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1931.
NEW ZEALAND.

PUBLIC TRUST OFFICE

(REPORT OF THE) FOR THE YEAR ENDED 31st MARCH, 1931.

*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 work of the Public Trust Office for the year ended 31st March, 1931.

1. In the acquisition of new business the Department shows another record year. During the year 1930–31 3,651 estates and funds, of a total value of £9,251,035, were accepted for administration, as compared with a total of £8,473,916 for the preceding year. The increase in volume of the new business is even greater than a comparison of the above figures indicates, for in view of the existing conditions a lower level of values was necessarily assigned to the assets making up the total for the past year.

2. The value of the estates and funds under administration on the 31st March, 1930, was £53,049,437, and on the 31st March, 1931, it was £57,527,263, an increase of approximately £4,500,000 for the year. The following figures of the growth of the business of the Public Trust Office during the past twenty-five years show that the increase for the year under review over the preceding year amounts to more than the total value of the estates under administration in 1906 :—

Year.	Value of Estates and Funds under Administration.				
	£				
1906	4,009,992
1911	8,112,342
1916	13,598,744
1921	22,364,319
1926	38,009,480
1931	57,527,263

The foregoing figures show a considerable disparity between the value of new estates and funds reported for administration and the net increase in the value of those under the control of the Public Trustee. This is due to two reasons. In the first place, there is the shrinkage in the market values of land and other assets brought about by the prevailing depressed economic conditions. The reduced values have been taken into account in assessing the total value of the assets belonging to estates and funds under administration. There is also the value of the estates in regard to which the administration has been completed during the year. Last year the administration of 2,742 estates and funds, of a value of £2,410,244, was completed, and, of these, 594 were reported after the 31st March, 1930. The expeditious closing of so many estates must not be taken to mean that assets are sacrificed by forced or hasty realization. The Public Trustee exercises scrupulous care to obtain the best results in the sale of estate assets, and when the administration of an estate was completed during the year the nature of the assets permitted of prompt and favourable realization.

3. It is not only in the new estates that the business acquired by the Office during the year reveals a gratifying increase. During the year 6,812 wills of living testators appointing the Public Trustee executor and trustee were deposited, and on the 31st March last the total held in safe custody by the Public Trust Office was 73,523, an increase of 5,270 over the total at the end of the previous year. The utmost care is taken by the Public Trustee to ensure that the important considerations of secrecy and safety in regard to wills held on deposit are complied with. Adequate and modern equipment is provided for the filing of the wills, and experienced and reliable officers are allocated in the Head Office and at the branches to deal with the work involved in the preparation, handling, and custody of the wills. The testators whose wills are held by the Public Trustee represent a very considerable proportion of the property-holders of the Dominion, and the prospective business from this source is most encouraging.

4. The Department is well and carefully organized to deal promptly and efficiently with the large volume of business entrusted to it. The Public Trustee is extensively represented throughout the Dominion, and, by means of the system of decentralization which has been adopted, the administration of estates and the other duties entrusted to the Office are attended to in close touch with the beneficiaries and other interested parties and in proximity to the assets affected. During the year the Public Trustee's representation has been extended by the raising of the District Manager office at Stratford to the status of a District Public Trustee office, and the establishment of a District Public Trustee office at Te Aroha, thus bringing about the further subdivision of the Hawera, Auckland, and Hamilton districts to which I made reference when the Public Trustee's report of last year was presented to Parliament. In addition, District Manager offices have been opened during the year at Westport, Taumarunui, Oamaru, Cambridge, Rotorua, and Pukekohe.

5. A qualified staff capable of dealing with all phases of the Office work is provided. In the staff are included professional men qualified in law and accountancy, and officers experienced in farming matters and questions affecting real estate and financial and commercial problems generally. At all times the carrying-out of trustee and other kindred duties requires special care and a high degree of skill in the handling of the many problems which arise, and at the present time the difficulties and anxiety of this work are intensified by reason of the general economic depression. In the course of his report the Public Trustee discusses these questions as they affect the estates and funds under his control, and the other operations carried on by him. The straitened finances of those with obligations to estates and to the Public Trustee as mortgagee in respect of the various investments made by him often compel them to seek concessions and relief at his hands. It is most important to remember that the Public Trustee's first duty is to those for whom he acts, and that he must take every precaution to ensure that their interests are safeguarded as far as possible. Moreover, the persons represented by the Public Trustee are frequently in a much less favourable financial condition than the debtors who seek relief. It would be well if critics bore these factors in mind in passing judgment upon the attitude adopted by the Public Trustee as mortgagee or landlord in reference to applications for concessions or relief and the eviction of tenants who have fallen into arrear with their rent. Applications for relief from obligations receive careful consideration upon their merits, and, so far as is consistent with his duty as trustee, the Public Trustee extends reasonable assistance to those concerned to enable them to tide over their present difficulties.

6. The value of the mode of investment of trust funds provided by the Public Trust Office in its Common Fund system is never more clearly seen than in times of financial stringency such as the present. Beneficiaries and clients whose moneys are invested in the Common Fund are relieved of all the worries attendant upon other systems of investment, have assured to them a regular income which will be paid to them without fail on due date, and know that the principal sum will be available on the maturity date of the investment or when the period of distribution of the estate concerned arrives. I feel sure that, particularly in view of the general conditions which are now prevailing, the Public Trustee's remarks regarding the Common Fund system of investment will be read with interest by all who are concerned with investment matters.

7. An essential to the working of the Common Fund system is the investment in safe securities of the moneys forming the fund, so that the yield for the estates and funds whose moneys are invested in it may be as high as monetary conditions permit and is consistent with the security of investment required in respect of trust funds. Obviously the supervision of securities and the conduct of the Common Fund operations necessitate very close attention indeed during the present period of depression, and the work involved has increased in volume by reason of applications for postponement of payment of interest or repayments of principal. I have just made reference to the considerations which must weigh with the Public Trustee in dealing with such applications; subject to these, the endeavour of the Public Trustee is to meet mortgagors wherever possible, and substantial relief has been afforded by the suspension of principal repayments and the postponement of interest-payments on satisfactory arrangements being made by the mortgagors.

8. By reason of the abnormal economic conditions prevailing the favourable realization of estate assets and the collection of instalments of principal from mortgage investments made on the amortization plan have been difficult. Consequently the flow of moneys into the Office has been diminished, and the volume of investments made by the Public Trustee has not been as great as during recent years. None the less, new loans to the very substantial total of £3,519,340 were completed during the year, and, in addition, renewals of existing loans totalling £1,953,962 were granted. This volume of investment will indicate the magnitude of the work involved and the extent of the financial accommodation which the Department affords throughout the Dominion.

9. On a previous occasion the Public Trustee has drawn attention to the fact that there is an increasing tendency on the part of private investors and trustees to retire from the field of private investments, more particularly mortgages on the security of farming-lands, leaving investments of this nature to those organizations which have the machinery to obtain an adequate flow of applications and to supervise the investments when made. This in itself is another indication of the value to estates of the Common Fund system of investments, in that, as I have said, beneficiaries and investors whose estates or moneys are invested in the Common Fund do not have to concern themselves with individual mortgages.

10. Prompt steps were taken by the Government to deal with the many problems arising out of the Hawke's Bay earthquake disaster, and the Public Trustee has from the commencement been closely associated with the administration of the Earthquake Relief Fund and with the carrying-out of the relief work in Hawke's Bay.

11. Immediately after the earthquake representatives of the Government visited the affected area to ensure that proper provision was made for the immediate requirements of sufferers, and as a first step Government funds amounting to over £3,000 were made available for this purpose. Members of the Cabinet visited all parts of the district in order to acquaint themselves personally with the special needs arising out of the disaster. A general desire to assist personal distress caused by the earthquake having been manifested, a public fund for the relief of sufferers was opened in the Prime Minister's name, and a generous response was made instantly and has continued up to the present. A central committee in Wellington, with the Prime Minister as chairman and the Public Trustee as executive officer, was set up to administer the fund, and in turn this committee set up local relief committees throughout the earthquake area to attend to the detail work in regard to relief there. The relief funds contributed are being applied towards the relief of distress, the provision of food and clothing, the making-good of personal losses, and the restoration of private dwellings damaged by the earthquake. The rehabilitation of the residential areas is proceeding rapidly, and, as a result of the expeditious and practical assistance given, almost all of the residents of the area have returned to their homes.

12. Although the relief funds contributed are at call, the Public Trustee is crediting interest at $5\frac{1}{4}$ per cent., resulting in a substantial increment to the amount available for relief. Further practical assistance given by him has been the provision, without charge, of a competent and experienced staff to administer the fund upon the general lines laid down by the central committee.

13. While on the subject of earthquake relief measures I think it is fitting to make a brief reference to the services which, at the direction of Government, were rendered to earthquake sufferers and residents of the area by various Departments of State. The instant aid rendered by the Navy was of inestimable value. The

immediate personal needs of the residents were in substantial measure provided for by the Health, Railway, Defence, and Native Departments—the Health Department in arranging for the immediate despatch of doctors and nurses and for the setting-up of field hospitals and the supervision of health matters; the Defence Department in the supplying of tents, bedding, and equipment, and the organization and control of relief camps; and the Railway Department in the evacuation and repatriation of the majority of the sufferers and the carriage of stores and supplies, all without charge of any kind; while the Native Department attended to the needs of the Maoris in the district and made funds available for that purpose. The value of the Railway Department's services alone are estimated at approximately £27,000. In the measures taken subsequently to provide for the return of sufferers to their homes very great help was given by the Public Works Department in the repair of dwellings and in the restoration of public services. This Department also provided a large number of the tents required in the early period of the disaster for the accommodation of persons whose homes were rendered uninhabitable, and later did valuable work with the clearing of the sites of business premises demolished by the earthquake. Finally, I desire to refer to the valuable services which were rendered by the Education Department in the restoration of educational facilities, and to the fact that the Audit Department is undertaking the audit of all funds subscribed for earthquake relief measures.

14. These are the principal ways in which assistance was given by the State Departments in the measures taken for the personal relief and assistance of sufferers. Immediate financial aid was also provided in the sums of £10,000 each for river-protection works and the building of temporary shop premises in Napier. Important measures introduced by Government during the emergency session earlier in the year, and then given statutory effect to, provide for substantial aid in the rehabilitation of the devastated business area and the re-establishment of commercial and business activities. A material factor in the restoration of the ruined areas will be the funds made available through the action of the State Fire Office, although under no legal liability, in making *ex gratia* payments to policy-holders who suffered loss from fire consequent on the earthquake.

15. The measures taken by the Government to relieve suffering caused by the earthquake were prompt and effective, and the provision made for rehabilitation should give very substantial aid in the restoring of normal conditions.

