As has been mentioned in previous reports, the most outstanding feature of the new business is the increasing number of estates placed in the Office by testators in accordance with directions contained in their wills. Most of such wills are held by the Public Trustee, but it often happens that the Public Trustee is named in wills held by private practitioners and others. Frequently, too, private executors named in wills request the Public Trustee to undertake the administration of the estates of their testators and renounce in favour of the Public Trustee. Transfers from private trustees of estates partially administered are growing in number. These transfers of partially administered estates and trusts often involve a great deal of preliminary investigation of the prior administration and accounts, sometimes over lengthy periods. It has been suggested that the Office is at times over-scrupulous and pursues these inquiries too minutely. That this is not the case will be readily acknowledged once the responsibility of a trustee in respect of breaches of trust by his predecessors is recognized. Having accepted a trust, it is the duty of the trustee to acquaint himself as soon as possible with the nature and circumstances of the trust property, the terms of the trust, and the contents of the documents handed over to him relating to the trust. Before acceptance, however, he should satisfy himself as to breaches of trust which may have been committed under the prior administration. As Underhill points out, a person who undertakes to act as a trustee takes upon himself serious and onerous duties; and when, as too often happens, he adopts a "policy of masterful inactivity" he entirely misapprehends the nature of the office to which he has been appointed.

New trustees should ascertain that the trust fund is properly invested, and that their predecessors have not committed breaches of trust which ought to be set right. If, through his not inquiring into such matters, the trust estate should suffer, a new trustee may be liable although he himself took no part, and could have taken no part, in committing the original breaches of trust. Where part of a trust estate has been lost it is the duty of a new trustee to inquire as to the circumstances, and as to whether there is any probability of recovering the loss or any part of it by appropriate proceedings.

ADMINISTRATION ACCOUNTS.

45. The keeping of proper accounts is an essential duty of an executor, administrator, or trustee. Not only must he keep proper accounts, but he must be ready to render them when required. In addition to the keeping and furnishing of accounts, a trustee, when asked to do so, must give the beneficiaries sufficient information as to the trust property and the investments. A frequent complaint against private trustees is their failure or inability to keep proper accounts and to furnish the beneficiaries with a reasonable amount of information concerning their stewardship. The Courts view seriously this failure to keep accounts. For example, in one case it was said :—

Executors and devisees in trust to sell and pay legacies to testator's nephews and nieces in classes, and to distribute the residue also among testator's nephews and nieces, were empowered to postpone sale and conversion for five years, and ordered to pay the income to the persons entitled in the meantime. For five years before the bill was filed they held the estate in their hands without suggesting any difficulties as to the ascertainment of the classes of legatees, kept no accounts, paid only a small part of the legacies, and to the residuary legatees neither principal nor interest, gave no information, and when applied to for accounts sent no reply. Although illiterate men and the estate large, they were ordered to pay the costs of the suit for administration, with the exception of costs of proving the pedigree.

It is said on behalf of these executors that they are illiterate men and that they cannot keep accounts. If a testator appoints a person to discharge the duties of an executor, inasmuch as he is sworn to discharge his duties as executor, his first duty plainly is, if he cannot keep accounts, to provide some one who can, because in this Court the first and primary duty of every executor or trustee having money in his hands to be received and to be paid is that an account should be kept to be produced to those interested in the accounts when it is properly demanded.

A special feature of the Office administration is the attention given to the accounts. I am pleased to report that the position with regard to the accounts of the estates and funds is most satisfactory. Statements of account are prepared as early as possible in the administration of an estate or trust, and thereafter at regular intervals arranged with the beneficiaries. In compiling these accounts care is taken to supply appropriate details to make them sufficiently informative. Whenever necessary, explanatory memoranda accompany accounts calling for any special explanation or comment. The Office includes in its staff numbers of expert accountants, and in addition to the ordinary accountancy its officers have gained a wide experience in all classes of executorship, administration and trustee accounts. Immediately on the acceptance of an estate prompt steps are taken to obtain the full particulars required by the Stamp Duties Department with regard to all assets and liabilities, and every effort is made to file stamp accounts sufficiently early to permit of the assessment and payment of death duties before interest begins to accrue. Steps are also immediately taken to conform to the requirements of the Land and Income Tax Department. Any accounts kept by the person whose estate has devolved upon the Public Trustee for administration are investigated, the returns previously filed with the Department and assessments of tax are carefully scrutinized, and any necessary returns are filed with the Commissioner at the earliest possible date in order to avoid any penalties that might be incurred by delay. As indications of the careful scrutiny devoted to returns previously filed and of the value of the services rendered by the Department, I would mention that very frequently substantial savings and refunds are secured for estates in regard to duties and taxes. In two cases on recent dates refunds of £1,200 and £500 respectively were obtained in regard to tax overpaid prior to the Public Trustee's assuming control of the estate. The departmental accounting arrangements have called forth numerous favourable comments.

So important is the question of accounts in fiduciary work that both in New Zealand and England provisions have been made for the investigation and audit of trustee accounts by the Public Trustee or some person appointed by him at the instance of any trustee or beneficiary without any application to the Court. This provision is useful not only for the results which such investigations may bring about, but also for its salutary effect on trustees who know that their accounts are liable to be subjected to a competent independent scrutiny at the instigation of a dissatisfied beneficiary.

REAL ESTATE.

46. The Office administers all classes of interests in freehold and leasehold lands, comprising urban, suburban, rural, improved, and unimproved areas. The efficient management of these assets demands a large amount of expert knowledge, care, and close attention, and the organization of the Department has been designed and developed to supply this. Technical and specialized knowledge and experience play no small part in work of this kind. It is recognized that the complexities and problems which attend the dealing with all kinds of assets necessitate the fullest knowledge of the surrounding facts and circumstances. A trustee is bound to display the skill and vigilance which a prudent man of discretion and intelligence would use in the conduct of his own affairs. He must be guided by the interests of the estate he administers, and cannot embark on any risky or speculative course. The circumstances of a particular estate in a large measure must determine the trustee's course of action. Where liabilities are heavy and creditors pressing, realization may be forced through no fault of the trustee, possibly at an unfavourable time, whilst where an estate is sound financially or where financial accommodation can be arranged the trustee is in a position, if need be, to wait for more favourable markets and improved conditions before attempting to realize. I have mentioned elsewhere the facilities which the Office affords for financing estates and so preventing the sacrifice of assets by enforced realization.

Provided that realization is not compelled by the condition of the estate, and the trustee can be guided by the estate's best interests, subject to the terms of the trust, it is necessary to decide between retention and sale. Obviously, the state of the market is an important factor. In times of depression it may be well to wait for a return to normal conditions, and in times of high prices it may be wise to effect prompt realization whilst favourable prices can be obtained. Under ordinary conditions the return which would be secured from the rents or profits if properties were retained as compared with that which would be forthcoming from the proceeds of a sale is of importance. Another matter to be taken into consideration is that of prospective values. When considering these the trustee is departing from the realm of established facts and is dealing in probabilities deduced from his experience and the expert advice available to him, and so he must exercise the greatest caution.

47. Each year an increasing number of farming estates are reported for administration, and the Public Trust Office controls numerous holdings of rural lands throughout the country. In many instances farming businesses have to be actively carried on on behalf of the estates concerned. During the anxieties and uncertainties of the past eight or nine years it has been no small task to do this, but the efforts of the Office have met with a satisfactory measure of success. In those cases where farming operations are being carried on, the advice of the departmental Farm Inspectors or of outside experts is freely availed of. Effective systems of recording, accounting, and check are in operation, and every possible action is taken to ensure that the interests of the estates are amply protected. The bulk of rural properties, however, are leased, and in arranging leases strict attention is paid to rental and to the covenants to be inserted in the leases to protect the estates and enhance their earning-capacity.

One of the most serious post-war problems is the widespread depression in the farming industry. From almost every country comes disquietening evidence that the remuneration which goes to the farmer for his labour is inadequate. In almost every country the farmer complains of the shrinkage of his income and of the additional burdens he is called upon to bear. Since the post-war depression, and the consequent financial and economic disorganization, the market price of farm lands has exhibited a downward tendency. This is, however, no matter for pessimism or discouragement when once it is realized that an economic adjustment must necessarily be established. It is abundantly evident that during the boom of the war years prices for farming properties were unduly inflated, and in the majority of instances reached levels which were excessive and unjustified. Accordingly the fall in the price of our staple products affected not only those estates which were being actively farmed, but also those cases where rural lands had been sold in the period of prosperity and a considerable portion of the purchase-money had remained outstanding. A common experience throughout

the country was that farming properties had been sold at highly inflated prices with small deposits, so that when the drop in the price of primary products came the producers were so financially embarrassed that they could not fulfil their obligations. The plight of some of those who bought during the boom years was so intolerable that they walked off their farms. What, then, are the remedies for this unsatisfactory position? I cannot do better than quote the words of a New Zealand economist on the point:—

It cannot be overstressed that there are no short cuts. The prime essential is the slow liquidation of the over-valuation and over-mortgaging of land, painful and unacceptable as this may be. This readjustment will occur partly through retransfers at more economic levels: partly through more efficient methods of farming, which will raise the economic value of land. An improvement in efficiency will be facilitated by improved credit and a reduction in the price of requisites. . . . In respect of rural credit, a beginning has been made by the Government in establishing machinery for the provision of long-period and intermediate credit.

This process of deflation and stabilization is now slowly proceeding, and when it has been completed farmers' finances should rest on a much sounder basis than has existed for a number of years past.

Now that we are recovering our previous position, it is to be hoped that the speculation in land-values will not be repeated, and that those concerned will realize that the price of farm lands must be principally governed by the average prices which the products of those lands will yield over a period of years, remembering always the inevitable cycle of boom and depression. As an economic writer puts it,—

The demand for land is a derived demand dependent on the fact that it is an agent of production. Its economic value is not closely related to the cost of the improvements upon it, but at any given time is measured by the residual, capitalized at current rates of interest, obtained after all costs and a reasonable return to the farmer have been subtracted from the gross value of the product. This "reasonable return" should be commensurate in the long-run with the return which can be obtained in occupations requiring similar ability and enterprise after special advantages and disadvantages have been allowed for. If, over a period of years, the income the farmer derives is less than this, he has paid too much for his land.

48. *Town Properties.*—A large number of valuable residential and business properties are also dealt with. These present problems peculiar to themselves and different from those affecting farming properties. The handling of properties in the business areas in the larger centres requires very special attention. With the rapid development of some of our cities, areas which were once comparatively unimportant have become valuable shopping, warehouse, and business centres. Changes in the technique and methods of building and shop and office planning have altered the public demand for accommodation for these purposes. High taxation, municipal and national, renders it incumbent that the best revenue possible be secured from these valuable areas. These and numerous other problems confront those responsible for the control of properties of this nature, and in a number of estates has exercised a great deal of care and thought on the part of the Office in this respect. Many estates falling in for administration own properties on which are erected antiquated or inadequate buildings, and therefore the need for protection and development and the demand for premises render it essential at times to effect extensive alterations and renovations to such premises. Work of this character has been carried out in a number of instances during the past year.

In conformity with the policy of keeping pace with local development, buildings in various localities have been remodelled wherever the demands of progress and the circumstances of an estate have rendered such a course expedient. The Office is fully alive to the importance of conservation and development of the assets with a view to ensuring that their earning will not only be in no way diminished but enriched wherever possible. In connection with this work the Office employs Property Inspectors who are qualified in questions of valuation, repairs, building, &c., so that there is always readily available reliable information in regard to these matters. In addition, competent independent experts are employed when the amount involved or the circumstances of the case warrant it.

49. *Repairs.*—With such a large number of tenancies, and especially those of the residential type, the supervision of the repairs requires constant attention. On previous occasions I mentioned that much undeserved odium is frequently cast upon the Office owing to the unsatisfactory condition of repair of some of the premises under its management. As criticism of this nature still continues at intervals, it is considered desirable to point out again this year some of the difficulties which surround the administration of such properties. As may be expected in the conduct of a large trust business, the Public Trustee is frequently called upon to administer estates amongst the assets of which are properties in a condition of disrepair, and perhaps situated in areas not regarded favourably by better-class tenants. The Public Trustee would not be justified, even were he able to do so, in refusing to act in an estate merely because it was possessed of properties of this kind. A little consideration will convince critics that many special difficulties occur in such a case, the nature and extent of which are not fully appreciated.

It may happen that, although repairs are urgently needed, there is no money in the estate to allow them being effected. Where repairs are a charge against income it is impossible to raise the necessary funds by charging the property with the incidental cost. It may happen, too, that the income from a property is the sole support of a widow of straitened circumstances and with infant children to maintain, so that it is impracticable to divert any of the funds to the carrying out of repairs. It is sometimes urged that the Public Trustee, as a Government official, should set a better example in repairing tenancies under his control. The fact is, however, that in this matter the Public Trustee is like any other trustee and must administer an estate as he finds it. He can only proceed so far as the assets and the powers of the trust will permit. Often a trustee has under his control properties which, if he were the absolute owner thereof, he would extensively improve or renovate. As, however, he is acting in a fiduciary capacity, he must faithfully carry out the trust he has undertaken, and he is limited to the powers conferred upon him by the trust instrument or by the law governing trustee work. Subject to these limitations, the Office endeavours to see that tenements under its control are maintained in as good a condition as possible.

50. *Inspections.*—Periodical inspections of the properties are carried out by expert officers of the Department, who report on their condition and draw attention to any action necessary on the part of the tenant or of the Office. These inspections ensure that properties are kept in good order, and that covenants entered into by the lessees are observed. The Inspectors' reports are filed with the estate correspondence, and are permanently on record for reference and guidance in the problems which arise.

51. *Insurance.*—Whilst it is not obligatory upon a trustee to insure trust properties against various risks, still it is a prudent precaution to take. The most common risk is that of fire, but consideration must also be given to insurance against earthquake in the case of buildings of brick or stone, breakage where valuable plate-glass windows exist, and the loss of rent or profits which would be caused by fire.

52. *Tenancies.*—The Office rent roll is now very large, and consequently the collection of rents is most important, involving considerable work and heavy responsibility. In the four principal towns where there are very large numbers of tenants on a weekly, monthly, or other short-term basis, permanent rent-collectors are attached to the staff who devote the whole of their time to rent-collection and dealing with matters arising out of this work.

Any loss of income or extra expense would in many cases be severely felt by those beneficially interested in the estates under administration. Great care is necessary in the selection of tenants, as severe losses may arise through unsuitable or unfinancial persons being allowed into occupation of estate properties. In addition to the loss of income suffered through default in payment of the rent, expenses may have to be incurred through legal action necessary to secure possession of premises occupied by undesirable tenants, or through damage caused by irresponsible or careless occupants. In all tenancies and leases a close watch is maintained to ensure that the rent is properly paid, the premises are kept in proper order and condition, and any covenants entered into are observed. Strict

attention is paid to the collection of rent, and the rent-cards are constantly reviewed to ascertain whether the rent is duly paid. In cases of default appropriate action is promptly taken to protect the interests of the estate.

In dealing with arrears of rent numbers of instances of genuine hardship are encountered, but it should be recognized that the Public Trustee's foremost duty must necessarily be to the estates and interests for which he acts, and that he is not justified in allowing latitude unless a tenant's circumstances disclose a reasonably certain prospect of recovery and the particular estate is not adversely affected by any leniency extended. At times the Office is accused of being somewhat harsh in its treatment of defaulting tenants, but if the relationship and responsibility of the Public Trustee as trustee are realized it will readily be acknowledged that he is bound to be diligent in compelling the fulfilment of legal obligations to the estates handled by him.

BUSINESSES IN ESTATES.

53. A feature of the administration work conducted by the Office is the number of businesses of various kinds carried on on behalf of estates under its control. It is in these instances that provision for the appointment of advisory trustees referred to by me earlier in this report prove especially useful. In cases such as these advisory trustees may be persons skilled in questions pertaining to the running of any particular business, and their advice will then be highly advantageous in matters affecting its conduct or realization.

