

1926.
NEW ZEALAND.

PUBLIC TRUST OFFICE

(REPORT OF THE) FOR THE YEAR ENDED 31st MARCH, 1926.

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, 1926.

1. The amount of business handled by the Office has continued to increase in a most satisfactory manner. During the past year 3,353 new estates of a total value of £4,651,447 were accepted for administration, as compared with 3,023 estates of a value of £4,621,869 accepted during the previous year. The value of the estates and funds under administration on the 31st March, 1926, was £38,009,480, and the period under review was the fifth consecutive occasion on which the new business exceeded £3,000,000, and the second consecutive occasion on which it exceeded £4,000,000. The following draft table shows the rapid growth of the business conducted by the Office during the past thirty-five years:—

Year.	Value of Estates and Funds under Administration.	
	£	
1891	1,252,625
1896	1,806,953
1901	2,326,954
1906	4,009,992
1911	8,112,342
1916	13,598,744
1921	22,364,319
1926	38,009,480

2. Notwithstanding the remarkable growth of business, particularly over recent years, the expenditure has not shown any marked increase, and, indeed, the expenditure for the past year was appreciably less than for the year ended the 31st March, 1921, when the value of the estates and funds under administration was some £16,000,000 less. This comparison provides a satisfactory assurance that the Office is conducted in an efficient and economical manner.

3. The total revenue during the past year amounted to £282,386, a decrease compared with the previous year of £17,053, which is more than accounted for by the substantial concessions made during the year by way of increased rates of interest and reduced charges. More detailed reference is made later in this statement to the concessions so granted. Notwithstanding these concessions, the operations for the past year have resulted in a net profit of £47,484, which was arrived at after meeting income-tax and providing for the depreciation of plant and buildings and all other expenditure which a commercial undertaking would require to provide for. But for the concessions granted during the year the profits would have exceeded those of any previous year in the history of the Office.

4. It was never intended that the Office should amass large profits from the administration of estates and funds entrusted to it. Whenever these operations have returned a surplus over the expenditure and enabled proper provision to be made for depreciation and reserves the estates and funds under administration have been given the benefit of the surplus. Between the years 1916 and 1920 a bonus was distributed amongst beneficiaries and the funds administered by the Public Trustee. It is, however, considered more satisfactory to grant concessions by way of increased rates of interest and reduced charges for the services rendered. It will be seen that it has been part of the settled policy of the Office for some years to make these concessions; a portion of this policy has already been carried into effect, and it will be developed further as circumstances permit. Progress in this direction is necessarily slow at present, owing to the fact that a portion of the Office funds invested a number of years ago on long-term loans return a low rate of interest in comparison with both the rates at present returned by the Office investments and the interest credited on moneys invested in the Common Fund of the Office. However, as these investments fall in and the funds are reinvested at higher rates of interest it will probably be found possible to grant yet more extensive concessions.

The charges which the Office makes for the administration of estates, trusts, and funds have always borne favourable comparison with the charges made by concerns transacting similar business in the Dominion. This position will be regarded as all the more favourable to the Office when, as pointed out in my statement last year, it is recognized that the Office is called upon, without adequate remuneration, to administer numbers of small estates and to perform many duties of a miscellaneous nature.

5. The following is a statement of the concessions granted since 1923 in respect of interest credited on moneys invested in the Common Fund of the Office and the commission levied or other charges made for services rendered :—

(A.) By regulations made under the Public Trust Office Act, 1908, and other statutory enactments affecting the Office, dated the 26th August, 1923, and published in the *New Zealand Gazette* No. 64, dated the 23rd August, 1923, which took effect as from the 1st April, 1923, the following concessions were granted in respect of commission and charges :—

Charges upon the Capital of Estates when realized.—The commission charged on amounts from £5,000 to £10,000 was reduced from $2\frac{1}{2}$ per cent. to $1\frac{1}{2}$ per cent.; the charge on amounts from £10,000 to £50,000 was reduced from $1\frac{1}{2}$ per cent. to 1 per cent.; the charge on amounts in excess of £50,000 was reduced from $1\frac{1}{2}$ per cent. to $\frac{3}{4}$ per cent. In certain special cases where the rate of commission on amounts in excess of £50,000 was 1 per cent. this rate was reduced to $\frac{1}{2}$ per cent.

Commission on the Capital of Estates when transferred in Kind to Beneficiaries.—The commission charged on the value of properties so transferred was reduced from $1\frac{1}{4}$ per cent. to 1 per cent. on that portion of the value from £5,000 to £10,000, and from $\frac{3}{4}$ per cent. to $\frac{1}{2}$ per cent. on the portion in excess of £10,000.

Income Charges.—The commission charged on rent was reduced from 5 per cent. to $2\frac{1}{2}$ per cent. on amounts in excess of £500 per annum and not exceeding £1,000.