16. Referring to the earthquake disaster, it is, I think, a matter for congratulation for the Public Trustee not only that there was no loss or damage sustained in respect of Office records or documents, or of deeds or papers entrusted by clients to his Office for safe custody, but also that, by reason of precautions taken by the Public Trustee some years ago in regard to insurance against earthquake risk, there was no serious loss in respect of the investments made by him in the business areas destroyed by the earthquake or by fire following upon it. The Office buildings in the area, erected in comparatively recent years, did not suffer serious damage from earthquake or fire, and the protection against such risks afforded by the safe-deposit-locker system installed at the Head Office and many of the branch offices was illustrated by the fact that upon inspection after the earthquake all the lockers in the area affected were found to be intact and the contents undisturbed.

17. In addition to the matters which I have mentioned, special attention is directed to the following aspects of the work, mention of which is made in the Public Trustee's report:—

- (1) The Public Trustee's statement regarding the administration of estates:
- (2) The Public Trustee's statement in regard to the lending operations of the Department during the year:
- (3) The operation of the system of inspection and supervision in force, and also the system of audit in regard to the accountancy work of the Department.

18. The confidence reposed in the Public Trustee by the people of New Zealand is well evidenced by the figures which have been given, and I am satisfied that this confidence is well placed, and that the Office is rendering valuable service. With the difficult problems arising through the present troubled times, the responsibilities of the Public Trustee are increasing, but the absence of justifiable complaints from clients and others coming into contact with the Office bears evidence that these responsibilities are properly discharged.

GEO. W. FORBES, Prime Minister.

Wellington, 13th August, 1931.

REPORT ON THE WORKING OF THE PUBLIC TRUST OFFICE FOR THE YEAR ENDED 31ST MARCH, 1931.

SIR,—

Public Trust Office, Wellington, 11th August, 1931.

I have the honour to submit a report on the working of the Public Trust Office for the financial year ended 31st March, 1931.

ADMINISTRATION BY PUBLIC TRUSTEE.

1. *Functions of Office.*—Acting as executor, trustee, attorney, administrator, or in various other fiduciary capacities constitutes the main function of the Office. It is true that in its operations as a lender the Public Trust Office plays a large and useful part in the commercial life of the community; but in this capacity it is in reality acting on behalf of the estates and funds under its control. The source of the money for the investments is the estates under administration, and the lending transactions are simply the natural corollary of its main work—the administration of estates and the undertaking of kindred fiduciary duties.

The work of administration of estates has attained very large dimensions, as can be gauged from the fact that at the 31st March, 1931, 19,597 estates and funds, valued at £57,527,263, were under the control of the Public Trustee, and during the year ended on that date the new estates and funds accepted for administration totalled 3,651, aggregating £9,251,035 in value. These are impressive figures, and the volume of business they represent entails a heavy burden of responsibility, particularly in a time of exceptionally adverse financial and economic conditions such as those which now exist throughout the world. As may be imagined, the assets included in this large total are of wide diversity, covering the whole range of property interests, and situated throughout New Zealand and in many jurisdictions overseas.

2. *Organization for Conduct of the Work.*—This has been set forth at length in previous reports, and it is not deemed necessary to do so again on this occasion. The Public Trustee has an extensive system of representation throughout New Zealand. The simple system of delegation which was inaugurated some years ago has proved most effective, and enables a large part of the work in connection with the administration of estates to be carried on, subject to proper safeguards, in close proximity to the assets requiring to be administered and to the beneficiaries entitled.

Particular attention is devoted to the selection and training of the officers to carry out the work of administration and the numerous other important duties which the Public Trustee is called upon to perform. As is shown elsewhere in this report, a large number of the officers are specially qualified in law, accountancy, finance, and commerce, and devote the whole of their business lives to specialization in these classes of work.

For a long time past much time and thought has been expended on the building-up of the organization of the Department, with the result that lately there has not been the need for changes of any great moment. Every year there cannot be striking reforms to record; but even in those years where there is an absence of spectacular changes gradual improvement and consolidation are going on all the time. I am thankful to say that the existing organization is standing the test of time, and under it the colossal business is being promptly and efficiently conducted.

The Public Trustee administers a large number of farming interests. Seeing that in New Zealand the major portion of the national dividend is derived from the primary produce of the country, the farming interests are of vital importance to the Dominion; and, indeed, the dominating element in the economic situation in New Zealand to-day is the position of the farmer. To assist him in the administration of farming assets the Public Trustee has attached to the staff of his office Farm Inspectors who are skilled in matters pertaining to the agricultural, pastoral, and

dairying interests and the farming industry generally, in the latest and most improved methods of agriculture, in buying, selling, and breeding stock, farming economics, and so on. These experts devote the whole of their time to this work, and their advice is readily available whenever it may be required.

In the urban areas, too, the estates under administration by the Public Trustee have important freehold and leasehold holdings. Under this category are often included valuable blocks of business and other premises, presenting problems more or less peculiar to themselves, and differing largely from those affecting rural holdings. To facilitate the administration of these interests the Office employs permanent Property Inspectors, qualified to give advice regarding valuations, letting-values, and subdivision of premises, to supervise tenancies and repairs, to conduct inspections, and generally to see that the properties concerned are dealt with to the best advantage.

In dealing with financial and commercial interests the services of a Financial Adviser are retained to advise upon stock and share holdings, business, and other matters of a kindred nature.

3. *Reasonable Charges*.—Although very valuable benefits are received by estates from the services of these expert officers, there is no additional charge to estates on account of their services. The Public Trustee's commission charge covers not only the duties of administration, but also extensive legal and other professional services rendered, so that no additional fees are charged for numerous matters incidental to the administration for which, in the absence of the special services rendered by the expert staff, it would be necessary to engage the services of professional men, with consequent expense to the estates.

In the regulations governing the Public Trust Office the rates of commission and charges applicable to the various classes of estates are set out in detail, so that testators and other clients are able at any time to calculate for themselves the charges which will be made for the administration of their affairs by the Office. I wish to stress that the fees prescribed in the regulations are the maximum amounts which may be charged. It is recognized that under a fixed scale of charges it is wellnigh impossible to provide for all cases and circumstances, and that without some safeguard rigid operation of such a scale would at times work an injustice. It is to be noted, therefore, that under the Office regulations the Public Trustee has power to review charges made for the administration of estates, and in appropriate cases to grant reductions. In practice the charges made in every estate or trust are so reviewed, and the fee which is fixed is one considered commensurate with the services rendered. By this means elasticity is given to the operation of the prescribed scale, and provision made for adjusting the charges upon the basis of the work actually performed.

4. *Advisory Trustees*.—A phase of the Office administration which confers a special advantage in the management of estates is the system of appointment of advisory trustees.

This system was devised in order to secure for estates and beneficiaries the benefit of the facilities afforded by the Public Trustee's administration and at the same time to enable resort to be made in suitable cases to additional specialized knowledge. By legislation passed in 1913 authority was conferred for the appointment of "advisory trustees" to co-operate with the Public Trustee in the administration of an estate. The Public Trust Office, by reason of its long experience in the administration of all classes of estates, and by the qualifications of the officers on its staff, can assure the satisfactory performance of the wishes of testators. However, it may happen in the case of a business or a farm estate, or an estate of a complex nature, in which the assets present unusual difficulties of management, that a testator, whilst desiring the safety and care in administration available through the Public Trust Office, holds the opinion that the co-operation with the Public Trustee of persons with special knowledge or experience would be advantageous in the administration of the estate. By recourse to this provision the desired result may be achieved through the appointment of an advisory trustee. The advisory trustee appointed may be a business associate with an intimate knowledge of the complexities of the estate, an accountant, a family solicitor, and so forth. One advisory trustee may be

appointed for consultation on business matters, another may be concerned with the maintenance and education of the children, and so on without limitation as to number, according to the various problems likely to arise in each case.

5. *Facilities in Public Trustee's Administration.*—As he is a State official, and as such is called upon to undertake the administration of all classes of estates, a number of special powers have been conferred upon the Public Trustee which enable him to perform expeditiously and inexpensively the services which he renders to the public. So that the rights of beneficiaries may not be jeopardized in any way by the exercise of these special powers, it is expressly provided that a beneficiary who considers himself aggrieved or feels that he has any reason for dissatisfaction with any action of the Public Trustee may, by a simple procedure laid down, apply to the Supreme Court of New Zealand for its decision as to the course of administration to be followed.

INVESTMENT OF ESTATE FUNDS—COMMON FUND.

6. A matter of supreme importance in the administration of estates is the investment of trust funds. In this aspect of trustee work the advantages afforded by the Office system of investment to the estate under administration are most pronounced.

7. A wide and extensive guarantee of security of investment is provided by what is known as the "Common Fund" system. Under this system, investments are not set aside for any particular estate, but the moneys belonging to estates fall into one common fund from which the individual investments are made, and the rate of interest payable on the various funds included in the general funds is fixed by the Governor-General in Council and is determined by the prevailing economic and financial conditions. Capital and interest are guaranteed by the State, and are so afforded the most complete security. Testators have therefore the sure and certain knowledge when they appoint the Public Trustee to act in a fiduciary capacity, and direct investment in the Common Fund, that the money they leave at their death will be absolutely secure for the benefit of their dependants and beneficiaries. The chief considerations of most testators and settlors are the security of their capital and a regular income to their dependants—the Common Fund system infallibly meets both these essentials.

8. Clients interested in estates under administration by the Public Trustee the funds of which are invested in the Common Fund are freed entirely from the worry so frequently attendant on other forms of investment. They are not concerned with the individual investments made from the Common Fund, and any losses made by the Public Trustee must be borne by him and not by the estate. They have thus no cause for concern about the safety of their investments; slumps in value and periods of depression do not endanger the interest or depreciate the capital, nor has even such an extensive local disaster as the Hawke's Bay earthquake, which resulted in substantial losses in respect of trustee securities, affected the individual sums of money which make up the Common Fund.

During recent years substantial difficulties have been experienced in this country, as in other lands, in the management of mortgage securities, but in the case of estates whose funds are invested in the Common Fund of the Public Trust Office the persons interested in the estates are freed from the anxieties associated with the general control of mortgage investments or the handling of individual securities.

9. Once money becomes part of the Common Fund, interest accrues immediately and continues until the funds are withdrawn. There is no break, with loss of interest, such as occurs when old investments are repaid and new ones have to be found. The Common Fund offers a continuing investment, and interest is allowed on the daily balance. This interest can be made payable at any time—weekly, monthly, quarterly, or half-yearly—as may be desired, whereas interest from special investments is usually payable quarterly or half-yearly, and is available only after it has been paid by the borrower. Investment in the Common Fund ensures payment to the beneficiaries at an appointed date, whether interest on the individual investments is paid or is in arrear.