As may be expected in the large trust business conducted by the Public Trustee, he frequently becomes interested, on behalf of estates, in all kinds of commercial and trading enterprises. Amongst these are included businesses and interests arising out of the liquor trade. The Public Trustee's association with that trade in any shape or form appears to be deprecated in certain quarters, but those who raise these objections fail to appreciate his position in such matters. The businesses and interests arising out of the liquor trade are not being carried on by the Office on behalf of the State or itself, but in one fiduciary capacity or another for persons whose affairs are under its control. Under the existing law of New Zealand this trade may be carried on, and therefore interests arising out of it must be protected by a trustee in the same manner as any other asset in a trust estate, irrespective of the trustee's personal predilections. I make allusion to the question merely to show that through misapprehension on the part of critics the Office is from time to time subjected to a good deal of unjustifiable criticism when all that it is doing is carrying out faithfully the trusts and responsibilities reposed in it.

ESTATE INVESTMENTS.

54. It is the province of a trustee to execute impartially and untiringly the terms and directions of the trust he has undertaken. One important aspect of trust operations is the conservation of trust property, and this includes the investment of trust funds. Investment to-day has become as complicated as it is extensive, so that a private trustee in estates of any value can rarely hope to do more for a trust than give it the benefit of his judgment in selecting those upon whose opinion in such matters he must largely rely. Nor can he usually provide any organization for the keeping under ready observation the investments when made, and thus minimize the risk of loss and depreciation. On the other hand, the Public Trustee, quite apart from his experience in organization, has no business interests which may conflict with his duty, nor has he anything to gain by recommending any particular form of investment.

Investments outside the Common Fund are not entitled to the State guarantee, nor is the Public Trustee responsible for any failure of or deficiency in the security, provided he has acted as a trustee ought to do in making and looking after the investment. Needless to say, however, in making special investments every precaution expected of a trustee is carefully observed and strict regard paid to the requirements of the Trustee Act, 1908.

55. A valuable concession made by the Office to those estates wherein funds are invested outside the Common Fund is that of making to such estates temporary allocations of Common Fund mortgages in order that funds may be made revenue-producing with a minimum of delay. When funds are available in these estates

for investment temporary allocations are made, to the extent of the funds available, until such time as suitable permanent investments for the estates are found. Such an allocation is a temporary arrangement only, but it enables the amount at credit in an estate to be made revenue-producing almost immediately upon receipt, and saves the estate the loss that would otherwise be incurred whilst funds were being held pending the finding of suitable investments.

Most of the moneys excluded from investment in the Common Fund are invested in first mortgages of freehold land at the current rate of interest. There have recently been good opportunities for the investment of funds in Government or local-body debentures, which it has been possible to obtain on the open market at prices which return a comparatively high rate of interest. These investments are, of course, trustee investments.

56. Attention has been directed in previous reports to the advantages of the Common Fund system, and so it is not necessary for me to elaborate them herein. I am still satisfied that in the range of trustee investments it would be difficult to find one so absolutely safe, yielding such a fair return, and combining so many other advantages as this system affords. Loss through non-investment, fraud, or depreciation is avoided, and payments of income and allowance go on smoothly year by year without any interruption whatever. An economic writer in this country has admirably and succinctly summed up the position in this way :—

The Public Trust administration through its Common Fund solves the problem of preventing loss of income, especially on small amounts, pending change of investments, moneys in this fund carrying interest at the prescribed rate while in the fund and the fund itself being backed by the State as to security. In addition, the Office undertakes specific investment, and owing to the large volume of money available and the wide investment area that it is in touch with is able to equate supply to demand in such a way that no estate need be idle or uninvested for a day. This is a solid advantage that only large-scale operations can afford.

The Common Fund continues to be a subject of interest both here and elsewhere, and frequent inquiries for information as to the operation of the system are received from throughout the Empire and the United States of America. Dealing with the investment of trust funds, one correspondent said as follows :—

It becomes more obvious to us here in the United States from day to day that some advanced and probably revolutionary step must be taken by our corporate fiduciaries to solve the multiplying problems of handling trust investments. This is especially true in view of the extraordinary increase in the volume of trust and estate funds confided to the administration of banks and trust companies, and which last year represented an increase four to five times as great as during the year 1923.

An overseas client in a foreign country expressed his appreciation of the Common Fund system in these terms :—

I think it is wonderful how you provide facilities for the people of New Zealand to cultivate thrift and a competence for old age. I will not undertake to control the investment of the funds when the bonds mature, but will leave this to the Public Trustee's excellent system when the occasion arises.

SHARES.

57. During recent years the increase in the number of small investors has become most marked. Without a vast amount of work it would be impossible to ascertain exactly how widely investments are distributed, but investigations that have been made into the matter disclose that the average shareholding in most large joint-stock companies is very small. In England an investigation conducted by the London *Economist* reveals that of seven very large industrial concerns, with an aggregate capital of £120,000,000, the average individual holding was £310 only, that 34·6 per cent. of the total shareholders have holdings of less than £100 each, and that 85 per cent. hold less than £500 each. Investigations of smaller companies disclose even smaller average shareholdings. These investigations go to show that the majority of shareholdings in industrial concerns are small, and it is only reasonable to assume that the majority of the shareholders are persons of moderate means. The experience of this Office goes to bear out this assumption. Many of the estates which come under administration are possessed of holdings, large and small, in shares, stocks, and debentures in various public and private companies. The great bulk of such investments, however, is made up of small holdings belonging to estates of moderate size.

58. Very properly, shares are not trustee investments. It is true that in most countries there have been extensions of the range of these investments within recent years, but in the matter of such increase there is a boundary beyond which it is not safe to go.

Within the last decade considerable agitation has been made in some quarters, particularly in the United States of America, for an extension or diversification of trustee securities, and so we find in that country the admission of corporation stocks warmly advocated by many, including some eminent economists. It is true that the diversification in investments is praiseworthy and practised by many investors, and that the stocks and shares in numerous commercial and other enterprises are good investments, yielding very satisfactory returns. Nevertheless, the element of speculation and risk is so prevalent that a departure from the long-recognized rules would be fraught with uncalled-for hazards and obvious and serious dangers. Insatiable craving for large profits and the speculative enthusiasm aroused to a high pitch in abnormally prosperous times have diverted special attention to stocks and shares. Of course, this is more marked in the United States than anywhere else, inasmuch as the prolonged period of prosperity has there produced high dividend returns and rising stock-markets. Accordingly it is natural that beneficiaries and those whose incomes are derived from investments where the yield is of a more moderate nature should regard with some discontent and envy the profits reaped from prosperous stocks and shares, and should argue strongly for their inclusion in the category of trustee investments. Such persons, however, are not dispassionate critics. To make this inclusion would weaken the fabric and compromise the fundamentals of trusteeship, which imply conservation, as opposed to speculation and risk.

There is a world of difference between trustees exercising discretionary power under wills and other trust instruments to retain shares and stocks already held by the testator or settlor and the conferring on trustees of the power to invest trust funds in shares and stocks. As has been said not long ago,—

In the one case they are acting under delegated instructions and with responsibilities knowingly assumed by the testator, although held to strict judicial accountability. In the other case the fiduciary is legally licensed to depart from accustomed restraints of safety and to become a partner in speculative enterprises.

In reference to this movement for what has been called “the liberalizing of the legal investments,” sound trustee management will not permit itself to be carried away by any speculative enthusiasm, but will continue to observe the long-recognized principle of the best income compatible with safety. No one can claim that the primary duty of a trustee is to make money, and certainly it is not to speculate with the trust funds :—

It is a well-recognized principle in the Courts which pass upon trustee custodianships that they cannot speculate with the assets of an estate, and that the primary duty of the trustee is to safeguard the principal involved. . . . We know from experience that if a trustee were to go to the Court showing a list of investments consisting of common stocks of corporations and even many preferred stocks, even where the trustee was given a rather wide latitude of discretionary power, the Court would criticize the trustee. If a loss were shown by reason of speculative tendencies of the trustee, they would surcharge the accounts of the trustee for the amount of loss. The rule of the Courts has always been that a trustee must use the ordinary care and precaution which the average prudent business man would use in and about similar affairs. This certainly would not permit the trustee to enter the speculative field in investment matters. To make stocks legal investments for trust funds is a dangerous theory, and might well result in considerable loss to widows and orphans of funds accumulated by sacrifice and serious effort on the part of individuals to protect their families, resulting in hardships and even poverty. .

A shrewd business man during his lifetime can afford to take speculative risks which, after his death, should not be assumed by his personal representative. There are the interests of life tenants and remaindermen to be considered, as well as the countless varying requirements and circumstances in each individual estate or trust. Apart from any other consideration, as a matter of practical common-sense the fluctuations in stocks and shares in trading and commercial corporations are so frequent and at times so heavy that investment of trustee funds in them would be very inadvisable. A writer in the United States recently said :—

The propaganda for making stocks legal investments for trust funds is particularly deserving of condemnation at this time, when the general price-level of stock is admittedly high. Trustees are not dealing with temporary conditions which might change overnight, but with a principle of protection and conservation. In the light of trust-company experience and the sad trail of suffering and losses arising from speculative investments, Dr. Irving Fisher, the noted Yale economist and advocate of the stabilized or "managed dollar," shows himself to be a poor friend of the proverbial "widow and orphan" when he took a trust-company president to task recently for failing to invest a widow's "mite" of 50,000 dollars in stocks.

Another writer expressed the matter in the following way :—

Of course, it is to be recognized that there are, no doubt, a number of preferred stocks, and even some common stocks which might turn out to be extremely advantageous investments. I would even be willing to go so far as to say that there might be some preferred stocks which would rank higher, as an investment, than certain bonds; but to advocate this theory generally would be dangerous and unsound, particularly as long as it is possible to appoint individuals, who are generally unqualified, as trustees.

It may also be mentioned that a Committee has recently been set up in England to report upon trustee-security legislation. The main effect of the recommendations embodied in the report of this Committee is to advocate a uniform legal code in place of the present overlapping which exists in England; to pronounce in favour of control being entirely in the hands of Parliament; to reject proposals for extending the list of authorized trustee investments; and to make certain reductions in the list by repealing the Local Loans Act, 1875, and by preventing the Ministry of Health from authorizing any further issue of housing bonds to any local authority which does not already possess specific authority for that purpose. In so far as concerns these limitations, it is pointed out that the housing emergency is largely passing away, and that if the existing provisions remained unchanged there would be nothing to prevent the issue of an unlimited class of securities which, although on the trustee list, were unsuitable for purposes of trustee investment. In advocating these reductions the Committee points out that the existing field of trustee investment is large enough, the more so as demand for a wider range has been met by the immense issue of Government and other gilt-edged securities during and since the war.

The annual toll of loss through unsuccessful speculation must be very great. The experience of the Office in dealing with the large volume of estates passing through its hands is the surprising number of persons who have been induced, often more than once, to invest in what turn out to be more or less "wild cat" enterprises.

By the lengthy list of diversified stock and shares which the Public Trustee holds in various representative capacities, he has become interested in numerous joint-stock concerns in the Dominion and elsewhere. The work of handling these investments has now assumed enormous dimensions, and entails care, promptitude, and foresight. As I have said, shares are not authorized trustee investments, and in the strict course of duty they should be realized and invested in authorized securities. It often happens, however, that where shares are held in sound companies returning good dividends interested parties are desirous of having them retained, and, provided proper indemnities and safeguards can be arranged, the wishes of the beneficiaries are given effect to if possible. Sometimes, too, trust instruments direct retention of shares forming assets of estates.

59. The share-market and its fluctuations receive close and constant study, and, whilst not embarking upon speculation, every endeavour is made to transact business when the market is most favourable and to take advantage of any fluctuations which act advantageously towards estates under administration. To assist in dealing with shares, &c., a Financial Adviser to the Office was appointed several years ago. Every shareholding is regularly reviewed and analysed, and representatives of the Office attend shareholders' meetings. The position of all companies in which shares are held by the Public Trustee on behalf of estates is periodically surveyed by this expert, and useful data compiled and conveniently filed for ready reference.

60. During the past year there has been no outstanding movement in shares to record, and no new issues of importance have been made. A fair volume of business has been conducted on the stock exchanges, though stringent conditions existing in the money-market have had their effect on the transactions of the exchanges.

INTESTATE ESTATES.

61. During the year 604 intestate estates, of a value of £482,239, were reported to the Public Trustee for administration, and on the 31st March last there were 2,223 such estates, of a value of £1,541,841, under the control of the Office. As compared with the preceding year the number of estates of this class reported is slightly less, though the number and volume of new estates of all classes reported during the year showed a marked increase. This is in keeping with the experience in previous years, the number of intestate estates showing a tendency to decrease as persons become more educated in the matter of will-making and take steps by testamentary dispositions to ensure that their estates shall be administered in the manner they desire.

The establishing of proofs of kin is a most important phase of the administration of intestate estates. Often the details of family history are of the most meagre character, and then the search for next-of-kin may involve a large amount of correspondence and advertising. Advertisements for next-of-kin, especially of the more common names, invariably produce sheaves of inquiries necessitating close scrutiny and a heavy volume of correspondence. In prosecuting these inquiries facts of illegitimacy and other matters on which a reticence is naturally maintained are at times revealed. In these instances the correspondence and interviews are conducted with as much delicacy and consideration as possible, and every effort made to prevent offence or annoyance being given to the persons closely concerned.

Nothing of special interest in reference to the administration of intestate estates has arisen during the past year.

MENTAL PATIENT ESTATES.

62. During the year 423 estates of mental patients, with assets of a total value of £360,552, were reported to the Public Trustee for administration, and on the 31st March last there were 1,456 of these estates, with assets valued at £1,552,981, under the control of the Office.

The administration of the estate of a mental patient is governed by principles very different from those applying in the administration of estates of deceased persons. In the administration of a deceased person's estate the lawful debts must be provided for before the beneficiaries can receive any benefit. In the administration of the estate of a mental patient the leading principle and paramount consideration is the interest of the patient himself. The following passage from the judgment of Skerrett, C.J., in the case of *In re Smith* (1927 G.L.R. 274), enunciates this principle :—

It is, of course, clear that the management of the patient's affairs and the administration of his property is undertaken by the Public Trustee in the interests of the patient, and not for the benefit of his creditors, his presumptive next-of-kin, or his heirs. The primary consideration must always be that he will be provided in his helpless condition with sufficient maintenance. That discretion appears to be conferred upon the Public Trustee by subsection (v) of section 100 of the Mental Defectives Act, 1911. The Public Trustee has a discretion to pay the patient's debts, but his first duty is to reserve an adequate and sufficient maintenance for the patient. The Public Trustee may elect to pay the debts or certain of the debts owing by the patient, but the election must be made for the benefit of the patient. The debts so to be paid may be liquidated in such order or in such manner as he shall determine. In cases where the interests of the patient are not affected unsecured creditors would probably be dealt with by the Public Trustee on an equal basis.

The policy followed—at least, so long as the patient has any prospect of recovery—is to keep the estate, as far as is justifiable, intact and unchanged. Maintenance due to the Mental Hospitals Department is a Crown debt, and takes priority over ordinary debts. The maintenance is paid, if possible; but it does not follow from this that in necessitous cases the assets are realized and proceeds paid to the Mental Hospitals Department by way of maintenance—in fact, the Mental Hospitals Department would not desire this to be done. Any portion of the estate may be applied for the benefit of the patient, should such a course become necessary, without regard being had either to ordinary debts or to the liability to the Mental Hospitals Department for maintenance, this being in accord with the principle that the administration of the estate of a patient is for the benefit of the patient himself, and the assets are conserved as far as possible in order that the patient when discharged will not find himself destitute.