Special Fees.—In addition to reducing the commission for the administration of estates, the regulations referred to above also abolished many classes of fees charged by the Public Trustee, including the fees charged for the obtaining of grants of administration, the preparation and filing of stamp accounts, the supervision of repairs to properties, the settlement of mortgages, the registering of the Public Trustee's title to property, the preparation of conditions of sale, and in most cases the charges made for the inspection of rural properties by the Office Farm Inspectors.

(B.) Further regulations dated the 10th November, 1925, and published in the *New Zealand Gazette* No. 81, dated the 19th November, 1925, which took effect as from the 1st January, 1926, conferred extensive concessions both in regard to interest and commission. An increase of $\frac{1}{4}$ per cent. was made in the rate of interest credited on moneys invested in the Common Fund and held on behalf of minors, life tenants, beneficiaries for a term of years, Government and local-body sinking funds and superannuation funds, estates of mental defectives and aged and infirm persons, insurance companies' deposits, and certain other funds held in terms of various Acts.

The alterations effected in regard to commission were as follows:

Commission on Estates of Less than £1,000 in Value.—Previously estates of this value were subject to a commission of 5 per cent. on the proceeds of certain assets to the value of £400, and $2\frac{1}{2}$ per cent. on the balance. The rate of commission has now been reduced to $2\frac{1}{2}$ per cent., with a single exception in the case of book debts, in regard to which the rate of commission still remains at 5 per cent. when the Public Trustee collects and does not employ an agent.

Commission on Capital of Estates when realized.—Estates in which realizations of assets exceed £25,000 benefit by the reduction of commission by $\frac{1}{4}$ per cent. on realizations between the values of £25,000 and £50,000.

Charges on the Capital of Estates when transferred in Kind to Beneficiaries.—The commission on that portion of the value of estates exceeding £5,000 up to £10,000 transferred in kind to beneficiaries was reduced by $\frac{1}{4}$ per cent.

Legal Fees charged to Mortgagors.—The scale of fees for the preparation, renewal, extension, or rearrangement of mortgages securing investments of the Common Fund was reduced by one-third. This does not, however, affect private solicitors entrusted with legal work of this nature at the request of the mortgagors.

Minimum Fees.—A slight increase was made in the minimum fee charged for the administration of small estates, the fee being increased from £2 2s. to £3 3s. This increase has been made to ensure, as far as is reasonably possible, that the small estates do not become a burden upon the other estates administered by the Office.

While on the subject of the charges made for the administration of estates and funds I desire to call attention to the fact that the Public Trustee has power to reduce the charges in cases where he considers a reduction is warranted. This power has been freely exercised in suitable cases.

6. The growth of the Office business is reflected in the increase of the total investments controlled by the Public Trustee, which amounted on the 31st March last to the considerable sum of £24,316,637. The fact that new loans to the value of £3,709,706 were granted to borrowers during the year is evidence of the very important part which is played by the Public Trust Office in providing finance at a reasonable rate of interest to the farming community for the purchase and development of farms, to business firms for the erection of modern buildings, and to the increasing number of applicants in urban areas who apply to the Public Trustee for loans for the purpose of erecting dwellings. The assistance given to local bodies has also been noteworthy.

The application of the amortization principle to practically all new loans to private borrowers marks an important development in the investment work of the Office. The Public Trustee's report points out the advantages of the system both to the borrower and to the lender, and shows that it is commending itself more and more widely to those who seek financial assistance from the Public Trust Office.

There is one feature of the investment work which calls for special comment from myself as Minister in Charge of the Public Trust Office. The powers of the Public Trustee in advancing money on the security of freehold land in New Zealand are strictly defined by the statutes governing the work of the Public Trust Office. The Public Trustee can lend only up to three-fifths of the estimated value of the security of the property according to a valuation approved by the Public Trust Office Investment Board. All valuations required by the Board in this connection are made by the Valuation Department, and care is taken to see that the limit fixed by the statute is not exceeded.

When renewals of existing mortgages are applied for it is the usual practice of the Board to obtain a Government valuation in order to satisfy itself that the property is being properly farmed and that it is not deteriorating. In some recent cases where renewals have been applied for it has been found that there has been a decline in the Government valuation, owing possibly to a general revision of values in the district, although the security has in no way deteriorated and is being farmed in a satisfactory manner. The Board has in certain instances renewed the mortgage for an amount in excess of three-fifths of the special Government valuation ordered in connection with the renewal if it is satisfied that the interests of the Office in the security are fully protected. The Controller and Auditor-General has taken the view that renewals cannot lawfully be made for any amount in excess of three-fifths of the latest valuation, and this view has been supported by the Law Officers of the Crown. As great hardship and financial embarrassment would undoubtedly be caused to certain mortgagors in these circumstances, it will probably be found necessary to introduce legislation during the present session authorizing the Public Trustee to renew mortgages in such cases, notwithstanding that the margin of three-fifths is exceeded, if the Public Trust Office Investment Board is satisfied that there has been no deterioration of the security, that it is being satisfactorily farmed, and that the moneys advanced are fully secured.