10. An outstanding feature of the Common Fund system is that capital moneys invested in it are always available when the time arrives for distribution ; in other words, the money is always liquid. This is of a special value to estates held for immediate distribution, where it would be impossible to find separate investments for the short periods the money is held pending completion of the administration. As it is, the money falls into the Common Fund and becomes interest-bearing. In such cases it frequently happens that the interest earned exceeds the actual charge for administering the estate.

In trust estates subject to life interests, this feature of investment in the Common Fund enables the Public Trustee to distribute the capital funds immediately the life interest terminates. An example of this advantage is afforded by a case of frequent occurrence. Where a testator by his will leaves the income of his estate to his widow during her life with a direction that his estate is to be distributed amongst his children on her death, if the capital of the estate were specially invested in mortgages or in other forms of trustee investments it would be necessary after the widow's death to wait until the mortgages were repaid or until the investments matured before the children could obtain their shares, or, in the alternative, to realize investments, possibly on an unfavourable market.

11. Whilst the Common Fund system is provided for those who wish to avail themselves of it, testators and others placing their affairs with the Public Trustee are not precluded from employing other forms of investment. If they so desire, they may direct that their funds be invested outside the Common Fund in ordinary trustee securities. If this is done, the actual investments belong to the estate. Every care is taken in investing the funds, but, of course, there is no State guarantee, and, subject to the Public Trustee's ordinary liability as a trustee, any loss falls on the estate.

Testators and others are entirely free to choose one or other of the modes of investment available, and it is their choice at the creation of a trust or at the inception of other similar transactions which determines the mode of investment to be employed in each particular case. In practice it is found that testators and settlors, to all of whom the comparative advantages of the alternative systems of investment are fully explained, show an overwhelming preference for the Common Fund method.

ECONOMIC POSITION.

12. As executor or administrator of the estates of deceased persons, committee of the estates of mental patients, manager of the estates of aged and infirm persons, attorney and agent, and in many other fiduciary capacities, the Public Trustee's interests are extensive. In all these cases the Public Trustee is a trustee or is virtually in the position of a trustee, and as such he must strictly observe the duties and responsibilities of a trustee. The assets held by the Public Trustee in the estates under his control are the private property of the beneficiaries or other persons represented, and in dealing with them the Public Trustee must be guided by the terms of the trust instrument, the law relating to the administration of trusts and estates, and the directions of the beneficial owners. His duty in this respect coincides exactly with that of any other trustee, and his responsibility is in no way diminished by reason that he is a State official, but, in fact, is increased thereby.

13. By reason of the period of economic stress through which the country is passing, the problems arising in the administration of estates under control and the other work of the Office are becoming increasingly difficult. Mortgagors, tenants, and debtors are finding themselves in straitened circumstances as a result of the decline in our national income by reason of the fall in the prices of the primary products of the country. In consequence, numerous applications are being made for relief in the payment of interest or instalments of principal, the payment of rent, and the payment of other debts due to estates. In considering the question of relief it must not be overlooked that the circumstances of the beneficiaries dependent upon the estates are often more unfavourable than those of the mortgagors or debtors seeking relief from their obligations, so that any concessions afforded to the latter would add to the embarrassment of those beneficially interested in the estates and dependent upon the income therefrom.

When the principles which must guide the Public Trustee in the administration of estates are borne in mind, it will be recognized how careful he must be in dealing with applications from those who have financial obligations to estates controlled by him for concessions or for relief.

It is incumbent upon the Public Trustee as administrator or executor to conserve the capital of the estate. Often it will be distinctly to the benefit of an estate to retain a mortgagor on the mortgage security and to enable him to tide over his difficulties by extending him such reasonable assistance as will enable him to carry on. When considerations such as these apply, due weight is given to them; but where it would not be in the interests of the estate to grant concessions, or if they would only benefit other mortgagees or creditors at the expense of the estate, the Public Trustee would not be justified in making the concessions.

It is also the duty of the Public Trustee to maintain as far as possible the income of an estate for the benefit of the beneficiaries entitled to receive it. It often happens that the income is needed for the support of a widow in impoverished circumstances with infant children to provide for, or for the maintenance of persons rendered helpless by either age or physical or mental disability.

14. Applications for relief are given very careful consideration, and cases of genuine hardship are dealt with as reasonably as the circumstances of the estate and of the beneficiaries will allow and the duties of a trustee permit.

It is fully recognized that the present is a time of almost unprecedented difficulty, and that, in the interests of the community as a whole, no less than in those of the persons the Public Trustee represents, it is necessary that mortgagors, lessees, and debtors generally be enabled to tide over the period of depression. Each estate is a separate entity, with its own special requirements, obligations, and limitations, and what may be possible in one estate by way of extending assistance to mortgagors and others may be impossible in another by reason of the needs of the beneficiaries and the liabilities and commitments of the estate. Thus, in dealing with such applications, there may arise what at first sight appears to be an anomaly of the Public Trustee extending consideration in one case and refusing it in another instance where the merits seem to be equal.

15. I have been dealing with the situation as it applies where the estates under administration are in the position of creditors. Obviously, the converse position also arises—namely, where estates are the debtors, and, owing to decreased income and the financial stringency generally, some measure of relief is needed. Accommodation must then be sought on their behalf at the hands of their creditors.

16. The economic troubles being experienced here and elsewhere, and brought about by the world-wide fall in prices, should in the long-run bring about the adjustment of costs and prices on a uniform and stable basis—possibly reverting to the pre-war level. This country should ultimately emerge in a stronger position as a result of this period of adjustment, for there is one factor which should not be overlooked in considering this matter—namely, that the country's output has been very substantially increased since 1914. An economic writer recently said of this:—

During recent years there has been a considerable increase in *per capita* volume of exports. Notable increases have occurred in butter, cheese, and lamb. A comparison of the export figures for 1913 and 1930 respectively shows that the quantity of butter exported has increased from 372,000 cwt. to 1,817,000 cwt., cheese from 612,000 cwt. to 1,676,000 cwt., and lamb from 1,088,000 cwt. to 2,015,000 cwt. Each of the past three years has registered a new record in butter-production and in number of sheep shorn. In dairying great advances have been made, improved methods of farming having the result of increasing the average annual butterfat-production per cow from 175 lb. in 1921-22 to 225 lb. in 1929-30. Recent investigations into the potentialities of New Zealand grasslands have revealed further possibilities of increased production of wool, meat, and butterfat at lower unit costs. Fruitful experiments are being made, and some progress has occurred in grassland-management and the profitable use of fertilizers and the improvement of pastures and of live-stock. In methods of production on the farm itself and in the handling and marketing of farm-products there is still much scope for useful experimentation. These avenues of profitable development are being explored, and will make for future prosperity as prices improve with the revival of trade in our overseas markets.

FINANCE.

17. As the affairs of the Department are so bound up in trade conditions in the Dominion, it is no matter of surprise that the adverse economic situation which has prevailed throughout the year is reflected in the annual accounts. Not only has it been practically impossible to realize house or farm property at a satisfactory figure, but it has also been very difficult, and in some cases impossible, to collect rent and interest due to estates. In many cases, too, mortgagors have been unable to make arrangements to repay maturing mortgages. Then, again, farming operations which have in past years been conducted by the Public Trustee on behalf of estates at a substantial profit have this year resulted in many cases in a loss. These factors account for the comparatively small profit, amounting to £1,525, disclosed by this year's Profit and Loss Account. As shown elsewhere in this report, the new business exceeded £9,000,000 in value, and in normal times would have resulted in increased commission to the Department. On this occasion, however, notwithstanding this huge addition to the volume of work undertaken, the commission received was substantially less than it was for the previous year, simply by reason of the fact that the adverse conditions prevailing have practically precluded the realization of assets. It should be borne in mind, however, that later, when a general improvement in the economic and financial position occurs and conditions for realization of land and other forms of property and the collection of rent, interest, and other moneys outstanding become more favourable, a large accumulation of assets will be dealt with, so that in future years the Department will receive the benefit of the commission the receipt of which has this year been delayed on account of the depression.

INVESTMENTS.

18. In the earlier part of the year funds were freely available for advances by way of mortgages or for loans to local bodies. In the latter half of the year, however, conditions had changed to such a degree that practically all moneys received were needed to meet the requirements of estates and funds under administration by the Office, and it was therefore necessary to curtail the usual lending operations.

The investment work of the Office is referred to at length in another portion of this report. It is sufficient here to state that investments completed during the year amounted to £3,519,340, and that the total investments held by the Office on the 31st March last, including special investments held on behalf of estates and funds, was £36,230,830.

ADVANCES TO ESTATES AND BENEFICIARIES.

19. One of the material advantages which the Public Trustee is able to offer in connection with the administration of estates is the facility for giving financial accommodation at times when it is inexpedient to arrange the realization of assets, or when, owing to adverse market conditions, realization could not be effected excepting at a substantial loss. During the year assistance was given in this way to many estates, which were thus enabled to meet obligations which otherwise might have caused serious embarrassment and perhaps heavy loss.

Of the advances made during the year those granted for the purpose of meeting the payment of death duties were the most numerous, and a number of them were for large amounts. Owing to the revenue requirements of the Dominion, the Commissioner of Stamp Duties found it necessary to insist on the prompt payment of duty if the statutory penalty was to be avoided, and thus estates without liquid assets were called upon to find at very short notice large sums of money. The power which the Public Trustee possesses to finance estates under his administration was therefore of material benefit to the estates concerned.

A feature of this means of financing estates is the absence of expense. The Public Trustee is given a statutory charge over the assets of the respective estates to which advances are made, so that no special documents of security are needed. Further, by filing with the Commissioner of Taxes a certificate to the effect that such a charge exists, the Public Trustee is entitled to claim for the estate the same exemption for land-tax purposes as he would receive if the charge had been secured by a registered mortgage.

The Public Trustee has power, also, to make advances to beneficiaries on the security of their interests in estates under administration by him. This power has proved a boon to many beneficiaries who, under the conditions at present prevailing, have found it necessary to obtain assistance in order to meet business requirements or, as has often been the case, to meet living-expenses.

On the 31st March, 1931, current advances to estates and beneficiaries totalled £656,989.

VALUE OF ESTATES AND FUNDS UNDER ADMINISTRATION.

20. The gross value of estates and funds under administration on the 31st March, 1931, was £57,527,263.

This represented a net increase of £4,477,826 for the year. For the last three consecutive years the net increase has exceeded four million pounds per annum.

VALUE OF ESTATES AND FUNDS ACCEPTED.

21. During the year under review the value of the estates and funds accepted by the Public Trustee for administration totalled £9,251,035. This figure, which constitutes a record for the Office, exceeded that of the previous year by £777,119.