The growing complexities of property, and especially of business interests, to which I have referred earlier in the report as making modern trusteeship more difficult and exacting are also acutely experienced in the administration of the estates of mentally incapacitated persons. Just as in the case of deceased persons, they also are often possessed of large estates, and frequently the handling of their affairs is freighted with interests of an involved or difficult nature. Moreover, it is no uncommon experience that persons of unsound mind have for some time prior to their committal, by the very reason of their mental disease, mismanaged and muddled their affairs. Thus the administration of these estates at times presents considerable complications and difficulties, but, at the same time, it is a very necessary and important work, rightly demanding strict attention and efficient control.

AGED AND INFIRM PERSONS PROTECTION ACT, 1912.

63. Under this Act provision is made that where it is established to the satisfaction of the Supreme Court that any person is, by reason of advanced years, bodily or mental infirmity, or other causes, unable to manage his own affairs, or is likely to be subject to undue influence in regard to his property, the Court may make a protection order in the prescribed form. The Public Trustee may be appointed to act as manager of such estates, and frequently is approached to do so. During the past year a number of appointments under this Act has been made.

It has happened on occasions that amongst the assets of estates in regard to which the Public Trustee has been appointed manager there is property situated outside the jurisdiction of the New Zealand Courts. In regard to such property situated, say, in England, the question whether the Public Trustee's status as manager entitles him to legal recognition abroad is one upon which there appears to be no specific authority. The nearest analogy known to me is the recognition given in England to the status of a foreign curator or administrator of a mental patient domiciled or resident in the country from which such foreign curator derives his authority. That such a committee, curator, or administrator can enforce by action claims in respect of movable property in England is undoubted, and the English Courts have so held: *Didesheim v. London and Westminster Bank* (1900 2 Ch. 15). As distinct from legal considerations, however, there is no practical risk for persons abroad holding funds on behalf of a protected person making payment to the Public Trustee, as the Public Trustee is a public officer constituted under the Public Trust Office Act, and his fidelity and the funds entrusted to him are guaranteed by the Government.

The statutory duties imposed on the Public Trustee in regard to estates under private management have been carried out as far as possible. As has been mentioned previously, however, under existing legislation the Public Trustee has no means of ascertaining those persons who have been appointed as managers, and consequently cannot satisfy himself whether all private managers are complying with the statutory requirements or not.

CONVICTS' ESTATES.

64. Under the provisions of Part III of the Prisons Act, 1908, the custody and administration of estates of convicts are entrusted to such persons as the Governor-General may by writing under his hand appoint. In practice, all such estates are administered by the Public Trustee pursuant to a general authority given by His Excellency the Governor-General. An exception is made in the case of Natives within the meaning of the Native Land Act, 1908, whose estates are administered by the Native Trustee.

A "convict" is defined by the Act as meaning any person sentenced by any Court of competent jurisdiction to death or to penal servitude on any charge of treason or felony, and includes every person sentenced under the Crimes Act, 1908, to imprisonment for a term of three years or upwards, with or without hard labour. In addition to persons included in the term "convict" by the Prisons Act, 1908, by section 24 of the Crimes Amendment Act, 1910, persons sentenced to reformatory detention for any period are deemed to be convicts.

65. It is doubtful, however, whether a person sentenced under the Crimes Act to terms of imprisonment on more than one charge, the sentences to be cumulative, each sentence being less than three years, but the aggregate of the sentences amounting to three years or more, is a convict within the meaning of the Prisons Act, and in order to remove this doubt it has been suggested that an amendment to the Prisons Act be passed. There can be little doubt that the Legislature intended that in such cases the prisoners' estates should be protected by the appointment of an administrator, but upon the wording of the Act as it stands it is possible that there is no provision for the appointment of such statutory administrator. It will be realized that in cases such as this, where the aggregate of the sentences is more than three years, it is just as important to have provision made for the safeguard of the prisoner's estate as it is in those cases which undoubtedly come within the meaning of the Act.

During the year under review the administration of convicts' estates has proceeded smoothly, and there are no important developments to record.

AGENCIES.

66. The Public Trustee is empowered to act as attorney or agent, and valuable services are rendered in this regard. Persons resident in New Zealand who by reason of age, ill health, or lack of business experience, and persons who by reason of absence from the Dominion, find it necessary to appoint an attorney very frequently avail themselves of the services of the Public Trustee, and agency work is one of the classes of business which have shown a marked increase in recent years. It is gratifying to record also that beneficiaries in estates very often appoint the Public Trustee as attorney to act for them in connection with the work entailed in the management of property descending upon them.

RESEALING.

67. An indication of the growth of knowledge overseas in regard to the Office is afforded by the increasing number of requests which are received from executors, trustees, and administrators in foreign countries for the Public Trustee's services in respect to the administration on their behalf of assets situated in the Dominion. Officials who perform functions similar to those of the Public Trustee in the various parts of the Empire make a practice of employing the Public Trustee to undertake such work. The organization of the Office makes for speedy handling of the work entailed in these matters, which is much appreciated by foreign executors and trustees, and it is anticipated that this class of business will show a steady increase in years to come.

ADMINISTRATION OF ASSETS ABROAD.

68. The assets of estates reported to the Public Trustee for administration cover the whole range of property interests and have their situation in all parts of the world. During the years that the Office has been conducting the administration of estates it has been necessary to deal with assets in almost every civilized community. The wide experience gained by the Office in the course of years is nowhere more valuable than in those cases where assets situated abroad require administration, as it enables prompt settlement to be arrived at in regard to problems arising out of the questions of domicile, the form and nature of documents required to enable administration to be obtained abroad, the incidence of death and succession duties and other charges in foreign jurisdictions, and the modes of transmission of cash and securities.

To deal with assets situated overseas it is frequently necessary to obtain administration in the country where the assets are situated, and for this purpose the Public Trustee appoints a suitable delegate in the jurisdiction concerned to act as his representative for the purpose of the administration duties required there.

In administration within the British Empire the Public Trustee usually employs those State officials in the various countries whose functions are similar to his own. Whenever any special circumstances exist for the employment of a private legal firm (*e.g.*, by reason of its previous connection with the estate concerned) the work is entrusted to it.

69. Amongst the diversified assets controlled by the Office may be cited plantation and trading interests in some of the South Sea islands. During the year it was necessary to arrange for a departmental officer to visit Tonga and elsewhere in connection with certain of these interests. It is well known that the fortunes which have followed the plantation industry in recent years have been fluctuating, and that the conditions surrounding it have been very uncertain, thus adding to the difficulties of management and administration. Owing to the distance from New Zealand and the infrequent communication, negotiations by correspondence are badly hampered; moreover, direct personal contact is highly useful in matters of this kind. I am pleased to say that the visit was productive of very beneficial results, and that the business in hand was brought to a successful issue.

DESTITUTE PERSONS ACT, 1910.

70. The duties devolving on the Public Trustee under this Act were fully explained in my report of last year. The Public Trustee is frequently called upon to act in the various capacities detailed by the Act, and throughout the year has discharged this public service which the organization and facilities of the Office enable him to undertake to the satisfaction of all parties concerned. During the year a number of cases were reported for action by the Public Trustee.

CLAIMS UNDER WORKERS' COMPENSATION ACT, 1922.

71. Claims under the Workers' Compensation Act constitute an important part of the Office work, and the Public Trustee's interest in these matters may arise under any of the following circumstances:—

- (1) Where he is an employer within the meaning of the Act liable to pay compensation:
- (2) Where he is the representative of a deceased employer similarly liable:
- (3) Where he is the representative of a deceased worker:
- (4) Where he is the statutory administrator under the Mental Defectives Act, 1911, of a mental patient's estate and the condition of the patient is the result of causes which create a valid claim for compensation:
- (5) Where he is the custodian of compensation-moneys payable to a person who is under the age of twenty-one years, or who is of unsound mind, or who is subject to any other legal disability:
- (6) Where he is the statutory custodian of compensation-moneys payable in respect of the death of a worker.

The Public Trustee is concerned mainly with claims arising out of the death of a worker, who is defined by the Act as "any person who has entered into or works under a contract of service or apprenticeship with an employer, whether by way of manual labour, clerical work, or otherwise, and whether remunerated by wages, salary, or otherwise; but does not include any person employed otherwise than by way of manual labour, whose remuneration exceeds £400 a year." In regard to each estate administered by the Public Trustee inquiry is made whether death was caused directly or indirectly by an accident. As it frequently happens that the immediate cause of death has been a disease or some physical defect, which, however, may have been accelerated by an accident, appropriate inquiries are made to cover this possibility.

72. A feature of the law in regard to workers' compensation which is not generally known is the provision which has been made between New Zealand and other countries for reciprocity in the matter of claims under the Workers' Compensation Act. While the Act provides that dependants of deceased workers may not claim compensation unless they are domiciled or resident in New Zealand, authority is given to the Governor-General in Council by section 59 of the statute, in any case in which he is satisfied that by the laws of any other country within the dominions of the Crown compensation for accidents is payable to relatives of a deceased worker notwithstanding that they are resident in New Zealand, to declare by Order in Council that relatives resident in that country shall have the

same rights and remedies under the Workers' Compensation Act as if resident in New Zealand. Under this provision dependants resident in Great Britain, Ireland, New South Wales, Queensland, Western Australia, South Australia, and Victoria have been brought within the benefits of the Act.

73. An important matter arising for consideration in connection with the apportionment of compensation-moneys is the effect which it may have upon the grant or amount of the widow's pension, by reason that this grant or amount may be affected by the income received by the widow during the pension year. If a share of compensation-moneys is paid to the widow in a lump sum, such payment (less a special exemption of £100) is regarded as income received during the pension year. If in consequence the widow's total income renders her ineligible for a pension, the effect will be to prevent a pension being granted for a period of twelve months. She can, if she is then eligible, apply afresh for a pension. The work of obtaining a pension for a widow does not fall within the functions of the Public Trustee, and it is not thought that the Office should, on any application for apportionment of compensation-moneys, object to the payment to the widow in a lump sum of the share of such moneys to which she is rightly entitled, merely on the ground that it will affect her rights to a pension; and, in fact, it is doubtful whether the Public Trustee has any right so to do, notwithstanding that it may be in the interests of the children that their mother should receive a widow's pension. It is considered, however, that in making apportionment the attention of the widow should be drawn to the effect that the proposed apportionment will have on her rights under the Pensions Act, and that in disbursing compensation-moneys held for a widow entitled to a pension or for the benefit of a widow's child in respect of whom a pension is payable regard should be had to the effect that such payment will have upon the payee's pension rights.

During the period under review the number of applications made to the Arbitration Court for the apportionment of compensation-moneys was sixty-three, and a number of applications were also made by private solicitors, in which cases reports on such applications were filed by the Public Trustee.

CLAIMS FOR DAMAGES FOR PERSONAL INJURY OR DEATH.

74. The Public Trustee's interest in claims for damages under the Deaths by Accidents Compensation Act, 1908, usually arises in his capacity—

- (a) As legal representative of a person whose death has been caused by the wrongful act, neglect, or default of some other person; or
- (b) As the personal representative of a person who while employed in or about a mine has been killed owing to the non-observance in such mine of any of the provisions of the Mining Act, 1926; or
- (c) As the personal representative of a person who while employed in or about a coal-mine, is killed owing to the non-observance in such mine of any of the provisions of the Coal-mines Act, 1925; or
- (d) Under section 13 of the Public Trust Office Amendment Act, 1913, in any cause or matter in any Court where damages are awarded to an infant or a person of unsound mind; or
- (e) As the statutory administrator of a mentally defective person who has suffered injury through the tortious act of another.

Ten actions were brought by the Public Trustee during the period under review as the legal representative of a deceased person, and the majority of these were prosecuted to a successful conclusion.

SECTION 75, LIFE INSURANCE ACT, 1908.

75. It is provided by section 75 of the Life Insurance Act, 1908, as amended by section 4 of the Amendment Act, 1920, that a minor of the age of fifteen years or over may, with the consent of the Public Trustee, surrender, give a discharge for, dispose of by will, or otherwise deal with his policy as if he were of full age. This provision is widely availed of by minors who for various reasons find it necessary to deal with their policies. It should be mentioned that the Legislature did not frame this enactment to enable minors to deal with their policies when they think

fit, but in order that they might have the means of doing so should circumstances render such a course necessary or expedient. A duty is imposed on the Public Trustee to ensure that so far as possible the interests of the minors are protected. Not infrequently minors decide, upon advice received from the Office, not to proceed with their applications; but, as may be imagined, some applicants by reason of their youth and lack of judgment cannot be brought to realize in what direction their best interests lie, and in some cases it is necessary that the Public Trustee's consent be withheld.

The applications very frequently involve a considerable amount of investigation and work, but in view of the nature of the services rendered and the circumstances of the applicants a nominal fee of 5s. only is charged. In cases where the Public Trustee's consent is not given or where the minor does not proceed with the application no fee is charged.

During the year the consents granted numbered 232, made up as follows: Surrenders, 101; loans, 67; assignments, 52; reduction in amount of policy, 1; exchange for another policy, 1; payment of proceeds on maturity, 5; consents to make wills disposing of policy-moneys, 2; cashing of bonuses, 3.

76. It is a well-established rule of English law that, apart from sailors and soldiers on active service, a minor cannot make a valid will. An exception to this rule is created by the Infants Act, which provides that a married male not under the age of nineteen years and a married female not under the age of eighteen years may make a will disposing of real and personal property. Another interesting exception is found in section 75 of the Life Insurance Act, 1908, which gives a minor power, with the Public Trustee's consent, to make a will disposing of the proceeds of a policy of insurance on his or her life.

It is considered that, according to the wording of the section, the Public Trustee's consent is a condition precedent, and that a will executed without this consent cannot afterwards be validated by obtaining the Public Trustee's approval. In considering applications for the Public Trustee's consent to the disposal by will of life-policy proceeds a certificate is required from the solicitor drawing the will that—

- (a) The disposition is the minor's free act;
- (b) That the minor is of testamentary capacity and understands the nature and effect of the disposition;
- (c) The disposition is equitable, having regard to the rights of those persons with claims on the minor's bounty;

and advice is required as to the minor's reasons for diverting the policy proceeds from the usual channels of distribution.

In a recent application for letters of administration by a father in respect of the intestate estate of his deceased son, a boy of nineteen years, the Judge dealing with the matter called attention to the provisions of section 75. The affidavit filed in support of the application for administration omitted the usual clause to the effect that a search had been made for a will, and the Judge indicated that in view of the provisions of the section he would require the usual evidence that there was no will, or evidence that the deceased's life was not insured.

UNCLAIMED LANDS.

77. In terms of Part II of the Public Trust Office Act, 1908, as amended by section 35 of the Public Trust Office Amendment Act, 1913, the Public Trustee is empowered to administer, as unclaimed, lands the owner of which has no known agent in New Zealand, or is unknown, or cannot after due inquiry be found. Unclaimed lands when accepted for administration are vested in the Public Trustee in trust for the missing owners. As the Dominion becomes more closely settled, the number of applications to have land administered as unclaimed is declining, but cases still arise, and a few have been dealt with during the past year.

On the 31st March last the value of such lands under administration was £3,958, whilst cash was held to the extent of £1,295, representing the proceeds of realizations previously made. Careful instructions have been laid down for the guidance of officers to ensure that the management of these lands when accepted for administration is properly carried out.

UNCLAIMED PROPERTY.

78. Part III of the Public Trust Office Act, 1908, makes statutory provision for the protecting of the interests of the owner, or any other person, in property belonging to a missing owner, where in their interests it is advisable to do so. Every care is taken, before seeking to apply these provisions, that the interests of the missing owner or some other person interested will be served thereby. Exhaustive inquiries are made to ascertain whether or not the Act is applicable to the particular case, and also to ascertain whether there are any close relatives of the missing person who might prefer to take any other action. Before seeking to apply the provisions the Public Trustee must be satisfied that the owner, or his legal representative, or his authorized agent, cannot be found.