The new business for the year closely approximated the total value of estates and funds under administration on the 31st March, 1912 (£9,493,959), which latter figure represented an accumulation of the operations of forty years.

GOVERNMENT SUPERANNUATION FUNDS, ETC.

22. The Public Trustee is entrusted with the supervision of, and the collection of interest on, the investments of the Public Service Superannuation Fund, the Teachers' Superannuation Fund, the Government Railways Superannuation Fund, and the National Provident Fund. The Dominion-wide organization of the Office is therefore available in the service of the respective Boards.

It is in times like the present that the benefits derivable from such an arrangement are most apparent. The Public Trustee's representatives, by reason of their knowledge of local conditions and of their periodical contact with mortgagors, are able to ensure that the fullest possible protection is afforded for the moneys invested, and are able to advise what concessions, where such are sought, it would be prudent to grant.

In addition to the Superannuation Funds mentioned above, four smaller Government funds of a somewhat similar nature are administered by the Public Trustee. The moneys belonging to these funds are all invested in the Common Fund of the Public Trust Office, the amounts held on the 31st March, 1931, being as follows :—

	£
Civil Service Reform Act, 1908	10,354
Deferred Pay (Naval) Account	61,938
Post and Telegraph Act, 1908	5,489
Public Service Classification and Superannuation Act, 1908 (section 31)	4,651
	<hr/>
	£82,432
	<hr/>

INSURANCE COMPANIES' DEPOSITS.

23. Deposits totalling £1,020,000 were held by the Public Trustee on the 31st March, 1931, in pursuance of the provisions of the Insurance Companies Deposits Act, 1921-22, and its amendments. This aggregate (which is exclusive of interest accrued to the 31st March, 1931, but not disbursed at that date) represents the deposits made by thirty-six companies.

During the year two deposits, totalling £25,000, were withdrawn owing to the companies concerned having ceased to carry on business in New Zealand and having complied with the statutory requirements relative to the withdrawal of deposits. A deposit of £20,000 was made by another company which commenced operations in classes of business which hitherto it had not conducted.

In terms of the Insurance Companies Deposits Act, 1921–22, these deposits are invested in the Common Fund of the Public Trust Office.

Deposits aggregating £618,035, and representing the statutory deposits of thirteen life-insurance companies, were also held by the Public Trustee in terms of the Life Insurance Act, 1908, and its amendments. In compliance with the provisions of the Act, an additional sum of £5,000 was deposited during the year by one life-insurance company.

Of these deposits, £20,000 was represented by cash held in the Common Fund of the Office. The balance was represented by Government stock, local-body debentures, and other securities.

LOCAL BODIES' SUPERANNUATION FUNDS.

24. The amount held on behalf of local bodies' superannuation funds increased during the year from £243,264 to £267,911. The whole of the amount at credit of these funds is invested in the Common Fund of the Public Trust Office. It is in the administration of such funds that the advantages of the Common Fund are perhaps best illustrated. The contributions to the funds are comparatively small in amount, and it would be impossible to find, to the exact extent of them, investments available to a private trustee and returning an adequate rate of interest.

In the Common Fund the smallest amount begins to earn interest from the date of receipt by the Public Trustee. The rate of interest is $5\frac{1}{4}$ per cent., free of all deductions, and the security of both capital and interest is guaranteed by the State.

To meet the calls upon the superannuation funds as a result of retirements, &c., it is not necessary for the local authorities to retain uninvested cash balances. The whole of the moneys held by the Public Trustee are liquid, and are immediately available to meet calls made upon the funds in the course of administration.

LOCAL BODIES' SINKING FUNDS.

25. Another important capacity in which the Public Trustee acts is that of Sinking Fund Commissioner in respect of loans to local bodies. On the 31st March, 1931, 2,980 of such sinking funds were under administration, representing a net increase of 153 in number for the year.

DEPRECIATION FUNDS AND RESERVE FUNDS.

26. By section 48 of the Municipal Corporations Amendment Act, 1928, and section 21 of the Electric-power Boards Amendment Act, 1927, Municipal Corporations and Electric-power Boards respectively are authorized to invest their Depreciation Funds and Reserve Funds in the Common Fund of the Public Trust Office.

On the 31st March, 1931, the number of such funds so invested was thirty-six.

TRUSTEE FOR DEBENTURE-HOLDERS.

27. In suitable cases the Public Trustee is prepared to accept the position of trustee under deed of trust for the protection of debenture-holders. At the close of the financial year under review that position was held in thirty-nine instances, the total amount of the debenture issues concerned being £1,192,455.

This amount is not included in the value of estates and funds under administration at the 31st March, 1931.

OFFICE BUILDINGS.

28. Owing to the continued expansion of the business, it was found necessary during the year to extend the accommodation at Auckland and Gisborne. The accommodation at these Branches is now more in keeping with the volume of work conducted.

I am pleased to report that no serious damage was sustained by the buildings in Napier and Hastings in the severe earthquake which visited the Hawke's Bay District. These buildings, in common with all other Public Trust Office buildings, were insured against damage by earthquake-shock and fire resulting therefrom, and therefore the cost of repairing the damage will not fall on the Office.

STAFF.

29. The following were the principal staff appointments during the year ended 31st March, 1931 :—

- (a) Mr. W. M. Barr, Chief Accountant, to the position of Assistant Public Trustee, *vice* Mr. H. Turner, appointed Under-Secretary of Defence.
- (b) Mr. F. Menneer, Assistant Chief Accountant, to the position of Chief Accountant.
- (c) Mr. O. W. Bamfield, Third Assistant District Public Trustee, Wellington, to the position of District Public Trustee, Te Aroha.
- (d) Mr. J. C. Robins, District Manager, Stratford, to the position of District Public Trustee, Stratford.
- (e) Mr. H. V. Uren, Estates Administration Clerk, Christchurch, to the position of District Manager, Balclutha.
- (f) Mr. I. D. Shearer, Estates Administration Clerk, Hamilton, to the position of District Manager, Rotorua.
- (g) Mr. H. J. Craig, Estates Administration Clerk, Auckland, to the position of District Manager, Pukekohe.
- (h) Mr. H. E. Amyes, Estates Administration Clerk, Hamilton, to the position of District Manager, Cambridge.
- (i) Mr. A. S. Newland, Clerk, Dunedin, to the position of District Manager, Taumarunui.
- (j) Mr. J. E. Stokes, Clerk, Christchurch, to the position of District Manager, Westport.
- (k) Mr. F. L. Barr, District Manager, Balclutha, to the position of District Manager, Oamaru.

QUALIFICATIONS OF OFFICERS.

30. The junior members of the staff of the Office continue to show a keen interest in their work and in the studies which they are undertaking to fit themselves to carry out their duties more efficiently. In almost every case juniors are engaged in the study of law, accountancy, or commerce.

There are now attached to the Office staff 120 officers who have passed the Law Professional Examination, a number of these also being qualified as barristers. In addition, 93 officers have passed the Accountant's Professional Examination, 3 of whom have graduated in commerce.

OFFICERS DECEASED.

31. It is with regret that I have to record the deaths of the following officers :—

- Mr. O. E. Bowling, Assistant Solicitor, Head Office (17th March, 1931) : Mr. Bowling, who had completed nearly thirty-three years in the Government service, of which the last twelve years had been in the service of the Public Trust Office, was an officer of exceptional ability and one widely respected by all members of the legal profession. Qualified as a barrister and solicitor of the Supreme Court, he had for many years specialized in the Workers' Compensation Act and the Deaths by Accident legislation, and he was in charge of this important part of the Office work. During the course of his duties he was brought into touch with the poorer members of the community, by whom his sympathetic work and the consideration which he invariably showed for their needs were greatly appreciated.
- Mr. A. Marshall, District Accountant, Dunedin (18th October, 1930) : At the time of his death Mr. Marshall had been in the employment of the Office for nineteen years, latterly occupying the positions of District Public Trustee, Whangarei, 1920–28, and District Accountant, Dunedin, from 1928 until the time of his death.
- Mr. J. McMullan, Clerk, Blenheim (12th April, 1930) : Mr. McMullan had been an officer of the Department for nearly eleven years, and was at the time of his death a clerk in the Blenheim Branch of the Office.

RETIREMENT.

32. During the year Mr. A. Purdie, Chief Auditor to the Office, retired on superannuation. Mr. Purdie joined the Department as a cadet in the year 1891, and on the completion of forty years' service with it was granted leave of absence for a period of six months as from the 15th January, 1931, prior to retiring upon superannuation. Mr. Purdie at various times filled the positions of Accountant, Secretary, Chief Inspector, and Chief Auditor to the Office.

ADMINISTRATION OF ESTATES AND FUNDS.

NEW BUSINESS.

33. New estates and funds to the total of 3,651, aggregating £9,251,035 in value, were accepted for administration. These figures constitute a record for the Office, and exceed by over three-quarters of a million the total for the previous year, which up to that time had represented the largest total for any one year since the inception of the Department.

The new business for the year 1930–31 is made up as follows:—

					£
Wills	..	..	..	1,279	4,413,879
Trusts	..	..	..	307	1,052,040
Intestate	..	..	..	588	400,159
Mental Patient	..	..	..	451	504,051
Miscellaneous	..	..	..	1,026	2,880,906
				<u>3,651</u>	<u>£9,251,035</u>

WILLS AND TRUST ESTATES.

34. The outstanding feature of the business for the year is the proportion of new business represented by wills and trust estates accepted for administration, and the wills of living testators deposited with the Public Trustee. The number of estates of this class accepted was 1,586, and their value £5,465,919, or approximately 59 per cent. of the total value of the new business, while the wills deposited during the year with the Public Trustee totalled 6,812. Considerable thought and extreme care are devoted by testators and settlors to the important matter of the selection of an executor or trustee, and it is indeed gratifying to record these particularly impressive figures, which evidence the increasing recourse of the public to the services of the Public Trustee for this class of work.

Large as are the totals for the numbers and values of these estates accepted during the year, the prospective business for future years is even greater, for the total of the wills of living testators held on deposit is now 73,523, the estates represented by which will come under administration in the future. More detailed reference is made in another portion of this report to the deposit with the Public Trustee of wills of living testators and the work in connection therewith.

INTESTATE ESTATES.

35. On previous occasions I have mentioned that the intestate estates reported for administration show a tendency to diminish in volume as in comparison with the increasing population of the Dominion, owing to the fact that the precaution is now more widely taken of making wills, so as to ensure that property will descend in accordance with the owners' desires and with due regard to those with claims on their bounty, in preference to allowing the estates to be distributed in accordance with the rigid statutory rules which operate in the case of intestacy. During the year 588 intestate estates, of a total value of £400,159, were accepted for administration. In accordance with the general trend which I have just mentioned, these figures show a reduction both in number and values as compared with the year ended on the 31st March, 1930.