Where the property exceeds £1,000 in value the Public Trustee's title to act rests on an order of a Judge of the Supreme Court, followed by the publication of a notice in the *Gazette*. Where the property does not exceed £1,000 in value, his title to act rests on the consent of the Public Trust Office Board, followed by the publication of a notice in the *Gazette* declaring his intention to exercise his power. A judge will not grant an order unless circumstances exist in which he has jurisdiction, and the Public Trust Office Board, where it gives its consent to the Public Trustee to act, exercises a quasi-judicial discretion, which is applied in conformity with judicial principles.

In undertaking administration of the property of a missing person it is the Public Trustee's duty to protect the interests of the missing owner, and this is the principle guiding the administration. The Public Trustee has power to enter into possession of the property, to perform certain of the missing owner's obligations, to sell (although this power is not exercised unless it is necessary or expedient in the interests of the missing owner, or in order to carry out his obligations), and power to apply moneys on account of the maintenance of the wife, husband, or children of the owner.

All moneys received by the Public Trustee are held in trust for the missing owner, save in so far as such moneys are applied in the proper exercise of the powers conferred upon the Public Trustee. The Public Trustee cannot account to any one other than to the lawful owner or his lawful successors. The responsibility for determining the title of any person is a serious one, and if the evidence in support of a claim is not conclusive the Public Trustee is compelled to refuse to recognize the claimant's right, unless he obtains an order, as provided for in the Act, rescinding the Public Trustee's right to administer the property, or otherwise establishes his title by judgment of the Court. The Public Trustee's authority to exercise his powers continues until a rescinding or declaratory order is made, although formal rescission is unnecessary when the claimant's title is recognized by the Public Trustee. Where notice of a claim has been given, but the claim is not recognized by the Public Trustee, the exercise by him of his statutory powers will, except for special reasons, be stayed pending the hearing of the application to the Court.

Unclaimed property valued at £6,179 was under administration by the Public Trustee on the 31st March last.

EDUCATION RESERVES.

79. In terms of the provisions of the Education Reserves Amendment Act, 1910, the Public Trustee was appointed trustee of all funds which at that time were vested in School Commissioners, and all mortgages and other investments representing the same. The net annual income derived from the assets being administered under the provisions of this Act is paid by the Public Trustee to the Education Department, which attends to the allocation of the money in accordance with the statutory provisions.

The assets under administration as at the 31st March, 1928, were as follows :—

	Primary Schools.			Secondary Schools.		
	£	s.	d.	£	s.	d.
Cash held in Common Fund ..	19,822	15	1	796	4	2
Mortgages	2,050	0	0	Nil		

DISCHARGE OF MORTGAGES UNDER SECTION 75 OF THE PROPERTY LAW ACT, 1908,
AND SECTION 117 OF THE LAND TRANSFER ACT, 1915.

80. These sections authorize the Public Trustee to give an effective discharge of an overdue mortgage when a mortgagor is absent from New Zealand, or is dead, and there is no person in New Zealand authorized to give a discharge. The number of mortgages discharged during the year was not so large as usual, amounting to four only. The principal and interest collected total £2,335 18s. 2d.

The services rendered by the Public Trustee in collecting and remitting to him the amount owing under a mortgage evoked the following striking testimony to British methods from an absentee mortgagee, a foreigner who had returned to his native country: "I have voyaged the world over, but did not find any nation as true, and just, and loyal as the British Empire."

CHARITABLE AND PUBLIC TRUSTS.

81. The Public Trustee is frequently called upon to administer trusts of a charitable nature or of public benefit, the special advantages of corporate trusteeship being recognized where the trust is of a more or less perpetual nature. Amongst the more important of such trusts at present under administration are the following:

Renwick Cottages. These cottages, which are under the control of the Public Trustee, were erected in Nelson in 1883 for the use of deserving poor people of that city, in accordance with directions contained in the will of Miss Adeline Renwick. The cottages, situated in a pleasant locality, are built of brick, and the plots are large enough to enable the occupants to have gardens if they so desire. There are sufficient funds at credit of the trust to provide for the maintenance of the cottages and to enable a small annual allowance to be made to the inmates.

Dobson Relief Fund.—On the occasion of my last report I mentioned that it was proposed that the Public Trustee should act in conjunction with an advisory committee to administer the funds raised by public contribution for the relief of the dependants of those who lost their lives in the disastrous explosion which occurred at the Dobson Mine, Grey Valley, on the 3rd December, 1926. The amounts held by the Dobson Disaster Relief Fund Committee were duly transferred during the year, and on the 14th September, 1927, the Court made an order in terms of section 4 of the Public Trust Office Amendment Act, 1912, defining the trusts on which the funds are to be administered by the Public Trustee, and appointing a small advisory committee to co-operate with him. The total amount received by the Public Trustee from the Dobson Disaster Relief Fund Committee and other sources is £2,799 5s. 3d., which has been invested in the Common Fund of the Office. At present there are eleven dependants, receiving payments totalling £292 10s. per annum. In keeping with the usual practice in cases of this kind, no charge is being made for the Public Trustee's services in connection with the administration of the fund.

Brunner Disaster Fund.—The amount held by the Public Trustee in respect of this fund, which was raised for the relief of dependants of those miners who lost their lives in the disaster which occurred at the Brunner Mine on the 26th March, 1896, is rapidly diminishing. On the 31st March, 1928, the balance held was £1,258 10s. 9d., and fourteen persons were receiving benefits. Efforts are being made to conserve the funds as much as possible consistent with the requirements of the dependants, amongst whom the sum of £465 8s. was distributed during the past year. On that account certain applications for assistance out of the fund had to be refused during the past year.

Kaitangata Relief Fund.—On the 31st March last the balance at credit was £3,932 17s., which shows a slight increase over the previous year. There is at present only one person receiving assistance from the fund, but as provision was made in the Kaitangata Relief Fund Transfer Act, 1892, for the relief of the widows and children of coal-miners who might lose their lives in subsequent mining accidents occurring from time to time throughout New Zealand, it is always possible that demands may be made on the fund at some time in the future.

Considerable attention has been directed to the fund in recent years, and it has been urged by interested parties that the surplus moneys, after making provision for the one dependant who is at present receiving assistance, should be distributed amongst the descendants of the victims. During the year a large deputation waited upon the Hon. the Minister of Mines when he was in Dunedin, asking that the corpus be distributed. The Minister stated that he was strongly opposed to the suggestion, and firmly refused to consider any such proposal.

Kirkpatrick Masonic Home for Girls.—The Public Trustee was appointed executor and trustee under the will of the late Mr. Samuel Kirkpatrick, of Nelson, who died on the 21st May, 1925. The testator directed that his old home was to be converted into a hostel for orphan daughters of deceased Freemasons of the English, Irish, Scottish, and New Zealand constitutions throughout New Zealand, and that the income from the residue of the estate was to be utilized for the maintenance and management of the home. The house, which is in Mount Street, Nelson, is admirably suited for the purpose, and there the children receive every care and attention, generous treatment, and a good education.

The Masonic constitutions have elected a Board of Governors which is responsible for the control and management of the home, but the Public Trustee is solely responsible for the administration of the estate. The income from the estate is paid each year by the Public Trustee to the Board of Governors, which expends the moneys in managing and maintaining the institution. The home, which is called the Kirkpatrick Masonic Institution for Girls, was opened on the 4th April, 1926.

Coal-miners' Relief Fund.—The amount held by the Public Trustee at the close of the financial year ending 31st March, 1928, on behalf of the Coal-miners' Relief Fund was £26,156 11s. 2d., as against £26,868 11s. 3d. at credit on the 31st March, 1927. During the year payments have been made by way of relief grants for a total amount of £7,079 6s. 9d. The greater portion of this amount has been distributed through the committees appointed by the miners at the various centres. The Public Trustee remits funds from time to time to these committees, which attend to the payments to those entitled and submit quarterly statements of the disbursement of the funds which have been furnished to them. It is apparent from the analysis of the accounts that a general increase has taken place in the amount of claims against the fund, the total disbursements for the previous year amounting only to £5,505 8s. Contributions by the mine-owners show a slight increase, but the heavy calls for relief during the period under review resulted in a reduction of £712 0s 1d. in the balance to credit of the fund, and if the present heavy outgoings are sustained it may be necessary to consider means for augmenting the fund to keep the increasing demands within its income.

Carterton Home for Aged Poor.—This well-known benefaction has been controlled by the Office for the past thirty-two years, and arises out of the will of the late Charles Rooking Carter, a resident of Carterton, who died in 1896. In terms of this will a valuable block of land, containing about 2,166 acres, situated near Carterton, and the sum of £2,500, were to be set aside, and the rents and proceeds thereof applied in the erecting, establishing, and managing of a suitable home for aged poor men in the Carterton district. In 1916 legislation was passed increasing the objects of the testator's bounty by extending the area within which applicants must have resided so that it would include the whole of the Wairarapa Electorate as it existed in 1896. Provision was also made whereby wives of eligible aged poor men could also be admitted to the home. The whole of the administration of the estate outside the actual management of the home itself is controlled by the Public Trustee, who provides out of the income derived from the estate the funds required for the running of the home. An independent committee, comprising the Mayor for the time being of the Borough of Carterton, the vicar of the Parish of Carterton, and three members of the Borough Council elected annually by poll of the Council, are responsible for the control of the home.

Thomas George Macarthy Trust.—Reference has been made in previous reports to the administration of the estate of the late Mr. T. G. Macarthy, who died in 1912, and out of whose will (of which the Public Trustee is executor and trustee) arises what is perhaps the most widely known charitable and educational trust operating in New Zealand.

Briefly, the will directs the application of one-half of the net income from the estate for such charitable and educational purposes or institutions in the Provincial District of Wellington, in such manner and in such proportions as a special Board of Trustees indicated in the will shall decide. On the termination of certain annuities and other interests the whole of the residuary estate's income will be available for the charitable and educational purposes mentioned. The final balance of the estate for duty purposes was £389,689, but by dint of careful and prudent control and management since the death of this generous-hearted testator the assets have increased to a value which exceeds half a million sterling.

Last year a record sum of £14,500 was available for distribution, in terms of the will, for charitable and educational purposes. The trust has now been in operation for fifteen years, and during this period the large sum of £123,527 has been distributed. The following sets out each year's allocation since the inception of the trust :—

	£		£
1913	2,530	1922	9,015
1914	7,325	1923	9,350
1915	7,070	1924	10,125
1916	6,880	1925	12,040
1917	5,790	1926	13,600
1918	5,112	1927	14,500
1919	6,545		
1920	6,785		<u>£123,527</u>
1921	6,860		

The administration has been fruitful of very gratifying results, and at the last annual meeting of the Board of Governors the Chairman, on behalf of the Board and with the approval of each member thereof, expressed his appreciation of the capable and efficient manner which, in the opinion of the Board, the trust and its functions were managed by the Public Trustee.

WILLS DEPOSITED.

82. During the year additional wills numbering 5,789 were deposited by testators with the Public Trustee for safe custody. The following table gives detailed figures for the year :—

Wills on hand on 31st March, 1927	53,531
Add new wills from 1st April, 1927, to 31st March, 1928	5,789
Deduct wills withdrawn from 1st April, 1927, to 31st March, 1928, through death of testator or otherwise	1,255
Net increase in number of wills on deposit	<u>4,534</u>
Total number of wills on deposit on 31st March, 1928	58,065

The following return shows the yearly increase of wills deposited for the period commencing 31st March, 1916, and ending 31st March, 1928 :—

Number of wills on deposit at 31st March, 1916	11,385
Net increase for year ending—	
31st March, 1917	4,884
„ 1918	4,781
„ 1919	3,187
„ 1920	1,555
„ 1921	2,564
„ 1922	3,483
„ 1923	3,663
„ 1924	4,180
„ 1925	4,420
„ 1926	4,855
„ 1927	4,574
„ 1928	<u>4,534</u>

Number of wills on deposit at 31st March, 1928 58,065

It is necessary to explain that the figures for the years 1917 and 1918 were unduly inflated owing to the increased numbers of wills which were made by persons who were proceeding overseas to undertake war service.

By reason of the changes which the lapse of time brings about many testators find it necessary to modify or vary the provisions of their wills, and in consequence a large amount of redrafting of wills already on deposit has to be undertaken year by year. During the past year 3,375 wills were so redrafted. During the year a complete overhaul of the wills-deposit files at the branch offices throughout New Zealand was undertaken and disclosed very satisfactory conditions. The periodical stocktaking of all wills on deposit has been commenced. The magnitude of the task will be realized when it is known that there are now over 58,000 wills on deposit. The stocktaking, which is carried out as an additional safeguard at periods of approximately every two years, is a very necessary work when so many wills are being handled by the Department.

83. It is surprising with what reluctance many persons face the important task of making a will. Statistics have been compiled in some countries and strikingly bear out this contention. Judging by the Office statistics, I am of opinion that in New Zealand, at any rate, increasing numbers of persons are realizing its importance and are taking steps by means of testamentary directions to ensure the efficient administration of their estates and the protection of their dependants.

The testamentary disposition of an estate is the problem of the testator himself, but the drafting of a will providing for the distribution is a skilful act requiring the services of an expert draftsman. The importance of testators availing themselves of the skilled services of competent advisers in the preparation of wills cannot be too strongly emphasized. There is no more fruitful source of litigation and heartburning amongst beneficiaries and dependants than the carelessly or imperfectly drawn will. Obviously this must be so. The drafting of wills and trust instruments is the most difficult and delicate work in the whole range of legal draftsmanship, and is surrounded by more pitfalls than any other. When it is realized that oftentimes the directions of testators are of the most complicated order, and that the language of the documents, if difficulties are to be avoided, must be clear and unambiguous, the necessity of skilled assistance becomes apparent. The problem of divining the intentions of testators whose directions are couched in contradictory or ambiguous language is one of the most difficult confronting our Courts, and for the reason that the directing parties cannot be consulted it is inevitable that sometimes it is wellnigh impossible to solve the incidental problems.

To some it may well seem that I have exaggerated the difficulties arising from unskilled will-drafting. Such persons may naturally consider that, as they have a thorough knowledge of their own affairs and intentions, they are capable of expressing their directions clearly. To these it can only be reiterated that experience proves the contrary. Persons whose everyday task it is to put into writing their thoughts and directions cannot avoid the pitfalls surrounding will-making, and how much more difficult must it be for the vast majority of people whose training and occupation do not fit them for such a task.

The Office fully realizes the importance of will-drafting and the responsibility involved in providing for the testamentary distribution of the estates of persons in all walks of life. As I have stressed on previous occasions, every possible care is taken to ensure that the intentions of testators are fully given effect to. A personal interview by a skilled officer is arranged whenever possible, and in every case complete instructions on a specially prepared form are taken and placed on record. No will prepared by the Office staff is finally filed away until it has been compared with the instructions and passed by a skilled legal practitioner in the Head Office. Obviously, in all matters relating to trust administration the departmental officers have a wide experience. The legal staff prepares or peruses some 7,500 new wills every year (including redrafts), and deals with all phases of administration law. Hence the staff is well qualified for advising testators in the making of their wills and the drafting of the instructions when the disposition has been decided upon.

The figures for the past few years show that a very fair percentage of the will-making population of the Dominion is availing itself of the advantages offered by the Office. Regarding the matter solely from the point of view of the public, I am quite satisfied that no branch of the Office work is more useful or beneficial than the free drawing of wills. It is undoubtedly to the advantage of the community that everybody with property to dispose of should do so by will instead of leaving it to the necessarily rigid and often cruel operation of the stereotyped rules governing intestacy. The Office business discloses very many cases where, for the lack of a will, dependants and others with strong moral claims on a deceased are left penniless, whilst the Public Trustee has to go searching in the United Kingdom and elsewhere for the next-of-kin, who, when found, take everything.

LEGAL DIVISION.

84. The legal work of the Department is under the control and supervision of the Office solicitor at Wellington. He is assisted by a number of assistant solicitors to carry out the conveyancing and common-law activities of the Office.