Intestate estates are often of small value, and in the ordinary course the necessary formalities of providing an administration bond and of obtaining a grant of administration and the administration of the assets would prove expensive to the beneficiaries. In the majority of intestate estates the beneficiaries can ill afford

any undue expense, and to them the inexpensive and expeditious administration afforded by the Public Trust Office is of the greatest value. The large-scale operations of the Office, its widespread and thorough organization, and the facilities provided for the administration of all classes of estates enable the work connected with the administration of these small estates to be conducted on a basis of moderate and reasonable charges, to the advantage of these beneficially interested.

OTHER CLASSES OF ESTATES.

36. *Mental Patients*.—Unfortunately, there are always numbers of persons in the community who suffer under mental disability. It is very necessary in view of the disabilities from which these persons suffer and their inability to look to their business affairs, that some provision should have been made for attention to their needs and for the management of their estates. Such provision is contained in the Mental Defectives Act, 1911, and the amendments thereto. In a matter such as this there is an obligation on the State to provide the means and facilities for the care of the property which such sufferers possess, and the Public Trustee, acting as statutory administrator where no private committee is appointed, performs a very useful and necessary State service.

During the year 451 estates of mental patients, to the value of £504,051, were accepted for administration. The total number of such estates under administration on the 31st March last was 1,768, of an aggregate value of £2,045,274.

To the administration of the estates of mental defectives a great deal of care and attention has to be devoted. In view of the painful circumstances attendant for relatives and friends, the work is at times most trying, and the utmost delicacy and tact are required in carrying it out. Very frequently, by reason of their mental condition, the patients have mismanaged their affairs, and the task of the administrator is rendered exceedingly difficult by complications attributable to the approaching malady. Difficult problems frequently arise where a mental patient has lent to or placed in trust with friends or acquaintances money or valuables, and in these cases it is almost invariably an onerous task to determine the true circumstances. Extreme care has to be exercised in investigating and dealing with such matters, in order that the interests of the person for whom the Public Trustee is acting may be protected and that any moneys or belongings to which he is entitled may be safe-guarded.

37. *Aged and Infirm Persons*.—The main objects of the Aged and Infirm Persons Protection Act, 1912, were referred to at length in my report of last year, and it is not necessary to elaborate on them here. Briefly stated, the Act, as its title conveys, is designed for the protection of persons who by reason of old age or other infirmity, mental or physical, are unable to attend to their own affairs in a reasonably proper manner. The Public Trustee may be appointed manager, and a number of such appointments were made during the year.

38. *Convicts*.—Provision is made in Part III of the Prisons Act, 1908, for the custody and administration of convicts' estates. A number of such estates were reported last year, but there is no matter of special importance arising out of them to which reference need be made in this report.

CHARITABLE AND PUBLIC TRUSTS.

39. The settling of property for fixed purposes of a public or charitable character goes back for many centuries. In the first place, the Church was the main recipient of these settlements, but as time went on the donors chose other objects, public and private, for their benefactions. To-day endowments for charitable purposes are often made, and in New Zealand there are a number which have been established by public-spirited members of the community.

Administration by the Public Trustee carries with it substantial advantages for the handling of these trusts, especially where the endowments are long-continuing and permanence in administration is required. Moreover, section 4 of the Public Trust Office Amendment Act, 1912, provides a simple method whereby funds raised by public subscription can be readily vested in the Public Trustee and at the same time the terms of the trust clearly defined. Under this section the representatives of the subscribers of such funds can arrange with the Public Trustee for a scheme of trust to be submitted to the Supreme Court for approval or modification.

As a consequence of the suitability of the Office organization for undertaking the administration of trusts for charitable or public purposes, the Public Trustee has been entrusted with the administration of a number of such funds, including disaster and relief funds, trusts to maintain institutes and homes, and property set aside for charities or similar purposes. The largest trust of this nature under the Public Trustee's administration is that established by the will of the late Mr. Thomas George Macarthy, in terms of which one-half of the income from the residuary estate is at present applied for charitable and educational purposes and institutions in the Provincial District of Wellington in such manner and in such proportions as a Board of Trustees nominated in the will decides. On the termination of certain annuities and other interests the whole of the income from the estate, which now exceeds £500,000 in value, will be available for these purposes. During the eighteen years the trust has been in operation over £167,000 has been allocated for the purposes specified by the testator in his will.

The administration of the fund subscribed for the relief of distress caused by the Hawke's Bay earthquake on the 3rd February, 1931, is dealt with in a separate portion of this report.

AGENCIES.

40. For many reasons people find it necessary to appoint an agent or attorney to attend to their affairs—by reason of advancing age, through ill health, lack of business experience, absence from the place in which their property is situated, or through other causes. The Public Trust Office is well fitted for the conduct of agency work and in recent years this side of the business has steadily grown, until it now represents a valuable portion of the Public Trustee's operations.

ESTATE ACCOUNTS.

41. Long experience with all classes of beneficiaries has shown the necessity for simplicity in the statements of account which are issued to set out the result of the administration of estates. The accounts must be as concise and as easy to follow as possible, but, at the same time, must furnish an adequate and accurate statement of the position of the estate.

The form adopted by the Office is that of a cash statement, supported by a list of unrealized assets and of liabilities outstanding. Entries in the statements of account are kept at a minimum by suitable analysis of the transactions and grouping under appropriate headings. The accounts are prepared at intervals commensurate with the business transacted for the estate or fund concerned, and are regularly despatched to those interested.

The large volume of business transacted makes the regular preparation of accounts a heavy task, but I am pleased to say that this important branch of the work is thoroughly up to date.

RESEALING AND ADMINISTRATION OF ASSETS ABROAD.

42. With the extensive emigration which has taken place from the Home-countries to the Dominions, the great amount of travelling which takes place nowadays between the component parts of the Empire and other countries, and the schemes of diversified investments in various countries adopted by business men, there has been brought about a spread of the ownership of property throughout the Empire and in countries outside the Empire. In consequence it frequently becomes necessary for executors and administrators in jurisdictions outside New Zealand to deal with assets in this country belonging to the estates under their charge. Often, too, New Zealand estates possess assets situated in other parts of the Empire and in countries outside the Empire.

To deal with these assets it is necessary to appoint an agent or attorney in the country concerned, and to supply him with the documents necessary to enable him to obtain recognition in the Courts of that country.

43. *Resealing in New Zealand.*—In this branch of agency work the services of the Public Trustee are frequently availed of. The process of obtaining representation when the application is supported by a grant from a Court of competent jurisdiction within the British Empire is known as resealing. Probates

or letters of administration granted in such a Court are recognized, and, as it were, validated, in New Zealand, by the operation of sealing such grant with the seal of the Dominion Supreme Court.

By this simple process representation is obtained in this country, and the attorney appointed is enabled to attend to the administration of the assets situated here.

During the year under review the Public Trustee has acted on a number of occasions on behalf of executors and administrators in other parts of the Empire.

44. *Administration of Assets abroad.*—As administrator or executor of New Zealand estates during the year the Public Trustee had to deal with assets situated overseas. In these cases it has been necessary to appoint an attorney in the country concerned. Sixty-two such cases arose last year, and in regard to them exemplifications of the New Zealand grants of probate or administration were extracted, sealed with the seal of the New Zealand Supreme Court, and forwarded to the attorney appointed to enable him to take the necessary action.

WORKERS' COMPENSATION ACT, 1922.

45. The stress and strain of modern industry, the speed required, the complexity of the operations conducted, and the ever-increasing use of machinery, have brought about conditions which were unknown half a century ago. These factors combine to carry with them risks for the personnel of industry in the pursuit of their work which, unfortunately, take a toll of life and limb. A measure which is of inestimable value both to workers and to their dependants is the Workers' Compensation Act, by which it is provided that if any person coming within the definition of a "worker" sustains personal injury by accident arising out of and in the course of his employment, compensation shall be payable to him, or, in the event of his death, to those who were dependent upon his earnings.

All cases arising out of the death of a worker or injuries to a minor come before the Public Trustee, who acts as custodian of the compensation moneys pending the final distribution of the moneys in accordance with the directions of the Court. He may also be interested in proceedings as the legal representative of the worker injured, or as employer or representative of an employer.

46. Where he is custodian of compensation moneys it is the Public Trustee's duty in all cases to look into the circumstances of the dependants, and to place before the Court a report conveying the result of his investigations and embodying his recommendations as to the method of apportionment of the amount of compensation.

During the year under review the Public Trustee made forty-six applications to the Arbitration Court for apportionment orders, and reports were filed in a number of cases in which applications were made by private solicitors acting for the dependants.

47. The need for a safe and reliable custodian is nowhere more pronounced than in regard to workers' compensation moneys. In the majority of these cases the dependants are the widow and infant children of the deceased worker, possessing no means beyond the compensation money. It is the endeavour of the Office to make its services available to these people at a minimum cost. The services rendered in the ordinary course comprise the conduct of the claim for compensation, involving at times protracted negotiations and legal argument; application to the Court for an order of apportionment; payment of maintenance allowances, frequently over long periods; and sometimes the purchase of a home on behalf of the widow and children. These services are all covered by the small charge of 1 per cent. upon the moneys collected. Furthermore, the moneys received are invested in the Common Fund, and interest is allowed thereon by the Public Trustee at the ruling rate, commencing from the time when the moneys are received, and continuing uninterruptedly whilst any portion is held by the Public Trustee. The present rate of interest allowed is $5\frac{1}{4}$ per annum.

CLAIMS FOR DAMAGES.

48. 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 the estate of a mentally defective person who has suffered injury through the tortious act of another.

The Public Trustee is not, as in the case of compensation moneys, the statutory custodian of moneys awarded or paid as compensation for damages, except in the case of moneys for damages recovered or awarded in any case or matter on behalf of an infant or person of unsound mind.

UNCLAIMED LANDS AND UNCLAIMED PROPERTY.

49. Every year property to a considerable value and moneys to a considerable sum are left unclaimed. In many cases it is desirable, in the interests of the missing owners or of those dependent upon them, that provision should be made for the safeguarding of this property, and, where necessary, for its management. In this matter recourse is had to the services of the Public Trustee, and the statutory measures which have been framed to ensure the protection and administration of this property are now embodied in the Public Trust Office Act, 1908. These are—

- (a) Part II of that Act, relating to unclaimed lands ;
- (b) Part III of that Act, relating to unclaimed property generally.

In addition, unclaimed cash balances are paid to or held by the Public Trustee thus—

- (a) Unclaimed dividends and surpluses from bankrupt estates paid to the Public Trustee by the Official Assignee under the provisions of the Bankruptcy Act, 1908 :
- (b) Unclaimed surpluses in respect of property sold under the Rating Act, 1925, for default in payment of rates, paid to the Public Trustee by the local authority concerned :
- (c) Unclaimed balances and shares in estates under administration by the Public Trustee.