Following upon the policy of decentralization which was adopted some years ago, legal officers have been attached to a number of the branches to perform on the spot the legal duties assigned to them in connection with the business transacted at these centres. In general, the branch legal officers carry out all conveyancing transactions arising in the course of the administration of estates dealt with at their respective branches. They deal with all ordinary Magistrate's Court work, prepare local wills, and attend to other matters deputed to them. In consequence of this arrangement there is effected a saving of the time which would be spent by the reference of all the legal work to the Head Office.

Matters of difficulty involving controversial points or matters requiring research are, however, all referred to the Office solicitor for his opinion and direction, and he exercises a general supervision over the legal officers at the branches. From time to time the district offices are visited by a solicitor from Head Office, who reviews and inspects the work of the branch legal officer. This ensures that a high standard of work is maintained at the branches and that a uniformity of practice prevails.

The greatest care is exercised in providing the legal staff throughout the Department to see that it is competent and qualified to carry out the large volume of work entrusted to it. As I have said before, the staff of the Office gains an exceptionally wide experience in the questions with which it is called upon to deal. For example, several thousands of wills are prepared or perused annually. Moreover, in the administration of nearly 16,000 estates with which the Office has to do every variety of legal question has to be dealt with. Thus, in conveyancing, no business day passes that large numbers of conveyancing or trust instruments are not passed forward. By this I do not mean merely formal official documents, but transfers, conveyances, leases, settlements, deeds of family arrangement, agreements, mortgages, powers of attorney, and so forth. All the foregoing are either drawn or perused by the legal staff.

There is a well-equipped and up-to-date law library at the Head Office in Wellington, and the District Solicitors are furnished with such text-books as are requisite to enable them to carry out their duties effectively.

During the past year the number of applications to the Supreme Court for grant of probate totalled 739. This total includes a number of applications made on behalf of the Public Trustee by solicitors in private practice who, for various reasons, had been entrusted with this work. During the same period there were 236 applications for a grant of an order to administer on an intestacy, these figures including certain applications made by private practitioners. Compared with the number of applications made in the preceding year, there was an increase of twenty-three in probate motions and a decrease of eleven in the motions for administration on an intestacy.

In dealing with the various classes of estates reported for administration I have made reference to the decrease in the number of persons dying intestate. This is only to be expected, seeing that a greater proportion of the population is executing wills.

In regard to small estates of under £400 in value which are reported to the Office for administration, the Public Trustee may file in the Supreme Court an election to administer according to the will, where the deceased died testate, or under intestacy, where the deceased left no will. This procedure is simple, expeditious, inexpensive, and most useful. It may happen that, after filing an election to administer, further assets are discovered which raise the value of the estate above that previously estimated. In that event it is provided by statute that, should the increased value of the estate not exceed £600, no further action is required. Where, however, the increased value exceeds £600 the Public Trustee is required to file in the Supreme Court a memorandum stating this fact, and then to proceed to obtain a grant of probate or administration in the usual way. The number of elections filed during the past year totalled 664.

It frequently becomes necessary to approach the Court for authority to pursue certain courses or to take certain action in connection with the administration and management of estates. Applications of this nature are usually made in Wellington, and during the past year the number of such applications was 147—five more than were made during the preceding year. The nature of the applications is most varied, including proposals to sell, lease, mortgage, purchase, or exchange land; to carry on a business; to effect necessary improvements on trust properties; to sanction modifications of trusts rendered necessary by unforeseen circumstances; to enable the shares of missing beneficiaries to be dealt with, and the like; and, except in those cases where special reasons exist for the employment of a private practitioner, this work is all performed by the Office Solicitor and his staff. As the Public Trustee represents such varied interests, it will readily be recognized that he must frequently become a party to litigation. It should also be remembered that the Supreme Court is empowered to appoint the Public Trustee to represent the interests of infants, absentees, or other persons not *sui juris* in contentious proceedings to which the Public Trustee was not an original party. During the year a number of contested matters were heard and decided, in each case the Public Trustee having been either an original party to the suit or having appeared on behalf of a particular beneficiary or class of beneficiaries, infants, absentees, or persons not *sui juris*. The following are the most important of these:—

(1) *The Public Trustee v. the Bank of New Zealand* (Reference, 1927 G.L.R. 1).—The wife of X (who was indebted to the Bank of New Zealand) executed a memorandum of mortgage in favour of the Bank over certain land belonging to her. The mortgage recited that the husband was indebted and might thereafter become further indebted to the bank, and that the wife had agreed to secure in the manner thereafter appearing the repayment to the bank, on demand, of all and every sum of money that might at the time of making such demand be due, owing, or payable by the husband to the bank. The charge on the land was thus expressed: “and for the better securing to the bank the payment in the manner aforesaid of all moneys (including interest) which it is hereinbefore recited should be secured, and also all moneys (including interest) which it is hereinbefore provided shall be included in this security, I hereby mortgage to the bank all my estate and interest in the said land above described.” The mortgage contained a declaration modifying the provisions of the Land Transfer Act in so far as the same were contradictory to or inconsistent with the terms of the mortgage itself; it set forth in full the covenants and powers conferred upon the bank by the mortgage; and continued by declaring that the provisions of the mortgage should, as between the mortgagor and the bank, be deemed for all purposes that of a principal obligant and not that of a surety.

It was held by the Court of Appeal that the whole scheme of the mortgage and the nature and character of its provisions were consistent with a mortgage or charge on the land only, and that the parties did not contemplate that the mortgagor should undertake a personal responsibility for her husband's indebtedness, and that the mortgage, therefore, did not contain or imply a covenant on the part of the mortgagor to pay the moneys thereby secured.

(2) *McCrostie v. Quinn and Others* (1927 G.L.R. 37).—A testator was at the date of his death possessed of shares in a private limited company, which shares formed part of his residuary estate. He had in his lifetime lent money at interest

to the company without security, and had agreed with the company's bank for valuable consideration not to call up the moneys loaned until all the liabilities of the company to the bank were liquidated. His will, however, did not confer upon his executors any power to postpone the conversion of his residuary estate.

The Court decided that the circumstances justified the granting of authority to postpone the realization of the shares, also to postpone until further order the collection of the debt owing by the company, but did not justify the granting of leave to guarantee the company's indebtedness to the bank.

(3) *In re Le Ray* (1927 G.L.R. 107).—A testator devised and bequeathed the residue of his personal estate and the whole of his real estate to his trustees upon trust to divide the same equally between X, Y, and Z, and declared in the event of "all of them," the said X, Y, and Z, predeceasing him the residue was to be divided in equal shares among such of the children of X, Y, and Z as should be living at his death. Z died in the lifetime of the testator, prior to the execution of his will, leaving one child, who was of adult age.

The Court decided that there was a partial intestacy in respect of the share of Z, and that this share became distributable amongst the next-of-kin of the testator.

(4) *Caldwell v. Fleming* (1927 G.L.R. 146 ; 1927 N.Z. L.R. 145). In this case the Full Court held as follows:—

(a) That where a testator directs that all his debts, funeral and testamentary expenses, shall be paid, and, after making certain specific dispositions, devises and bequeaths his real and personal property not specifically disposed of, estate duty, being a testamentary expense, is payable out of the general estate and in reduction of the amount of the residuary estate, and therefore actually out of the residuary estate. If the residuary estate is insufficient, the liability for the deficiency will first attach to such parts of the estate as would have been liable had not the testator directed that it was to be paid out of residue, and annuities cannot be regarded in the same light as life interests and are liable to pay their proportion of the estate duty.

(b) That the doctrine that conditions which are repugnant to a gift are void has no application where the gift is for a charitable purpose, and that where the conditions are not illegal or impossible of performance, or contrary to public policy, and are therefore valid as conditions of a trust created, the aid of the Court may be invoked by the Attorney-General for the enforcement of the trust in the event of a breach.

(c) That a testator by directing in his home-made will, "also the usual 5 per cent. to my trustees for their services or as compensation for their trouble as managers," had in mind the provisions of section 20 of the Administration Act, and intended that the trustees should be allowed such usual remuneration for their services as the Court usually allows under the statutory provisions fixing the maximum percentage of 5 per cent.

(5) *Re Porter, deceased* (1927 G.L.R. 159).—The testatrix gave her freehold property to A absolutely upon her attaining twenty-one, and also certain effects, including a watch and chain, the watch and chain to be given to A on her attaining twenty-one. The testatrix declared that the freehold property given A should be held by B, and that B should receive the rents and profits thereof and apply them towards the maintenance of A until A should attain twenty-one. A survived the testatrix, but died at the age of eighteen.

It was held by the Supreme Court that the freehold property vested in A on the death of the testatrix, and was not divested upon failure to attain the age of twenty-one years ; and, further, that the personal property vested in A absolutely on the death of the testatrix, with the exception of the watch and chain, which was divested upon failure to attain majority.

(6) *Re Smith* (1927 G.L.R. 274).—The wife of a mental patient had obtained a divorce from the patient on the ground of his mental condition ; the decree *nisi* directed that the patient should pay the wife's costs of the suit, together with disbursements. Upon an application by the Public Trustee as statutory administrator for directions as to the payment of these costs the Court refused to give any direction for payment out of the patient's estate, and laid down the general

principle that the management and administration of the affairs and property of a patient undertaken by the Public Trustee is in the interests of the patient, and not for the benefit of his creditors, his presumptive next-of-kin or his heirs, and care must be taken to ensure that he will be provided in his helpless condition with sufficient maintenance.

(7) *Public Trustee v. Higgins and Others* (1927 G.L.R. 334).—In an action brought in terms of the Death by Accidents Act, 1908, and the Workers' Compensation Act, 1922, for damages in respect of the death of a mill hand who was killed while operating a fiddling-saw, the jury found upon the evidence that the defendants had committed a breach of their statutory duty, that the defendants were guilty of negligence, that such negligence was the real cause of the accident, that the working of the fiddling-saw was not within the scope of the deceased's employment, and that the deceased was not guilty of negligence, and awarded damages to the plaintiff.

It was held by the Court upon motion for nonsuit, or, alternatively, for judgment for the defendants, that the defendants were not liable either under the Death by Accidents Act, 1908, or under the Workers' Compensation Act, 1922, to make compensation to the plaintiff.

(8) *McKibbin v. McKibbin and Others* (1927 G.L.R. 343). Where a testator gave the income from his estate during the period of twenty-one years from the date of his death and therefrom to such person as should from time to time during the said term of twenty-one years be the eldest of his next-of-kin—meaning by next-of-kin the nearest in proximity of blood—who should answer a certain description, and left the corpus undisposed of, and there was at the time of the action no person answering to the description in the will, the Court held that there was an intestacy as to the income meanwhile, and that it was distributable as on an intestacy; and, further, that there was an intestacy as regards the whole estate at the expiration of twenty-one years if no person had qualified during that term, or if during such term some person or persons had become entitled, then upon the death of the last of such persons.

(9) *Collins and Others v. The Public Trustee and Another* (1927 G.L.R. 390; 1927 N.Z. L.R. 746).—Where a claim under the provisions of the Family Protection Act, 1908, was made by a wife asking that almost the whole of the estate be vested in her, the Court pointed out that these claims entirely ignored the principles upon which the jurisdiction conferred upon the Courts by the Family Protection Act is exercised, and accordingly could not be acceded to, but that the Court was justified in taking a liberal view of what was required for the adequate maintenance of the widow and children. An order in favour of the widow and children was made accordingly.

(10) *Brown and Another v. The Public Trustee and Others* (1927 G.L.R. 456). A testator bequeathed £1,000 to the Public Trustee upon certain trusts for the benefit of B, but by a codicil to his will revoked the bequest and in place thereof he gave B a section of land and £700 to be applied in the building of a dwelling. He also devised and bequeathed to the Methodist Church, Shirley, for the building of a tower to the said church certain shares in his residuary estate. It was held—(a) That the codicil entirely revoked the gift to the Public Trustee, so that the gifts to B were absolute; and (b) that the trustees of the Methodist Church were entitled to receive payment of the share in the residuary estate without giving any assurance that the moneys would be wholly devoted to the purpose specified by the testator.

(11) *Preston v. The Public Trustee and Others* (1927 G.L.R. 494; 1927 N.Z. L.R. 731).—Upon an application being made in terms of the Family Protection Act, 1908, by a person domiciled and resident out of New Zealand, the Supreme Court held that the New Zealand Courts had power to exercise the jurisdiction given by the Act over the whole estate of a testator domiciled in New Zealand at his death, and the fact that the applicant was domiciled and resident out of New Zealand did not prevent the exercise of that power.

(12) *Mortleman v. The Public Trustee* (1927 G.L.R. 505; 1927 N.Z. L.R. 642).—The plaintiff and others gave to the defendant a mortgage over their property, and later, having sold, consented to a memorandum entered into by the defendant with the purchasers extending the term and varying the rate of interest and

increasing the principal sum, and agreed "that the said memorandum shall in no way affect our liability to the Public Trustee upon the covenants by us contained and implied in the said mortgage, or operate to release us therefrom; provided always that we shall not be liable to pay the said further advance of £1,500 or interest thereon."

Held by the Full Court that the form of consent entered into by the plaintiff to the variation of the mortgage was designed merely to preserve the contractual liability of the original mortgagors under their covenants, notwithstanding the entry by the mortgagee into a new transaction with the purchasers of the equity of redemption, and that it had no relation to the priorities between the mortgagee and the original mortgagors, and that upon payment by the latter of the sum originally secured they were entitled to redeem in such a way that the moneys paid by them should remain a charge upon the mortgaged property in priority to the further advance by the mortgagee.

Held, further, that the memorandum of variation constituted a new charge on the land by different mortgagors to secure a larger sum of money, and containing different terms and conditions, compounded of the provisions of the original mortgage and the provisions of itself, and that no authority could be implied from the written consent of the original mortgagors to the transaction enabling the mortgagee to exercise the power of sale in the new and different mortgage and still hold them liable on their covenant for payment of principal and interest contained in the original mortgage.

NOTE.—The latter portion of this decision of the Full Court has since been overruled by a decision of the Court of Appeal. (*Vide* 1928 G.L.R. 216.)

(13) *McGruer v. Gresham and the Public Trustee* (1927 G.L.R. 510; 1927 N.Z. L.R. 704).—Testator's will contained the following provision: "And I hereby authorize and direct my said trustees or trustee to invest the whole or such part of the residue of the said income or profits in all or any of the businesses owned or carried on by me at the time of my death with full discretion to my said trustees as to the investing of the said moneys and without my said trustees being in any way responsible for any loss which may occur in carrying on the said businesses carried on by me at the time of my death and to distribute any surplus income from time to time accruing in my trustees' hands between such charitable institutions in New Zealand as my trustees or trustee in their absolute discretion may from time to time think fit but so that the Salvation Army shall receive a larger portion thereof than any other charitable institution."

Held by the Full Court that income invested by the trustees in the businesses of the testator in pursuance of this provision became capitalized as from the time of such investment, and was consequently not distributable as surplus income but fell into the residuary estate.

(14) *Public Trustee v. Registrar-General of Land* (1927 G.L.R. 529; N.Z. L.R. 839).—A died intestate, leaving him surviving his widow and one child. Administration was granted to the widow, who got in the assets and paid the debts and procured herself to be registered proprietor of the realty in A's estate. She subsequently died, leaving a will probate whereof was granted to the Public Trustee. The Court declared that the Public Trustee did not automatically become trustee of the realty in the estate of A, and the Registrar-General was justified in refusing to register transmission to him.

(15) *Guardian Trust and Executors Co., Ltd. v. O'Neill* (1927 G.L.R. 545; 1927 N.Z. L.R. 830).—A testator who died prior to the passing of the Administration Act, 1885, devised certain real property to his son W. H. for life, with remainder to his children. The will later provided that if any of his sons should die in his lifetime or afterwards without issue the trustees were to hold the property devised and bequeathed "to him or them so dying as aforesaid to my eldest son for the time being and his issue. And subject to the trusts aforesaid I direct that the ultimate residue of my personal estate shall be in trust for, and I give and devise the same to my sons A. W., J. G., and L., their heirs, executors, administrators, and assigns." W. H. died without issue in 1925, and all the other sons of the testator predeceased W. H.

It was held that by virtue of section 10, subsection (2), of the Administration Act, 1879, the property passed to the son J. G. as the last surviving joint owner, and that the persons entitled were his legal personal representatives.

(16) *Smith v. The Public Trustee* (1927 N.Z. L.R. 342).— In this case the Supreme Court held that where circumstances sufficient to justify a person in making an application for maintenance under Part II of the Family Protection Act, 1908, have existed without any material alteration from the date of death of the testator up to the hearing of the application the Court may make an order out of the estate not finally distributed, even although such application is made approximately seven years after the date of death of the testator.

(17) *Public Trustee v. Benjamin* (1927 G.L.R. 499).— In this case it was held that a defendant granted costs according to scale, with disbursements and witnesses' expenses to be fixed by the Registrar, was entitled on taxation to be allowed the cost of a copy of the Judge's notes taken at trial, but was not entitled to be allowed an item for agency work which was in law and in fact "preparing for trial."

MORTGAGE DIVISION.

85. The same care which is exercised in the administration of estates entrusted to the Public Trustee is displayed in the selection of securities for the investment of the constantly increasing funds for which a satisfactory outlet has to be found, for it will readily be realized that it is only through the safe, economical, and profitable investment of moneys falling into the Common Fund of the Office that a stable and satisfactory financial position can be maintained. The amount of new money for which Common Fund investments have to be found is now very large, having reached in the year under review a total of £2,761,225 ; whilst £304,299 was invested on behalf of the Public Service Superannuation Fund, Teachers' Superannuation Fund, Railways Superannuation Fund, and the National Provident Fund. The sum to be invested has steadily grown in recent years, not only through the normal expansion of the Office business by way of the acceptance of estates for administration, but also through the wider application of the amortization principle, which is referred to at length below, and which results in additional amounts over and above the interest paid by borrowers being available for reinvestment.

The Public Trust Office is now becoming recognized as one of the principal sources of financial assistance to the main classes of borrowers in the Dominion, and the flow of applications through the numerous branches and agencies of the Office has been well maintained, thus enabling a judicious selection to be made which not only ensures that the best available securities are obtained, but that the funds are fairly distributed amongst the various classes of authorized securities, so that the needs of various types of borrowers are met as far as possible, and the risk of loss through concentration in any particular type of security is lessened.

86. It should be borne in mind that in the investment of moneys forming part of the Common Fund the Public Trustee has not the powers of an ordinary trustee, but is restricted in the investment of the funds to special classes of security which are detailed in the statutes governing the administration of the Office. Briefly, it may be stated that the principal authorized securities are Government securities of the United Kingdom or any colony or dependency thereof ; debentures issued by certain defined local authorities, such as City, Borough, or Town Councils, County Councils, Electric-power Boards, Hospital Boards, &c. ; and first mortgages of real estate held in fee-simple in New Zealand. Applications from these various sources have been more than sufficient to absorb the whole of the funds as they became available and to avoid any loss through the holding of sums uninvested.

During the year under review two further classes of securities have been made eligible for the investment of moneys from the Common Fund of the Public Trust Office.

Under subsection (3) of section 30 of the Rural Intermediate Credit Act, 1927 it is provided that any moneys under the control of a State loan Department may be invested in debentures issued under that Act. The term "State Loan Department" includes the Public Trust Office.

By section 13 of the Finance Act, 1927, it is provided that advances from the Common Fund of the Public Trust Office may be made on Native land held under lease granted under the West Coast Settlement Reserves Act, 1892, of which the unexpired term (including in the computation thereof all periods for which there is a right of renewal) is for a period of not less than twenty-one years. This class of investment had hitherto been ineligible under the provisions of subsection (3) of section 97 of the Trustee Act, 1908. The West Coast Settlement Reserves Act, 1892, was formerly under the administration of the Public Trust Office, and it was for this reason that the Public Trustee was prohibited from investing the funds of the Public Trust Office on the security of the leases. Now that the administration of the West Coast Settlement Reserves has been taken over by the Native Trustee, the legal objection to the investment of Public Trust Office funds in the securities has been removed. Subsection (3) of section 97 of the Trustee Act, 1908, was repealed by the provision of the Finance Act already quoted.

87. The rate of interest charged for advances from the Common Fund has remained at 6 per cent. during the year. This rate has proved attractive to all classes of eligible borrowers, and has been a large factor in securing a steady flow of suitable applications.

88. There has been the usual variety in the types of applications received. Many are for loans of comparatively small amounts for the erection of residences in urban or suburban areas; others are for the erection of modern business blocks in the larger towns, many such loans, some for very large sums, having been made during the past year for the erection of business premises in the four chief centres of population and in some of the more important provincial towns. The demand for money for the erection of buildings, whether residential or commercial, has been most marked in Wellington, where there has been great activity in building operations. Some important loans have also been granted for the erection of modern blocks of buildings in the City of Auckland.

At the same time the needs of rural borrowers have been extensively met, loans having been granted on practically every type of farming property. The loans have varied in amount from a few hundreds to many tens of thousands, thus showing that persons of all grades of wealth in the farming community appreciate the financial assistance which the Public Trustee is in a position to render at reasonable rates of interest. In the case of by far the greater number of applications considered by the Investment Board it has been possible to grant the amount desired in full, while in other cases offers of somewhat reduced amounts have been made which have proved acceptable to the borrowers.

89. At one period of the year, when the financial position was particularly favourable, it was found possible to take over from the State Advances Office certain applications, consideration of which had been delayed in that Office owing to shortage of funds. In a number of cases loans were granted from the Public Trust Office funds which proved acceptable to the applicants.

90. Almost without exception, loans for the erection of residences have been made on the instalment or amortization system, providing for the repayment of the principal together with the interest by means of fixed half-yearly instalments throughout a given period. Many of the loans for the erection of office buildings and similar classes of commercial buildings have been granted on the same plan, and the system is now becoming increasingly availed of by rural borrowers, who welcome this opportunity of reducing their capital indebtedness by easy instalments. The wide and growing extension of the system to all classes of country securities will have a most valuable effect in improving the finances of the primary producers and stabilizing the position of the country as a whole.

Those farmers who are in a sufficiently sound position to find the principal instalments in addition to the interest have not been slow to recognize and avail themselves of the benefit of the system. The system of short-term mortgages hitherto largely in force has imposed heavy recurring charges which have added greatly to the cost of the money to the borrower, involving, as it has often done, the cost of a fresh valuation and additional legal expenses every five years, and in some cases the preparation of a fresh set of mortgage documents at the end of every term if the mortgagee has not been desirous of renewing the mortgage and

fresh finance has had to be obtained. Under the long-term system as now adopted by the Public Trustee, once the initial expense of valuation and the cost of the mortgage have been met the only further expense is the small fee charged for the periodical inspection of the security at five-yearly intervals. Apart from these considerations, the farmer has recognized that the scheme is a very valuable form of compulsory saving in which there is a constant incentive to him to improve his position.

Another advantage of the system is that, once a loan has been definitely granted, the mortgagor is no longer embarrassed by disturbing fluctuations in the valuation of the security from time to time. As is well known, in recent years there have been alternating periods of inflation and depression in the values of land, and although as a general rule the valuations of properties on which the Public Trustee has lent funds have not varied to the same marked extent as the sale prices of land, they have nevertheless not been entirely unaffected by the rise and fall in the price of land. The consequence is that in the case of flat mortgages granted for a period of five years from the year 1920 onwards, which have matured within the last year or two, although the properties have not declined in productivity and have been maintained in good heart and condition by the holders, revaluations of the land have often shown a decline in value, so that the statutory three-fifths margin is not available and a formal renewal of the mortgage cannot be granted until the amount of the loan has been reduced. As this has often been impracticable owing to the fact that the mortgagor has no ready funds available for the reduction of the mortgage, an embarrassing position has been created, and it has in many cases been necessary to allow the mortgage to run on overdue pending reduction to within the statutory limit. This is an unsatisfactory position both for the mortgagor and the Public Trustee as mortgagee, but all such difficulties are avoided in the case of the long-term system.

There are also certain advantages in the system from the point of view of the Public Trustee as lender, in that the margin of security for the loan is constantly increasing by the amounts periodically paid off the principal sum. Moreover, the periodical repayments provide additional sums which are at once made available to meet the needs of other borrowers.

The table most availed of by rural borrowers is the twenty-five year table, on which the periodical repayments amount to £7 15s. 6d. per centum per annum, of which 6 per cent. represents interest and £1 15s. 6d. sinking fund. In the case of house properties the usual table is the twenty-year table, in which the repayments are £8 13s. per cent. per annum, of which 6 per cent. is interest and £2 13s. sinking fund.

Only such a permanent financial institution as the Public Trust Office can adopt such a system, as the usual lender or private trustee cannot tie up his funds for such long periods, and, moreover, possesses no means of satisfactorily investing the small instalments of principal which are repaid from time to time.

SUPERVISION OF SECURITIES.

91. Not only is increased care becoming necessary in the selection of investments for new funds, but there is also an increasing necessity on the part of the Public Trustee to exercise close supervision and control over the large volume of existing investments. The fact that the total investments of the Office now amount to £28,465,963 is an indication of the magnitude of the work of supervision and oversight. It must be recognized that in recent years the position of a mortgagee has become a much more onerous one than in times past. Prior to the unsettlement created by the Great War a mortgage of land was regarded as one of the most permanent and gilt-edged forms of investment, and in those days it was customary for an institution which had invested money on the security of good land to regard itself as free from anxiety or likelihood of loss. In the post-war years this position has entirely changed. The economic fluctuations which have been so marked a feature of post-war reconstruction have had a most disturbing effect on the position of the whole community, but particularly those engaged in the primary industries, the consequence being that mortgagees have had to exercise close care and supervision over the funds invested in rural securities. In common with other mortgagees, the

Public Trustee has been compelled to pay close regard to the condition of his securities, with the result that a most efficient system of supervision and oversight has been instituted. The Office is fortunate in having an extensive organization reaching into every district in the Dominion, and the local officers of the Department are in a position to maintain contact with securities in all parts and to see that the interests of the Public Trustee as mortgagee are fully protected. The need of supervision is also more emphasized by the increasing adoption of the long-term mortgage system, under which periodical revaluations of the properties are dispensed with. To meet this need a complete system has been instituted under which every mortgage will come up for consideration at regular intervals—usually at the end of every five years—and the necessary steps will then be taken to see that the security is in good order and condition. In the case of securities situated in the main centres of population the inspection will be carried out either by the district officers of the Department or by the Property Inspectors attached to their staffs; in the case of country securities, the services of the Farm Inspectors of the Office will be largely availed of.

Another result of the changed conditions in the farming industry has been the greater importance attached by lenders in recent years to the personal capabilities and worth of the borrower. This factor is becoming almost as important as the location and quality of the land which is offered as security, since more and more the success of farming operations is coming to depend on the energy, initiative, and capability of those engaged in the industry. Under the stress of competition in the markets of the Old World, particularly in England, obsolete and inefficient methods of farming can lead only to financial loss, and it is increasingly necessary for all mortgagees to ensure that adequate covenants are included in their mortgages to ensure as far as possible the efficient working and management of the mortgaged property. During the year just closed careful consideration has been given to this aspect of the investment work, and more complete and stringent covenants have been embodied in the mortgage-deeds to secure the adequate farming of the securities. In view also of the increased importance of the personal covenant of the mortgagor, it has been found desirable to insert a covenant in the mortgage-deeds to the effect that sales of the property shall not be effected without the consent of the mortgagee, and that upon the sale being completed the covenant of the incoming purchaser shall be obtained. The experience in recent years has shown that, while a property may be successfully farmed by one holder, a successor who is less capable may fail completely and leave the mortgagee with a deteriorated security.

One special feature in connection with the application of improved farming methods has been the more extensive use of fertilizers, especially on properties which are used for dairying. It is now becoming widely recognized that in order to maintain the productivity of such properties at a high level regular and systematic top-dressing of pastures is essential, and accordingly when valuations of country properties are obtained the valuers are requested to state in each case whether top-dressing of the pastures is required; and, if so, what proportion of the property should be treated each year, and with what quantities of manure. Any loan granted is then made subject to this provision, and a corresponding covenant is inserted in the mortgage-deed. Generally speaking, those farmers who approach the Public Trustee for loans are the first to recognize the necessity and advisability of such a course, and readily agree to the insertion of such a provision in the mortgage-deeds. The Public Trustee thus helps to maintain the standard of farming in the Dominion by insisting on the insertion of adequate covenants in all mortgages given to him to secure loans from the Common Fund. Reference has already been made to the utilization of the services of the Farm Inspectors in connection with the inspection of the mortgage securities. These officers are fully acquainted with all phases of farming activity, and their practical training and experience, together with the wide knowledge of farming conditions gained as a result of their contact with the Public Trust Office work, renders them most suitable to give valuable advice to farmer mortgagors of the Office.

A very complete and careful system has been instituted to maintain constant touch with any securities which show signs of becoming unfavourable. In such

cases the operations of the mortgagor are closely supervised and inspections of the security are made by the Farm Inspectors as often as is necessary. As a result of this oversight the position of many mortgagors who have been in difficulties has been greatly improved, and in many cases such mortgagors have been saved from financial disaster through the advice and supervision of the Public Trust Office.

In other cases, where it has been clear that the mortgagor has not the necessary financial resources to enable him to carry on successfully, the Office has co-operated with him in an endeavour to dispose of the property to advantage and to save whatever equity there might be in the security for the owner.

LOANS TO LOCAL BODIES.

92. A feature of the operations during the past year has been the marked decline in the amount advanced to local authorities by the Office, the amount being £540,568, as compared with the sum of £906,590 advanced during the previous year. It is evident that local authorities generally are pursuing a cautious policy in regard to capital expenditure, and that the raising of loans is being restricted as much as possible. A contributing factor in this connection has been the passing of the Local Government Loans Board Act of 1926, which has constituted a Local Government Loans Board from which approval must be obtained before any sums are raised by local bodies for capital expenditure. It is clear that the control by the Board has had a restrictive effect on local-body borrowing; but apart from this feature there has been a widespread feeling amongst ratepayers in many parts of the Dominion, especially those in rural districts, that the existing rates constitute a heavy burden on properties, and that it is essential that at present every effort should be made to avoid any substantial increase in this burden.

As in past years, the Public Trustee has made funds available to practically every class of local authority which comes within the terms of the Public Trust Office Acts authorizing the investment of Common Fund moneys.

SPECIAL LEGISLATION AFFECTING LOANS TO LOCAL BODIES.

93. During the last session of Parliament several legislative enactments were passed which affected, either directly or indirectly, the local-body-loans work of the Public Trust Office.

The operation of the Local Authorities Empowering (Relief of Unemployment) Act, 1926, under which local authorities were authorized to dispense with certain formalities in connection with loans raised for the relief of unemployment, was extended to the 30th June, 1928. The Public Trustee has made funds available to a number of local bodies for use in affording relief of unemployment.

Section 16 of the Finance Act, 1927, was passed with the object of remedying a difficulty which had arisen in connection with loans proposed to be raised from the Public Trust Office. A local body, with the authority of its ratepayers, raised several loans from the Public Trustee. It subsequently found that the amounts raised were insufficient to complete the respective works for which the loans were authorized; but instead of proceeding to raise the statutory 10 per cent. additional amounts allowed under section 19 of the Local Bodies' Loans Act, 1926, it paid the cost of the works by cheques drawn on the County Fund Account, which was then heavily in overdraft. On the local body applying to the Public Trustee at a later date for the supplementary amounts, doubts were expressed whether the loans could now legally be raised, seeing that in the meantime subsequent payments into the County Fund Account had (in accordance with the rule in *Clayton's case*) liquidated the overdraft so far as it consisted of a debt incurred for the works in question. In order to remove these doubts, section 16 of the Finance Act, 1927, was passed, making it clear that where a special loan has been authorized, and between the time of the authorizing and of the raising of the loan the local body has applied other funds for progress-payments on the work, the power of the local body to raise the loan (and also the additional 10 per cent. in terms of section 19 of the Local Bodies' Loans Act, 1926) is not thereby impaired.