The property actually requiring active administration is that dealt with under Parts II and III of the Office Act.

50. With closer settlement, the number of cases where unclaimed lands require administration is decreasing, and on the 31st March last the value of unclaimed lands under administration and cash representing the rents and proceeds of sale undistributed amounted to £5,130. The need for the services of the Public Trustee under Part III of the Office Act relating to unclaimed property is not, however, decreasing, but, in point of fact, shows a tendency to increase in proportion to the growth of the population of the Dominion. In many of the cases where persons disappear property is left which requires attention and management, and there are dependants who require to be provided for. It is here that the statutory provisions and the services of a public official for the necessary work prove themselves to be useful, and of benefit to the parties concerned.

Unclaimed property to the value of £7,784, was under administration on the 31st March last.

Of the other classes of unclaimed money which are mentioned above, amounts held under the provisions of the Bankruptcy Act total £6,441, and of the Rating Act, £1,556.

51. Moneys which come into the hands of the Public Trustee as unclaimed and for which no owners appear are transferred to the Consolidated Fund after the expiry of a certain period, unless applied in part or in whole in the maintenance of dependants (under special powers conferred upon the Public Trustee) or for fulfilment of other obligations of the missing owner where the need exists. This transfer does not, however, save in the case of unclaimed lands administered under

Part II of the Office Act, operate to bar the claims of the lawful owner, who may at any time reappear and establish his rights. The amount thus transferred to the Consolidated Fund during the past five years amounted to £48,407. This figure is illustrative of the large amount of money and property for which no owners are found.

ABSENTEE MORTGAGEES.

52. The provisions contained in section 75 of the Property Law Act, 1908, and section 117 of the Land Transfer Act, 1915, authorize the Public Trustee to give a discharge of an overdue mortgage when the mortgagee 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 so discharged during the year was four, and the principal and interest collected thereunder totalled £1,277.

LIFE INSURANCE ACT, 1908: MINORS' POLICIES.

53. As a result of the large volume of business transacted nowadays by life-insurance companies, there are many minors who own policies of insurance on their lives, and probably this is the most common form of valuable property which is owned by infants. For various reasons, it often becomes desirable and necessary that these minor policyholders be enabled to deal with their policies, but in the ordinary course they would be unable to do so by reason of the limitation which the law places on the contractual capacity of an infant. By section 75 of the Life Insurance Act, 1908, however, a minor policyholder of or over the age of fifteen years may, with the consent of the Public Trustee, surrender, give a discharge for, dispose of by sale, or otherwise deal with the policy of insurance on his life as if he were of full age.

When a minor wishes to deal with his policy he must, therefore, approach the Public Trustee for his consent. Thus the minors concerned have the benefit of the advice of the Public Trustee when they are contemplating such matters, and at the same time the safeguard is imposed that dealings with the policy cannot be carried out without the consent of the Public Trustee.

54. During the year the consents given numbered 183, made up thus: Surrenders, 71; loans, 62; assignments, 32; reduction of amount of policy, 2; payment of proceeds on maturity date, 4; conversion to paid up policy, 6; consent to making of wills disposing of policy moneys, 5; application of bonus in payment of premium, 1. The applications actually made numbered considerably more than this, but a certain proportion were withdrawn by the minors on the advice of officers of the Department, and in certain other cases consents were not given.

The assignments consented to numbered thirty-two. These are, in the main, made up of assignments by minor participants in superannuation or pension schemes, one such scheme dealt with during the year involving assignments by eleven minors. The superannuation schemes comprise the taking-out of policies of life insurance by the members, these being assigned to trustees. The premiums are paid by the employer or by the employer and participant jointly.

A superannuation scheme to provide for employees in the years after their working lives are over is essentially beneficial, and it is pleasing to see that numbers of employers are inaugurating such benefits. Details of each superannuation scheme concerned are obtained by the Public Trustee when application is made for assignments by minor policyholders in pursuance thereof. The provisions of the scheme are carefully scrutinized to ensure that the interests of minor participants are protected in the assignment to the trustees of the scheme.

HAWKE'S BAY EARTHQUAKE RELIEF FUND.

55. The sympathies of the people of the Dominion have in the months just past been extended in full measure to the residents of Hawke's Bay in their sufferings through the earthquake disaster which overtook them on the 3rd February last.

56. As a general desire was early manifested to assist in the personal relief of residents of the area in need as a consequence of the disaster, a public fund for the relief of sufferers was opened by the Right Hon. the Prime Minister, and a most generous response was made. Immediate steps were taken to form in Wellington a central committee, representative of the whole of the Dominion, to

administer the fund, with the Right Hon. the Prime Minister as chairman and the Public Trustee as executive officer thereof. The central committee set up local relief committees in Wairoa, Napier, Hastings, Hawke's Bay County, and central Hawke's Bay for the purpose of dealing expeditiously on the spot with local relief and the disbursement of funds, and of advising the central committee on all matters arising out of the administration of the relief funds. In centres outside the earthquake area the existing relief organizations set up by the citizens continued to function and to attend to the needs of the refugees who reached those districts. To each of the local committees set up in the earthquake area there was attached a representative of the Public Trustee as executive officer of the central committee. In addition, immediately after the earthquake, responsible and experienced officers from the Public Trust Office were sent to the Hawke's Bay District for the purpose of keeping a check on all expenditure and assisting the local committees in the performance of their relief work. A special staff is still stationed in Hawke's Bay. Further special staff was also set up in Wellington by the Public Trustee to deal with matters requiring attention. All committees and bodies carrying out the relief work have rendered very valuable service, and it can safely be said that the personal requirements of all genuine sufferers in need as a result of the earthquake have been met.

57. The relief funds are being applied towards the relief of distress, the provision of food and clothing, the replacement of household and personal losses, and the restoration of homes. As a result of the efforts of the local committees the repatriation of residents of the stricken area who took refuge in other districts was practically complete before the end of April last.

For the purpose of enabling repairs to houses to be proceeded with as quickly as possible, assistance is being afforded from the relief fund to the extent of £100 in regard to any one house. Financial assistance is also being extended to a similar amount to those persons who have paid for their own repairs, and to owners, being tradesmen, who have carried out their own work.

58. In addition to the requirements for personal relief and the costs of the restoration of homes, it will also be necessary to consider the question of setting aside a sum sufficient to make provision in cases of necessity for those permanently injured and for the dependants of those killed or injured as a result of the disaster. In the meantime any relief required by such persons is being afforded.

59. The administration of the relief fund is being carried out free of cost, and the whole of the moneys subscribed are being made available for relief purposes. The Public Trustee, as executive officer of the central committee, has a large staff engaged solely on the relief work. In addition, the organization of the Office and of its Branches has been at the disposal of the relief committees in the earthquake area in the investigation of claims, in dealing with applications for relief, and in making the large number of payments which have been necessary. The Public Trustee is making no charge for the administration of the funds, all these services being rendered without remuneration. In addition, interest at the rate of $5\frac{1}{4}$ per cent. per annum is being allowed by the Office on the daily balance at credit of the fund.

60. The administrative task undertaken by the local committees and carried out in co-operation with the central committee and the Public Trustee has been one of considerable magnitude. It has involved attention to the needs of a population of over fifty thousand, the investigation and settlement of the claims and liabilities incurred during the period of emergency immediately after the earthquake when it was necessary to feed and clothe a great portion of this population, dealing with applications in respect of the loss of household and personal effects, and the restoration of thousands of homes. When it is remembered that the needs of all those requiring personal assistance as a result of the earthquake have been met, and that within a space of three months the repatriation of the whole of the residents was practically completed, it will be seen that a great deal of useful work has been accomplished under difficult and unusual circumstances.

The carrying-out of the relief work and the principles which are being followed in regard thereto have given entire satisfaction to the members of the local committees, who are representative members of their communities. It is pleasing to be able to state that there has been almost an entire absence of complaint in connection with the administration of the fund.

WILLS DEPOSITED.

61. The deposit of wills appointing the Public Trustee executor and trustee continues in undiminished volume. During the year 6,812 such wills were deposited with the Public Trustee. The number withdrawn through the death of the testator or otherwise was 1,542, leaving a total of 73,523 wills of living persons on deposit with the Public Trustee at the 31st March last. This figure has now reached a total more than two and one-half times the number of wills deposited as recently as ten years ago.

In addition to the work involved in the preparation of this large number of new wills, much work in redrafting wills already on deposit is necessitated by changes in the circumstances or the intentions of testators. During the year 4,058 wills were so redrafted. The total number of wills prepared was therefore 10,870, made up of new wills, 6,812, and redrafts, 4,058.

The custody of and the preservation of secrecy regarding the contents of the wills entrusted to the safe keeping of the Public Trustee are matters of paramount importance. Separate staffs are set aside both at the Head Office and at the Branches to deal with the wills deposited and the correspondence relating thereto, and every precaution is taken to ensure the safety of the documents and papers and secrecy relative to the contents of the wills. The original wills are filed in the Head Office in strong-rooms devoted exclusively to the purpose.

The utmost care is taken in handling the wills and in checking and filing them. As an additional safeguard, to ensure that all filing is correct, a stock-taking of the wills on deposit is carried out at regular intervals. With the large number of wills now on deposit, this is a heavy task, but it is undertaken for the additional safety which it ensures.

LEGAL DIVISION.

62. As I have mentioned in an earlier portion of this report, the Office includes on its permanent establishment officers versed and qualified in all phases of the work, both professional and administrative. One of the advantages of the system of administration by the Public Trustee is the availability of expert and specialized knowledge in regard to the various phases of the work, and an important feature is the professional staff employed by the Public Trustee for the transaction of legal business. It is also of distinct benefit to the Office to have its own staff to deal with the various legal matters and problems as they arise.

There has been a very considerable volume of legal work requiring attention during the year, and a brief reference is made hereunder to the more important matters which have been dealt with.

63. *Applications for Probate or Administration.* The applications involve the assembling of the necessary documents, such as the will, proofs of death, proofs of due execution of the will, and so on. During the year applications were made for probates of 899 wills, and applications for orders to administer were made in 260 cases. Included in these figures are a number of applications which were made on behalf of the Public Trustee by outside practitioners by reason of the fact that the relative wills directed that the legal work should be attended to by solicitors nominated therein, or for other special reasons.

64. *Elections to Administer filed.*—A simple and inexpensive process whereby administration may be obtained is available to the Public Trustee in respect of estates, testate or intestate, of which the value does not exceed £400. Instead of applying to the Supreme Court for a grant of probate or administration, the Public Trustee may in these cases file an "election to administer" in the Supreme Court. This procedure was adopted in 641 cases during the year.