A further matter of doubt was disposed of by the passing of section 17 of the Finance Act, 1927, which makes it clear that where any local authority has raised a

special loan for two or more specified public works, and has allocated for each of these works a defined portion of the total amount of the loan, each such defined portion shall for the purpose of raising the statutory additional amount of 10 per cent. be deemed to be a separate loan raised for the purpose of an undertaking. Prior to the passing of this section it had been doubtful in such a case whether the additional 10 per cent. of any one portion could be raised until the whole of the loan-moneys had been expended.

Under the Local Legislation Act, 1927, power was taken by several Harbour Boards to raise 10 per cent. additional loans in respect of loans already raised by them, it having been ruled that Harbour Boards which had received special legislative authority to raise loans are not thereby entitled to raise 10 per cent. additional loans under section 19 of the Local Bodies' Loans Act, 1926.

Under the special authority conferred by section 57 of the Local Legislation Act, 1927, a loan was granted by the Public Trustee to the Tauranga Electric-power Board for the conversion of an 11,000-volt power-line to one of 33,000 volts.

Under special legislation (the Egmont National Park Endowment Act, 1927) the Public Trustee made available the sum of £3,500 for the improvement of the road within the Park extending from the Egmont Road to the North Mount Egmont Hostel.

DECENTRALIZATION OF INVESTMENT WORK.

94. Reference was made in last year's report to the proposed adoption of a decentralized system for the investment work of the Office similar to that which has been in force for several years past in connection with the administration of estates by the Public Trustee, and mention was made of the fact that, as the new system marked an important departure from the centralized system which had been in force for many years, it was thought advisable to test the delegation at one office, and that accordingly arrangements had been made to test the system thoroughly at the Christchurch District Office as a preliminary to the general adoption of the change.

The trial made at the Christchurch office proved satisfactory in every way. Accordingly arrangements were made to put in hand the general delegation of the investment work, and this has been carried out during the year under review and is now complete.

It will be realized that the task of delegating the work was a considerable one, as there were over four thousand mortgages to be dealt with, representing ten classes of investments, which, together with all subsidiary accounts, required to be balanced on each occasion before the accounts relating to any particular branch could be transferred. As a preliminary to the carrying-out of the work, complete instructions covering every phase of the accounts work as applying to mortgages were compiled in the Head Office and circulated to all district officers concerned for their information and guidance. The accounts for the Christchurch District Office had already been delegated when the previous annual report was prepared. The transfer of the accounts in respect of the remaining South Island mortgages took place as at the 30th June, 1927, and thereafter the delegation to the North Island branches was carried out in geographical order from north to south, several branches being dealt with at the end of each month. The whole of the work was completed at the end of December, 1927. In order that the new system might be properly installed in the district offices and that those members of the staff who would be called upon to deal with the work in future might be fully advised on all points of difficulty, arrangements were made for experienced officers to visit each branch concerned and assist in the installation of the system. As a result of the careful preparation made, and with the efficient co-operation of all officers concerned, the transfer to the various offices was carried out without any interruption in the work, and the district officers were able to complete the annual balance as at the 31st March last without difficulty.

For the present the control and management of that portion of the investments which is represented by local-body debentures has been retained in the Head Office.

95. It has been recognized throughout in connection with the decentralization of the Department's work that a necessary corollary of delegation is the setting-up of an efficient system of inspection and review. This requirement has been

fully recognized for years past in connection with the estates-administration work, and a complete staff of Reviewing Inspectors is maintained throughout the Dominion. The decentralized investment work has now been brought under the reviewing system, so that the inspecting officers will review every aspect of the work during their periodical visits to the district offices. Reports are furnished by these officers to the Public Trustee regarding the conduct of the investment work, and these reports are supplemented by those furnished by the Chief Auditor and Chief Inspector from time to time. The reports have been uniformly favourable, and they show that the work is being carried out in the district offices with smoothness, accuracy, and promptitude, and that the change has proved entirely successful. Not only have the mortgagors of the Office been brought into close contact with the district officers, but it has also been found that the local knowledge of these officers can be more fully utilized in connection with the work under the new system.

In addition to the accounting work, certain portions of the administration work relating to investments have been delegated to district offices. In the case of maturing mortgages the whole of the preliminary action is taken by the District Public Trustees, who approach the mortgagors and ascertain their wishes as to renewals. Where renewals are desired the District Public Trustees order the special Government valuations required and prepare the necessary papers for submission to the Public Trust Office Investment Board. In the case of minor applications for partial releases of properties mortgaged to the Public Trustee and other applications incidental to the investment work the district officers undertake the preliminary action and prepare the necessary Board papers. The local officers are also entrusted with the responsibility for seeing that the mortgage securities are regularly inspected, this requirement being now essential in view of the increasing number of cases in which loans are made on the long-term instalment system.

96. The final stages in the decentralization were marked by the transfer of the whole of the mortgage-deeds to the district offices, but before this could be effected an amendment of the existing legislation dealing with the custody of securities was necessary. Section 102 of the Public Revenues Act, 1926, had provided, *inter alia*, that all mortgages constituting investments of the Common Fund of the Public Trust Office should be held by three custodians under three combination locks or under three keys, one of the custodians being the Controller and Auditor-General, or an Audit officer deputed by him in that behalf. As it was impracticable to apply these requirements to the custody of the mortgage-deeds at district offices, it was provided by section 8 of the Finance Act, 1927, that the provisions of section 102 of the Public Revenues Act, 1926, should not apply to mortgage-deeds held by the Public Trustee. The system now in operation provides for the custody of the deeds at district offices under two keys and under the care of two senior officers of each District Public Trustee office concerned, this being the system already in operation for the custody of mortgage-deeds belonging to estates under administration.

97. In connection with the delegation of the deeds opportunity was taken to carry out a thorough review of all the mortgage securities, and the contents of each packet of deeds were carefully examined by a senior and experienced officer in the Head Office before despatch to the district offices concerned. A careful method was also adopted to ensure that a complete record was made of every deed despatched, and that an acknowledgment was received in every case from the custodians at the district offices showing that the deeds had been placed in proper custody. It will readily be realized that a considerable amount of work was involved when it is remembered that four thousand packets of deeds were transferred to the district offices.

The transfer was dealt with at successive district offices as the necessary strong-room accommodation was arranged, the transfer being commenced in December, 1927. By steady application the whole of the work was completed by the 31st May, 1928.

The advantages of the delegation of the deeds have already become apparent. The titles held by the Public Trustee in connection with his mortgages are now so

numerous that there are constant applications to him for production in order that dealings may be recorded thereon. This work has been greatly expedited by the holding of the deeds at the district offices, and the constant references to Head Office for production have been avoided.

98. Regarding the delegation of the investment work generally, it can be stated without reservation that the change has proved a success in every way, and that the investment work of the Office is now on an excellent basis, and is subject to all necessary checks and safeguards to ensure that no lapse or serious departure from procedure shall occur.

It should be made clear that, although the detailed work connected with the investments of the Office have been delegated to district officers, full oversight and supervision is maintained by the Public Trustee and the Head Office staff. Moreover, the Public Trustee retains in his own hands the control of the entertaining of applications for consideration, while the granting or declining of loans remains, as hitherto, the function of the Public Trust Office Investment Board.

RURAL INTERMEDIATE CREDIT ACT, 1927.

99. As a result of the passing of the Rural Intermediate Credit Act, 1927, important duties in connection with the system of credit facilities for farmers established by the Act have devolved upon the Public Trustee and his Office.

In terms of the Act the Public Trustee is, *ex officio*, the executive member of the Rural Intermediate Credit Board, to which is entrusted the administration of the system, and in this capacity he is designated "Commissioner of Rural Intermediate Credit."

It was recognized that in the administration of a scheme the benefits of which would be available to the farming community in all parts of the Dominion it would be most economical and satisfactory to permit the Board to function through some existing organization represented extensively throughout the Dominion, and the Act contained authority for the Board to utilize the services of any State Department, at a suitable remuneration, for the purpose of carrying on its business. In accordance with this provision the Public Trust Office was selected as the most suitable medium through which to conduct the operations, and satisfactory arrangements were reached making its organization available for this purpose. The responsibility of the Public Trust Office in regard to the operations of the Rural Intermediate Credit Board is, of course, simply that of an agent, and beyond that it does not assume any further or other responsibility.

In addition to the Public Trustee acting as executive member of the Board, certain senior officers of the Public Trust Office are the principal executive officers of the Board. They are Mr. J. Snell, Controller of the Mortgage Division, who has been appointed Deputy Commissioner of Rural Intermediate Credit; Mr. W. M. Barr, Chief Accountant of the Public Trust Office, who is also Chief Accountant of the Rural Intermediate Credit Board; and Mr. C. E. Cole, Assistant Solicitor to the Public Trust Office, who acts as Solicitor to the Board.

The District Public Trustees and District Managers of the Public Trust Office act as local representatives of the Board, those in the more important centres (twenty in number) acting under the designation of "District Intermediate Credit Supervisor," with certain functions and duties in terms of the Act and the regulations issued under it. Sixteen district boards have been set up in the Dominion for the local control and administration of the system, and the District Public Trustee at the headquarters of each district controlled by a district board is, by virtue of his office as District Intermediate Credit Supervisor, chairman of the district board.

One of the principal methods by which loans are made to the Board is through co-operative rural intermediate credit associations, which are limited-liability companies of a special class formed for the purpose of obtaining finance for their farmer shareholders. District Intermediate Credit Supervisors are, *ex officio*, directors of any associations formed within their districts. Up to the present fourteen of these associations have been established, and the formation of further associations is likely.

A considerable amount of work has already been occasioned upon the part of the Public Trustee and those officers in the service of the Department at the

Head Office and the branch offices who have been associated with this special work, in connection with both the inauguration of the system and the publicity work which has been necessary to make the details of the scheme known to the farming community. In the early stages there were many applications for addresses explaining the system, to be delivered at meetings of farmers and other interested parties, convened mainly by branches of the Farmers' Union, and the meeting of these requests has imposed a considerable tax upon the time of the Commissioner, Deputy Commissioner, and District Supervisors. It may safely be said that the active interest displayed by all officers concerned and the completeness and efficiency of the office organization have contributed in no small measure to the promptness with which the system has been brought into active working-order. The wide representation of the Public Trust Office has enabled necessary information upon matters involving local knowledge to be gathered together at a minimum of expense and time, and the completion of many important preliminary matters, such as the appointment of the district boards and the selection of valuers to act on the Board's behalf, was thereby greatly facilitated.

As the result of the assumption of these new duties it has been necessary to make a few additions to the staff at the Head Office and the branches. The additional expenditure will, however, be covered by the charge which will be made to the Board for the services of the Office organization. Where any expenditure is incurred exclusively in connection with the Board's business, or an officer is engaged wholly upon that work, the relative charge is made, so far as practicable, direct to the Board's account; but in respect of all other outgoings and the use of the Office organization it is proposed to make a suitable comprehensive charge annually.

In terms of section 76 of the Rural Intermediate Credit Act, 1927, a detailed report regarding the operations of the Board up to the 30th June, 1928, will be presented to Parliament.

INSPECTIONS.

100. The volume of business conducted by the Office renders necessary a system of internal check and safeguards which must be carefully observed. In order to ensure that these internal regulations are being strictly conformed to and that the Department's work is being satisfactorily performed, there has been in operation for some years past a scheme of periodical inspections, which has been maintained throughout the year. The inspecting officers act independently and make their reports direct to the Public Trustee. The inspections serve to keep the Head Office in close and constant touch with the work throughout the Dominion, and may be classified as under:—

(a) General inspections conducted by the Chief Inspector, the Assistant Chief Inspector, and the District Public Trustees:

(b) The review of the administration of estates conducted by Reviewing Inspectors:

(c) Inspection of accounting matters and systems and internal audit, controlled by the Chief Auditor.

(a) *General Inspections*.—As is indicated by the classification, the work of the Office generally is dealt with during these inspections. Care is taken that all aspects of the Office work receive consideration, and attention is specially directed towards such matters as staffing, organization, accommodation, and internal arrangements. The work of all officers is investigated, and a study made of their personalities and capacities. Difficult questions arising in the course of the work are discussed with the branch officers, and advice given in matters concerning Office policy. Inspections are made of all offices as the volume of the work and any special circumstances render necessary. During the year, fifteen of the nineteen District Public Trustee offices and seven of the twelve District Manager offices were inspected, either by the Chief Inspector or by his Assistant, and all necessary action arising out of these inspections was taken. The Office has in the smaller towns of importance agencies conducted on a commission basis by local business men. These agencies are under the control of the District Public Trustees in whose districts they are situated, and the controlling District Public Trustees periodically inspect and report to the Public Trustee on the conduct of the work of the agencies.

(b) *Review of Administration of Estates.*—Estates under administration are subject to regular review by a staff of Reviewing Inspectors who are experienced in both administration and accountancy work. The Inspectors investigate and report regarding the management and realization of estate assets, and the general conduct of the work involved in the administration of estates. Special attention is given to new estates, the administration of which requires the utmost care until the policy to be observed is defined. The loans work, which during the year has been transferred to the district offices in furtherance of the scheme of decentralization, is also subject to review by the Inspectors.

Each Reviewing Inspector works a group of District offices so arranged as to ensure the utmost economy in the working of the scheme and to bring about so far as possible an even distribution of the work amongst the Inspectors.

During the year regular visits have been made to all offices, and practically every estate under active administration has been reviewed either by the Reviewing Inspectors or by the Chief Inspector or his Assistant on their special visits. The system of review is most valuable in maintaining a high standard of efficiency, and much constructive work is performed by the Inspectors, whose wide experience is of great assistance in the conduct of the work involved in the administration of the larger and more complicated estates, and in other estates and matters where difficulties arise.

The additional work involved in the investigation of loans matters, together with the ever-increasing volume of new estates business, renders necessary an addition to the staff of the Reviewing Inspectors in the North Island, and a reduction will be made in the territory at present worked by the two existing North Island Inspectors and a further appointment made to assist in the work. During the year an additional Reviewing Inspector was appointed to the South Island, with headquarters at Dunedin.

In the period under review 433 formal reviews were prepared in the larger and more complicated estates, in addition to which the files of 7,662 estates and investments were surveyed.

(c) *Internal Audit.*—The conduct of the internal audit of the Office has been considerably facilitated by the co-ordination in the conduct of this work between the checking officers at the branches, the officers of the Audit Department, the Chief Inspector and his staff, and the Chief Auditor. This co-ordination prevents duplication in the work of inspections and reduces to a minimum the cost of the Office audit. During the year the audit at both the Head Office and at the branches has been well maintained.

The cash at the Head Office and at all branches is checked daily by experienced officers, and the cash is also checked whenever a Reviewing Inspector or an Inspector from Head Office visits the branches. Further independent checks of the cash transactions at all branches controlled by District Public Trustees are conducted at intervals of not more than six months by officers of the Audit Department, who trace all items into the half-yearly balance-sheets, whilst at the four large centres—Auckland, Wellington, Christchurch, and Dunedin—where the transactions are heavy, the Audit Department maintains a practically continuous audit. Cash transactions at all branches under the control of District Managers and at all agencies are audited at half-yearly intervals by the controlling District Public Trustees.

Negotiable securities belonging to estates have been carefully and systematically handled. A detailed check of all securities at each branch is conducted at half-yearly intervals by a responsible officer, and a further independent audit is made once a year by the Chief Inspector or Chief Auditor to ensure that the regulations drafted to safeguard the receipt and custody of negotiable securities are faithfully observed.