65. *Resealing.*—Reference has been made in the course of the report to this procedure, which is adopted to validate in New Zealand probate or letters of administration granted by a Court of competent jurisdiction in some other part of the British Empire. During the year twenty-six applications were made to have such grants sealed by the Supreme Court under this process.

66. *Applications to the Court regarding Matters arising out of the Administration of Estates.*—In the administration of estates it frequently becomes necessary to sell, lease, exchange, purchase, obtain loans to carry on businesses, deal with the shares of missing beneficiaries, take steps to bar claims which the Public Trustee is not

prepared to admit and which the claimants after due notice have failed to enforce, and so on. There are a number of cases where the wills concerned do not contain the necessary authority for the action required, or where the Public Trustee's statutory powers do not meet the circumstances involved, and in such cases it is necessary to apply to the Court for leave to act as desired for the benefit of the estate. Applications of this nature to the number of 135 were made during the year.

67. *Litigation*.—The Public Trustee has not been directly involved in litigation during the year on behalf of estates under administration, but by the direction of the Court he has in several instances represented absentees, infants, or persons under disability in regard to contentious matters before the Court.

68. *Conveyancing*.—Conveyancing-work arises in connection with the administration of estates under the control of the Public Trustee, and the investment of moneys from the Common Fund, the Government Railways Superannuation Fund, Teachers' Superannuation Fund, and National Provident Fund. The officers engaged on this work have been kept busily employed with the preparation, perusal, stamping, registration, or other dealings attendant upon the transfers, conveyances, leases, mortgages, deeds of family arrangement, and the numerous other documents requiring attention in the course of the work.

The Office did not, of course, lose any documents or papers in its possession at the time of the Hawke's Bay earthquake, but the losses in other quarters of important documents have involved the office in considerable additional work, as it has made necessary inquiry into the rights and liabilities of lessors and lessees, mortgagors and mortgagees, and property-owners generally in the area affected, involving also careful scrutiny of the titles to properties in this district offered as securities for advances.

69. *Decentralization of Legal Work*.—In pursuance of the general policy of decentralization in connection with the work of the Office, the legal work is also conducted to a large extent at the branches, and is subject to adequate control from the Head Office.

MORTGAGE DIVISION.

INVESTMENTS FROM THE COMMON FUND.

70. Reference was made in my last report to the decisive and sudden change in the financial and economic condition of the Dominion which took place during the year then under review, and which affected to a marked degree the lending operations of the Office. Since then the financial depression has continued with increased intensity, with the result that the funds available for investment in the various modes authorized by the Public Trust Office statutes have been seriously curtailed. I have explained on previous occasions that such funds are derived mainly from the realization of assets in estates under administration by the Office, and it will be readily seen that the difficulty of disposing of assets on the present unfavourable market, to which reference is made in other portions of this report, must result in a marked diminution in the flow of moneys into the Common Fund for investment, though this diminution is only of a temporary nature and will disappear in due course with the restoration of improved economic conditions. Curtailment from another source has also been experienced. A large portion of the loans advanced by the Public Trustee, whether on urban or on rural securities, are on an amortization basis, and normally a very substantial sum is received from this source by way of annual repayments of principal; but during the present period of depressed prices for primary products it has been necessary in many cases to assist mortgagors, particularly those who are engaged in farming operations, by postponing temporarily payment of the principal portions due under their table mortgages.

71. During the period under review the depressed state of all branches of the farming industry, with its repercussions on businesses of every description in the Dominion, has been a source of great concern to mortgagees of property of every class. The amount which the Public Trustee has invested on mortgage of farm lands is substantial; and though every precaution has been taken to ensure that loans are made only on the most attractive class of security, and then, as a rule, well within the conservative margin fixed by statute, the unprecedented extent of the depression has inevitably had its effect on the investments of this Office. In common with other mortgagees, the Public Trustee has received requests from mortgagors for extensions

of time for payment of interest, and in a considerable number of cases has been able to accede to these requests by entering into arrangements which will ensure that payment of the deferred interest is made when the farm-produce is realized. As will be shown later, substantial relief has been granted to a large number of mortgagors by suspending principal repayments under their instalment mortgages. It will, of course, be realized that the paramount duty of the Public Trustee is to ensure that the beneficiaries of estates under his administration receive the interest to which they are entitled from their investments in the Common Fund. It is therefore imperative that where a mortgagor is in a position to meet his obligations to the Public Trustee, though a certain amount of hardship may be involved, the Public Trustee should give first consideration to the interests of his beneficiaries. Subject to this important principle, it has been the endeavour of the Public Trustee to meet mortgagors as far as circumstances permit.

INSTALMENT TABLE MORTGAGES.

72. In previous reports I have commented on the advantages which mortgagors obtain by taking up loans for long terms of ten years and upwards on an amortization basis. The basic principle of such loans is that the mortgagor pays each half-year a fixed instalment, the amount of which depends upon the length of the term and the amount of the loan. As the instalment is applied, firstly, in payment of interest on the amount of principal for the time being owing, and, secondly, in reduction of the principal sum, it follows that of each instalment after the first a progressively larger amount is applied towards repayment of principal. The benefit to the mortgagor has been exemplified in a striking manner during the present depression in the farming industry. In a large number of cases mortgagors who have not been able to pay the full amount of the instalments under their mortgages have requested the Public Trustee to postpone for a period the payment of the portion of the instalments which represents repayment on account of principal; and in most instances the Public Trustee has been able to meet mortgagors in this way, since the mortgaged properties, even on the present reduced basis of value, show a satisfactory margin of security for the amount of the loan outstanding.

MORTGAGORS RELIEF ACT, 1931.

73. The provision which Parliament made, in the session at the opening of this year, for the protection of mortgagors who have been adversely affected by present conditions extends to the Public Trustee in common with other mortgagees. It has, however, been the invariable practice of the Public Trustee in the past to grant reasonable concessions to mortgagors who have shown that circumstances beyond their control have prevented them from meeting on due dates their obligations under their mortgages, where this could be done without conflict with the paramount duty of the Public Trustee to the beneficiaries whose moneys form the Common Fund of the Public Trust Office. Consequently the passing of the Mortgagors Relief Act has not affected to any great extent the relations between the Public Trustee and Common Fund mortgagors. A review of the cases in which the Public Trustee has in the past been compelled to take stringent measures against defaulting mortgagors shows that the circumstances were such that the mortgagors would probably not have been able to obtain relief had the present legislation been then in force.

HAWKE'S BAY EARTHQUAKE.

74. A substantial amount of moneys of the Common Fund is invested in the area affected by the Hawke's Bay earthquake of February last. Although a number of the Public Trustee's securities were situated in the portions of the towns of Napier and Hastings which were destroyed either by earthquake shock or by fire resulting therefrom, it is not anticipated that any serious loss will be sustained. This very satisfactory position may be attributed in great measure to the policy adopted by the Public Trustee some years ago of insisting on adequate insurance against damage by earthquake and resultant fires being effected on all buildings of brick, stone, or concrete which represented a substantial proportion of the security

for any loan granted by him. This policy has on occasions in the past been opposed by certain mortgagors, who considered that the risk of loss through earthquake was not serious enough to warrant the expense of insurance; but events have fully justified the precautions upon which the Public Trustee insisted. As is well known, great destruction was caused at Napier among wooden buildings which withstood the earthquake, but which were subsequently burned. In the light of recent events, the importance of insuring buildings of this nature in city areas has hitherto not received sufficient consideration by investors and others. It is evident that for the future it will be necessary to require earthquake insurance in respect of wooden buildings which are, by reason of their situation, open to risk of destruction by fire following on an earthquake, and measures have been taken to ensure that the necessary covers are obtained when loans are granted or renewed by the Public Trustee on securities of this nature.

VOLUME OF INVESTMENTS.

75. Although, as has been stated, the volume of funds available for investment during the year has been diminished by reason of the abnormal economic conditions prevailing in the Dominion, yet in the period under review new loans to the substantial total of £3,519,340 were completed during the year. Renewals of existing loans amounting to £1,953,962 were approved by the Public Trust Office Investment Board during the year; and the Board also dealt with a large number of applications for partial releases of securities, deviations of roads through lands subject to mortgage, consents to easements, and similar transactions. Forty-two meetings of the Board were held during the year. On previous occasions I have made reference to the difficulty in which some mortgagors who have applied for renewals of their loans from the Public Trustee have been placed through the valuations of their properties being reduced to amounts which do not show the statutory margin for the amounts already owing by them to the Public Trustee. In such cases a ruling has been given that a renewal cannot be granted until the principal sum has been reduced to the amount which the Public Trustee could lawfully grant on the property by way of new loan on the latest valuation, and this despite the fact that the property may be reported by the valuer to be capably farmed, or even in better order than it was when the original loan was granted. The position in this regard has become more acute this year on account of the heavy fall in the prices of farm-produce of every description, with a consequent drop in the values of all farm lands. As a result, a large number of mortgagors who have proved satisfactory in every respect are being placed under the disadvantage of being unable to obtain renewals of their mortgages, since under present conditions very few mortgagors are able to find moneys to reduce their mortgages by the requisite amount, either in a lump sum or by payments spread over a number of years. The hardship suffered by mortgagors in such cases could be removed if the Board were given statutory power to grant renewals in such cases, provided the valuer certified that the property was being properly maintained and well managed, and that the fall in value was caused solely by the general decline in value of property in the same district. If a discretion of this nature were to be conferred on the Board, it would, of course, be exercised only in cases where the Board was absolutely satisfied that the Public Trustee was properly secured for the amount owing under the mortgage; and a renewal in such circumstances could not be claimed by a mortgagor as of right.

The investments of the Common Fund and allied funds under administration amounted, as at the 31st March, 1931, to the total of £36,230,830. The responsibility placed upon the Public Trustee and his staff in the investment, control, and supervision of such substantial funds hardly needs to be stressed.

DECENTRALIZATION OF INVESTMENT WORK.

76. During the year a further extension of the policy of decentralization of the investment work which was put into operation four years ago has been effected through the raising of the Stratford office to the status of a District Public Trustee office, and the establishment of a new District Public Trustee office at Te Aroha, with control over portions of the districts hitherto administered by the District Public Trustees at Auckland and Hamilton.

The necessary arrangements for the transfer of the Common Fund and Special Fund securities and accounts relating to the new districts to the District Public Trustees were effected without inconvenience to the mortgagors.

Additional facilities for the more convenient transaction of business with the Office by mortgagors have also been afforded by the appointment during the year of District Managers at Westport, Taumarunui, Cambridge, Oamaru, Pukekohe, and Rotorua, working under the control of the District Public Trustees in whose districts they are stationed.