An annual check is in force in regard to the securities for investments of the Common Fund. By virtue of section 8 of the Finance Act, 1927, and as a corollary to the decentralization of the loans work, the relative mortgage securities, which hitherto have been held under three keys at the Head Office, have now been forwarded to the branches controlling the mortgage investments, where they are held under two keys. The senior accounting officers attached to the branches

conduct an annual audit of the securities, acting, if possible, in collaboration with an officer of the Audit Department. The remaining securities for investments from the Common Fund, consisting of Government debentures, local-body debentures, fixed-deposit receipts, &c., are held at the Head Office under three keys, and have been checked and found correct by an officer of the Audit Department.

Jewellery and valuable effects held on account of estates are checked at half-yearly intervals by a responsible officer at each branch, and a further check and inspection is made by the Chief Inspector or Chief Auditor at each branch visited.

As regards the accounting-work generally, as distinct from the audit of the cash referred to above, a comprehensive inspection is made of all offices at approximately yearly intervals. The majority of these inspections are conducted by the Chief Auditor, although on all suitable occasions the Chief Inspector and the Chief Auditor co-operate in the work. During the year sixteen of the nineteen branches controlled by District Public Trustees and seven of the twelve offices under the charge of District Managers were inspected. Monthly certificates in a form approved by the Controller and Auditor-General, covering the posting of the ledgers and subsidiary records and the protection of estate assets, are forwarded by responsible officers at each branch.

The collection of rent, interest, and book debts receives the closest of attention. Schedules of arrears are prepared and submitted to the Reviewing Inspectors for their scrutiny. Estate overdrafts are reviewed by the Inspector after each half-yearly balance, to ensure that the margin of security is being maintained and that no unauthorized advances have been made.

The audits and inspections indicate that the system laid down for the receipt and custody of cash and negotiable securities has been carefully observed, that all estate valuables and Common Fund mortgage securities are in order and under proper protection, and that the accounting-work, apart from a few minor matters of routine which were remedied on the spot, has been well conducted.

ENEMY PROPERTY IN NEW ZEALAND AND CLEARING-OFFICE OPERATIONS IN REGARD TO ENEMY DEBTS.

101. It was indicated in my report of last year that the practice of preparing separate reports relating to the enemy-property work would be discontinued and the information embodied in the report on the working of the Office.

There have been few developments of particular interest during the past year, and in view of the fact that the bulk of the work has now been disposed of it is not anticipated that there will be many developments of note in the future. Steady progress has been made towards the completion of the various duties imposed on the Public Trustee by virtue of the War Regulations and the Treaty legislation.

It will be seen from the tables supplied hereunder that the work in connection with claims lodged through the clearing procedure set up under the Treaty of Peace with Germany has been carried almost to completion. The claims by New Zealand nationals against Germany under Article 297 of the Treaty have been completely disposed of; only two claims, totalling £316 12s. 3d., are now outstanding of the claims by New Zealand nationals against German nationals under Article 296, which totalled £53,034 3s. 8d.; and of the claims by German nationals against New Zealand nationals under Article 296, totalling £211,151 12s. 10d., those outstanding amount to £1,051 5s. 7d. only. The claims now outstanding present insurmountable difficulties to settlement or compromise between the parties interested, and in all cases have been referred or are in the process of being referred to the Anglo-German Mixed Arbitral Tribunal, the body set up under the Treaty for adjudication upon disputed claims.

Some time must yet elapse before the liquidation of enemy property in New Zealand can be completed. In some cases properties have been sold under agreements for sale and purchase under which the balances of purchase-money have not fallen due. In other instances it has not up to the present been possible to effect realization; and in others again the ex-enemy interests have not yet devolved upon the ex-enemies concerned, the properties being subject to prior interests. Also, even at this late date further German property is being reported to the Custodian for collection.

PROGRESS REGARDING THE DISPOSAL OF CLAIMS.

102. The following tables show the progress which has been made in connection with the disposal of claims lodged for settlement through the New Zealand Clearing Office :—

(a) *Claims by New Zealand Nationals against German Nationals under Article 296 of the Treaty of Versailles.*

	£	s.	d.	£	s.	d.
171 claims lodged in New Zealand and forwarded to the Central Clearing Office, London	34,665	15	5			
45 claims lodged with the London representative of the New Zealand Clearing Office	18,368	8	3			
				53,034	3	8
Claims withdrawn in whole or in part by the New Zealand Clearing Office in response to contests received from the German Clearing Office and in accordance with the instructions of the claimants ..	27,177	17	3			
Claims admitted by the German Clearing Office in whole or in part ..	22,201	4	1			
Claims rejected in terms of agreement with German Clearing Office, and deemed to be withdrawn	3,338	10	1			
				52,717	11	5
Balance, being two claims still under action (lodged in New Zealand) ..				£316	12	3

In addition to the sum of £22,201 4s. 1d. admitted and credited by the German Clearing Office as shown above, interest thereon amounting to £6,645 11s. 2d. has also been credited by that Office. The amount admitted, less a deduction of 2½ per cent., being Clearing Office commission thereon, has been paid by this Office to the New Zealand claimants.

Since the last report claims totalling £503 3s. 4d. have been withdrawn by the New Zealand Clearing Office.

(b) *Claims by German Nationals against New Zealand Nationals under Article 296 of the Treaty of Versailles.*

	£	s.	d.	£	s.	d.
1,476 claims received from the German Clearing Office through the Central Clearing Office				211,151	12	10
Claims retransferred to the Central Clearing Office as not applicable to New Zealand	1,164	5	2			
Claims withdrawn in whole or in part by the German Clearing Office in response to letters of contest forwarded by this Office on behalf of the alleged New Zealand debtors	168,795	5	1			
Claims admitted in whole or in part by New Zealand firms and credited to the German Clearing Office	30,876	10	5			
Claims rejected under agreement with German Clearing Office, and deemed to be withdrawn	9,264	6	7			
				210,100	7	3
Balance, being claims still unsettled				£1,051	5	7

In addition to the sum of £30,876 10s. 5d. admitted and credited to the German Clearing Office as shown above Treaty interest amounting to £10,923 4s. 4d. has also been admitted.

Since the last report liability in regard to claims amounting to £335 14s. 6d., exclusive of interest, has been established by the German claimants or acknowledged by New Zealand debtors. The necessary credit schedules have been duly forwarded to the German Clearing Office in respect of these claims.

In response to letters of contest lodged by this Office on behalf of the alleged New Zealand debtors, the German Clearing Office has withdrawn claims amounting to £1,789 18s. during the period.

Claims totalling £3,318 5s. have become ineffective as a result of rejection by the New Zealand Clearing Office, and the total amount of claims under these headings finally disposed of during the year is therefore £5,443 17s. 6d.

(c) *Claims by New Zealand Nationals against Germany under Article 297 of the Treaty of Versailles.*

	£	s.	d.	£	s.	d.
Thirteen claims forwarded to the German Clearing Office through the Central Clearing Office				52,731	17	3
Claims acknowledged in part by the German Clearing Office or established before the Anglo-German Mixed Arbitral Tribunal and credited to the New Zealand Clearing Office	18,793	6	1			
Compensation awarded by the Anglo-German Mixed Arbitral Tribunal either by consent of the parties or in course of formal judgment ..	2,319	19	5			
Claims withdrawn in part on acceptance of German offers of compensation or in accordance with judgments of the Mixed Arbitral Tribunal	31,618	11	9			
				52,731	17	3

It will be noted that all claims lodged under this heading have been disposed of.

REALIZATION AND DISPOSAL OF EX-ENEMY PROPERTY IN NEW ZEALAND.

103. The proceeds of ex-enemy property retained and liquidated under the Treaties of Peace are credited to the Liquidation Account of the country of which the owner is a national. The ex-enemy Governments undertake under the Treaties of Peace to compensate their nationals in respect to property so retained and liquidated.

The credits during the past year to the German Liquidation Account in respect of German property retained and liquidated under Article 297 of the Treaty of Versailles amount to £10,715 9s. 7d. The total amount now credited to the account is £260,923 19s. 3d., and credits totalling £1,451 10s. have been withdrawn, which leaves a net amount credited of £259,472 9s. 3d. An application has been received for the release of an amount of approximately £12,000 credited to the Liquidation Account. The applicant avers that he is a non-enemy subject and had acquired by purchase prior to the outbreak of war the property liquidated. The claim has not been admitted, but the applicant has instructed local counsel regarding the matter and possibly litigation will result.

The amount credited to the Austrian Liquidation Account in terms of Article 249 of the Treaty of St. Germain-en-Laye is £1,728 15s. 3d. An amount of £66 16s. 3d. has been withdrawn with the concurrence of the Austrian authorities leaving a net credit to the Liquidation Account of £1,661 19s. The amount credited during the year totals £98 18s. 7d.

In October last year the Austrian Chargé d'Affaires in London approached the High Commissioner for New Zealand with an application from the Austrian Government for a release of the surplus proceeds of Austrian property, rights, and interests in New Zealand which had been credited to the Austrian Liquidation Account. The Chargé d'Affaires intimated that the Canadian Government had acceded to a similar request, and handed to the High Commissioner a copy of the agreement which had been concluded between the Austrian and the Canadian Governments in that regard. The amount involved is comparatively small, but, as no reason was adduced why the New Zealand Government should waive its rights under the Treaty of St. Germain-en-Laye, the Government decided not to accede to the request of the Austrian authorities. It may be explained that the policy of H.M. Government is not to release any surplus arising from the realization of Austrian property in the United Kingdom.

ACCOUNTS IN REGARD TO THE CLEARING OFFICE TRANSACTIONS WITH GERMANY.

104. The accounts in regard to the Clearing Office transactions to the 15th April last have been received from the German Clearing Office. These accounts show a balance of £3,873 11s. 4d. in favour of the New Zealand Clearing Office, made up of principal, £3,135 15s. 8d., and interest, £737 15s. 8d. It was provided in the Treaty of Versailles that Germany should find in cash any balance owing by her under the clearing operations, but in terms of an agreement which was concluded some time ago the amount owing in respect of principal will be charged against the sum standing to her credit under Article 297 of the Treaty (Liquidation of German property) and the interest will be written back.

AMOUNTS HELD BY THE GERMAN CUSTODIAN OF ENEMY PROPERTY IN THE NAMES OF NEW ZEALAND NATIONALS.

105. Schedules are now being forwarded by the German Government giving details of amounts owing to New Zealand nationals collected during the war by the German authorities in pursuance of German war legislation. Before passing forward credits for the amounts held the German authorities require evidence to be furnished showing that the person entitled to the credit was a New Zealand national on the 10th January, 1920 (the date of the coming into force of the Treaty of Peace with Germany), and that private settlement of the amount held has not been effected.

The evidence regarding nationality is obtained in the form of a certificate under the hand of the Minister of Internal Affairs. It is somewhat difficult to determine what evidence will satisfy the German Clearing Office that private settlement has not been effected, but, as it is unlikely that German debtors would effect private

settlement in regard to amounts which had already been paid to their Clearing Office, the evidence obtained takes the form of a declaration from the New Zealand national concerned that private settlement has not been effected and that the amount held is still owing. It has been pointed out to the German authorities that the contents of this declaration can be verified by reference to the person from whom the money was collected.

I may mention that had the New Zealand nationals concerned availed themselves of the clearing procedure set up by the New Zealand Government under the Treaty they could have secured payment of these amounts before now.

AMOUNTS RELEASED FROM THE PROVISIONS OF THE WAR REGULATIONS, THE TREATY OF PEACE ORDER, 1920, AND THE TREATY OF PEACE (AUSTRIA AND HUNGARY) ORDER, 1924.

106. The following statement shows the amounts which have been released on the undermentioned grounds for payment to the persons beneficially entitled thereto or to their authorized agents. These figures comprise only amounts which have actually been refunded by the custodian, and do not include the value of properties in regard to which power to retain and liquidate has not been exercised (*e.g.*, assets belonging to internees or other ex-enemy nationals who have been permitted to remain in this Dominion, certain property belonging to the British-born wives of German nationals, &c.). Payments made in respect of claims established by New Zealand nationals are not included in this statement :—

	£	s.	d.
(1) Amounts belonging to persons or firms who have submitted satisfactory documentary evidence that they possessed prior to the outbreak of war British, Allied, or neutral nationality, or were in a condition of statelessness	16,838	8	8
During the war all persons resident in enemy-occupied territory, irrespective of their nationality, were regarded as enemies for the purpose of the War Regulations, and consequently all amounts payable to them during the war were required to be paid to the Custodian of Enemy Property. On the conclusion of peace the necessary steps were taken to release the amounts belonging to British, Allied, and neutral subjects, or persons without nationality.			
(2) Amounts belonging to persons of former enemy nationality who have acquired the nationality of an Allied or Associated Power under one of the principal Treaties of Peace, or were otherwise entitled under such treaties to the release of their property	6,131	13	6
These persons are entitled to the release of their property in accordance with the express terms of the various Treaties of Peace.			
(3) Amounts belonging to British-born subjects who lost their British nationality on marriage, and who, subsequent to the coming into force of the Treaty of Peace, have been renaturalized as British subjects	29,342	19	1
These moneys have been released in conformity with the policy of the Imperial authorities in connection with similar cases in the United Kingdom.			
(4) Amounts belonging to British-born wives of German nationals	16,346	5	2
(5) Proceeds of investments representing savings from earnings made in New Zealand by German nationals who were not at the outbreak of the war permanently resident in the Dominion and who are now in necessitous circumstances	3,028	3	9
(6) Compassionate releases upon grounds other than (3), (4), and (5) above	8,945	17	2
(7) Moneys belonging to aliens who were interned during the war, and/or who were repatriated from New Zealand at their own request or otherwise	40,254	15	5
(8) Moneys belonging to the German Church Trust at Christchurch, released in pursuance of an Order in Council dated 23rd April, 1923, made under section 54 of the Reserves and other Lands Disposal and Public Bodies Empowering Act, 1922	971	15	2
(9) Amounts transferred for disposal by the Commonwealth Clearing Office, the liquidator of the English branch of an enemy company, or in accordance with the Ex-enemy Absentee Property (Samoa) Order, 1923	1,171	1	0
(10) Amounts transferred to Consolidated Fund :—			
(a) Proceeds of realty acquired by a German subject which was forfeited and declared by the Supreme Court to be vested in the Public Trustee in trust for His Majesty the King under section 5 of the War Legislation Act, 1917	£520	4	5
(b) Sundry amounts where the legal or beneficial owners could not be traced	1,728	17	4
		2,249	1 9
(11) Miscellaneous releases		628	11 11
		<u>£125,908</u>	<u>12 7</u>

The date fixed for the receipt of applications for compassionate releases has expired, and no further applications are being received. In certain cases where releases have already been granted payments are still being made as funds become available for application in satisfaction thereof.

PROGRESS REGARDING ENEMY PROPERTY AND CLEARING OFFICE WORK IN THE UNITED KINGDOM.

107. The latest report of the Central Clearing Office, London, indicates that steady progress is being made in the United Kingdom towards the completion of the work involved in the realization of enemy property and the settlement of claims lodged through the clearing procedure. An agreement was concluded on the 29th April, 1927, the result of which would be that by the end of January of this year all outstanding claims, with a few possible exceptions, would either have been referred to the Anglo-German Mixed Arbitral Tribunal or withdrawn. This arrangement should ensure that all claims are disposed of within the next twelve months. The agreement does not apply to claims by or against British nationals in the Dominions or in India.

GERMAN PROPERTY IN SAMOA.

108. The arrangements in regard to the revaluation of the ex-enemy-owned properties in Samoa have not yet been settled. In consequence the Samoan authorities have not yet found it possible to complete the liquidation schedules in regard to these properties. It is understood that it will be some time yet before these schedules will be available.

CONCLUSION.

109. I take this opportunity of expressing my acknowledgment of the loyal and devoted services rendered by the Assistant Public Trustees, controlling officers, and staff as a whole, and the Office Agents throughout the Dominion. I feel that without their co-operation the progress of the Department and the successful results achieved for clients would have been impossible of attainment.

I have, &c.,

J. W. MACDONALD,
Public Trustee.

The Right Hon. the Prime Minister.

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