COLLECTION OF INTEREST.

77. With the progressive increase of the amount of investments of the funds administered by the Public Trustee, the number of individual mortgagors with whom the Office is brought into contact has grown to large proportions, and the amount of interest earned by the funds has reached a very considerable total. As has been indicated above, the Public Trustee has received requests from a number of mortgagors who have been unable to meet their commitments for interest, either wholly or in part, for extensions of time for payment. Wherever possible, definite arrangements have been made with farmer mortgagors by which a reasonable portion of the future proceeds of farming operations will be made available for liquidation of interest owing to the Public Trustee, provision being made, of course, for the living-expenses of the mortgagors and the proper maintenance of their land and stock. It is anticipated that with an increase of prices for farm-produce the outstanding interest will be received. In view of the obligations of the Public Trustee to the beneficiaries of estates under his administration, it is necessary to take every precaution to ensure that concessions regarding payment of interest are kept down to the minimum, and every application in this regard is considered only after the financial position and prospects of the mortgagor have been thoroughly investigated.

SUPERVISION OF SECURITIES.

78. The depression in the farming industry has illustrated the value of the system of supervision of farm properties which has been in force for some years. Though the services of the staff of Farm Inspectors were primarily enlisted for the assistance of District Public Trustees in the management of farming properties belonging to estates under administration by the Public Trustee, the Inspectors have also been required to carry out periodical inspections of farms mortgaged to the Public Trustee under the long-term table system, and to advise District Public Trustees generally in connection with rural securities. In many cases in which mortgagors have requested postponement of interest payments the knowledge of the Farm Inspectors of the personal standing of the mortgagor and the state of the mortgage security has been of great assistance to the District Public Trustees when furnishing reports to the Public Trustee in connection with the applications for concessions.

LOANS TO LOCAL BODIES.

79. In my report last year I commented on the effect of the operations of the Local Government Loans Board on the borrowing activities of local bodies, and, in particular, of the policy of the Board of keeping the rate of interest on local-body loans as low as possible. As I then stated, the obligation of the Public Trustee to invest his funds on those investments authorized by statute which showed the best return precluded the Public Trustee from taking up local-body debentures to any considerable extent. The same considerations held good during the current year; though in accordance with the usual practice of holding a proportion of the Office funds in liquid form, a certain amount was invested in bonds and debentures.

RURAL INTERMEDIATE CREDIT.

80. The Public Trustee is a member of the Rural Intermediate Credit Board, and the chief executive officer thereof, with the title of Commissioner of Rural Intermediate Credit, and the Office has continued to act as agent for the Board in the administration of the system introduced by the Rural Intermediate Credit

Act, 1927. The Act contains authority for the Board to utilize the services of any Department of State for the purpose of carrying out its duties under the Act, and, in view of the widespread organization which the Public Trustee has built up throughout the Dominion, the Office was chosen for this purpose. The responsibility for the administration of the system remains with the Board, which is a separate entity, and the Office acts only as its agent in the administration of the system.

The chief executive officers of the Board have been chosen from amongst the senior officers of the Public Trust Office, and, in addition, district officers act as branch officers of the Board. The majority of the District Public Trustees are Chairmen of the District Rural Intermediate Credit Boards for their districts, and they also act as directors of the co-operative rural intermediate credit associations operating in their respective districts. By this arrangement is reaped substantial benefit, as the wide experience of the staff of the Office has been available to the Board.

81. When the conditions which have ruled in the farming community during the year are taken into consideration, the operations of the Board must be deemed to have been very successful, and while in some cases it has been necessary to grant concessions to borrowers, owing to the fall in prices of primary produce, the manner in which payments due by borrowers have been met is highly gratifying. From the inception of the system the Board has maintained that it should adopt a conservative attitude when making loans, and that this has been justified has been borne out by the satisfactory position in which the Board's loans are to-day, even though there has been a substantial drop in the value of the securities. There are few cases where any anxiety is felt as to the protection afforded to the Board by the securities held, and careful supervision is being exercised over these by the Branch Officers concerned.

82. Recently the Government decided to make available the sum of £100,000 to assist farmers to obtain fertilizers, and, owing to the efficient organization which the Board has built up with the assistance of the Office, the Board was chosen to administer this fund.

INSPECTIONS AND AUDIT.

83. Under the scheme of decentralization adopted by the Office, the work of the administration of estates and the numerous other duties undertaken by the Office are, subject to the general control of the Public Trustee, carried out by the various branches. To ensure that such a system functions properly, a strict method of internal checks and safeguards must be provided. It has been found that the most effective manner in which to carry out these checks and safeguards, and to ensure that the work is kept at the high standard required, is by means of periodical inspections by officers conversant with all stages of the work. The inspections may be classified thus —

- (a) *General Inspections.*—These deal with such matters as staff, organization, accommodation, and internal arrangements.
- (b) *Review of the Administration of Estates, Trusts, and Investments.*—These matters are subject to regular review by a staff of 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. Special attention is given to new estates, the administration of which requires special care while the policy to be observed is being defined. During the year the files and records relating to 16,195 estates and investments were perused. In addition to their usual duties, the services of the Reviewing Inspectors were availed of during the past year to supervise the opening of certain new branch offices.
- (c) *Internal Audit.*—This work is conducted in co-operation with officers of the Government Audit Department. It covers inspections of accounting matters and systems, and a daily check on the cash at all Branches of the Office.

The inspection and audit work is co-ordinated under the supervision of the Chief Inspector at Wellington.

ENEMY PROPERTY AND CLEARING-OFFICE WORK IN NEW ZEALAND.

84. The duties in regard to the liquidation of enemy property in New Zealand and the control of the New Zealand Clearing Office which was set up for the settlement of pre-war debts were entrusted to the Public Trustee. Briefly stated these duties were :—

- (a) The settlement, through the Clearing Office procedure provided for by the Treaty of Versailles, of claims in regard to pre-war debts and to New-Zealand-owned property in Germany :
- (b) The control, liquidation, and disposal of the proceeds (by credit to the liquidation account of the ex-enemy countries concerned, or by release in appropriate cases) of property or businesses in New Zealand owned by alien enemies or in which there were alien enemy interests.

SETTLEMENT OF CLAIMS THROUGH THE CLEARING OFFICE.

85. The claims received for settlement through the New Zealand Clearing Office were :—

Claims under Article 296, Treaty of Versailles—	£	s.	d.
(a) Claims by New Zealand nationals against German nationals	53,034	3	8
(b) Claims by German nationals against New Zealand nationals	211,408	15	4
Claims under Article 297, Treaty of Versailles—			
(c) Claims by New Zealand nationals against the German Government	53,103	8	5
	<u>£317,546</u>	<u>7</u>	<u>5</u>

These claims have now all been disposed of either by admission or by withdrawal.

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

86. 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. Under the Treaties of Peace the ex-enemy Governments undertake to compensate their nationals in regard to the property so retained and liquidated.

During the year further credits totalling £603 3s. have been passed to the German Liquidation Account under Article 297 of the Treaty, being the proceeds of the realization of property in New Zealand belonging to German nationals. The total amount now credited to Germany is £267,335 1s. 8d. Credit for a further sum of £2,100 approximately, being the proceeds of New Zealand Government stocks on the Bank of England register, owned by ex-enemy nationals, will shortly be made.

87. An application has been received for the release of an amount of approximately £12,000 credited to the German Liquidation Account. The applicant states 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 claimant has instructed local counsel in the matter and possibly litigation will result.

88. The amount credited to the Austrian Liquidation Account during the year, in terms of Article 249 of the Treaty of St. Germain-en-Laye, is £46 2s. 3d., the credits to the Liquidation Account totalling in all £1,774 17s. 6d. An amount of £66 16s. 3d. has been withdrawn, leaving a net credit to the account of £1,708 1s. 3d.

89. An agreement which was concluded recently between the Government of the German Reich and the New Zealand Government regarding the release of the property of German nationals subject to the charge created in pursuance of the Treaty of Versailles, but at the date of the agreement remaining unliquidated, became operative during the year. The property coming within the terms of this agreement was made up, in the main, of assets of trusts or settlements the German

interests in which had not, by reason of the terms of the trust instruments, devolved upon the ex-enemies concerned, the property being as yet subject to prior non-enemy interests. The property from which the charge was released in terms of the agreement aggregated in value £22,500 approximately, and the necessary arrangements for release were made during the year.

In some cases properties owned by ex-enemy nationals have been sold under agreements for sale and purchase under which the balances of purchase-money have not yet fallen due. These were specifically excepted from the terms of the agreement to release, and the Public Trustee continues to collect the purchase-money and credit the amount to the Liquidation Account in the names of the various ex-enemy owners concerned. In addition, cash amounting to £18,000 approximately is held by the Public Trustee pending the determination of certain contingencies affecting this money.

90. The date for the receipt of applications for compassionate releases has expired. In certain cases where releases were granted before the expiry date, payments are being made as funds become available for application in satisfaction of the releases. Very considerable sums have been released from the provisions of the War Regulations, Treaty of Peace Order, 1920, and the Treaty of Peace (Austria and Hungary) Order, 1924, by way of compassionate releases, and on various other grounds. The amounts released total £128,000.

PROGRESS OF THE WORK.

91. It will be seen from the figures given above that the administration was a large and far-reaching one. Claims totalling 1,716 in number and £317,000 in value have been dealt with and disposed of. Property to the value of £450,000 has been realized, the proceeds being disposed of by credit to the Liquidation Account, or by release to the ex-enemies concerned, save for that portion referred to which is being held pending the determination of contingencies. Property valued at £22,500 has been released in terms of the agreement recently concluded with the German Government.

It is inevitable that in the closing stages of an administration of such magnitude there should be a residue of troublesome and difficult problems to deal with, and to these matters considerable thought and much time has had to be devoted. The work in regard to enemy property is not completed in all cases even when realization and credit to the Liquidation Account is effected. Various matters arise for consideration, and even at this late date claims for release on various grounds are lodged, and transactions apparently long concluded are reopened.

CONCLUSION.

92. The need for wise and prudent administration has never been greater than at the present time, and the responsibility entailed in the management of estates and funds under the control of the Department is a heavy one. It is with a full sense of these responsibilities that the Executive is facing the problems which confront the Office in its work. The measure of success which has attended the operations of the Office during the year has been made possible by the loyal co-operation of the Assistant Public Trustees, the controlling officers, and all members of the personnel, and I have pleasure in recording my appreciation of the services rendered by them, and by the Agents of the Office throughout the Dominion, who keep closely in touch with Office clients and whose local knowledge is invaluable.

I have, &c.,

J. W. MACDONALD,

Public Trustee.

The Right Hon. the Prime Minister.

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