7. Last year I made reference to the special powers which have from time time been granted to the Public Trustee to enable him to exercise readily and economically many functions in connection with estates administered by him. The object of these powers has been purely in the interests of the beneficiaries in estates under the control of the Public Trustee. He is a public official whose good conduct is guaranteed by the State and whose work is subject to public criticism and to special safeguards. For these reasons he may be granted additional powers, which, of course, it would not be prudent to confer upon trustees in general. These increased powers are working very satisfactorily, and the effect of them has been to free estates in the hands of the Public Trustee from much expense in applications to the Supreme Court, a relief which has been greatly appreciated by the beneficiaries. The powers have in no way relaxed the safeguards necessary for the protection of beneficiaries. I previously pointed out that under the Public Trust Office Acts beneficiaries who consider themselves aggrieved or are dissatisfied with any action of the Public Trustee may by the simple procedure laid down apply to the Supreme Court for redress.

Recently a Judge of the Supreme Court suggested that further discretionary powers might be given to the Public Trustee in exercising certain functions in connection with the administration of estates and so reduce the number of *ex parte* applications which now have to be made to the Court. It is not proposed, however, to make any extension at present, in order that the existing powers may be thoroughly tested over a long period.

8. The number of wills deposited with the Public Trustee for safe custody continues to increase in the most gratifying manner. The net increase for the year in wills deposited (4,855) constitutes a record for the Office, with the sole exception of the year ended 31st March, 1917, during which year an abnormal increase resulted from the deposit of wills of members of the New Zealand Expeditionary Forces. The total wills upon deposit on the 31st March, 1926, is 48,957, and many wills appointing the Public Trustee executor are doubtless held by banks and private solicitors.

9. The Public Trustee's report contains some interesting remarks as to the striking development during recent years of the idea of corporate trusteeship.

The statement upon the subject of life-insurance trusts in America is also well worthy of attention.

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

- (1.) The increase in the balance at credit of estates and funds from £20,864,356 to £24,426,009.
- (2.) The increase of the Office reserves to a total of £621,948.
- (3.) The rapid increase in the number and value of cases where the Public Trustee has been appointed Sinking Fund Commissioner for local-body loans. During the past year there was an increase of 339 in number and £364,964 in value, bringing the number under administration to 1,937, and their value to £1,625,468.
- (4.) The inauguration of a system for the training of junior officers in the work which they will be called upon to perform in the course of their service with the Office. The provision of trained officers for the future is a vital problem, and it is confidently anticipated that the system adopted will fully meet the future requirements of the Office.
- (5.) The progress made towards the completion of the duties imposed upon the Public Trustee in connection with the disposal of enemy property and the settlement of pre-war debts between British and German nationals. These duties form the subject of a separate report to Parliament.
- (6.) The very satisfactory influx of new business into the Office.
- (7.) The statement by the Public Trustee relating to steps taken in regard to the shares of missing beneficiaries.
- (8.) The statement as to the position of the Public Trustee in regard to claims arising out of the Workers' Compensation Act, 1922. It will be observed that the Public Trustee is called upon under that Act to perform many important duties.
- (9.) A statement regarding the creation of trusts to make provision for the payment of debts, death duties, and legacies.
- (10.) The system of inspection and supervision in force in the Department, and, in particular, the creation of the position of Chief Auditor to perform a special portion of this work.

11. The fact that the Office is making rapid and healthy progress despite active competition is satisfactory testimony that its business is being conducted on sound lines. Evidence is received by the Government from time to time that the work of the Department is promptly and efficiently carried out. This is borne out by the numerous expressions of appreciation received from clients of the Office, and by the absence of well-founded complaints by those for whom it acts.

J. G. COATES, Prime Minister.

Wellington, 12th August, 1926.

REPORT ON THE WORKING OF THE PUBLIC TRUST OFFICE FOR THE YEAR
ENDED 31ST MARCH, 1926

STR,—

I have the honour to submit a report on the working of the Public Trust Office for the year ended 31st March, 1926.

1. The figures for the year reveal a most gratifying condition of affairs, and the volume of business transacted constituted a record for the Department. In all phases of Office activity the high standard of service rendered has been maintained, and this is evidenced by the many expressions of appreciation recorded during the past year, and by the almost complete absence of justified complaints despite the large volume of business transacted.

CORPORATE TRUSTEESHIP.

2. A striking development of recent years in regard to the administration of trust estates throughout at least the English-speaking countries of the world has been the phenomenal growth of public confidence in the services rendered by trust institutions empowered by law to administer trust estates. An eloquent confirmation of this fact is contained in statistics published recently in the United States of America, showing that on the 30th June, 1925, the total assets of the trust companies conducting operations in that country amounted to over 18,000,000,000 dollars. The true significance of these figures will be realized when it is explained that thirty years previously the total indicated resources of institutions of this nature in the United States of America amounted to 750,000,000 dollars, and fifteen years later to 4,610,000,000 dollars. The present position of these institutions represents increases over those two fifteen-year periods to six and a half and four times the resources at the commencement of each period. It is further very significant that in the ten years since 1915 the growth of the resources of the trust companies has been three times as great as during the whole period of trust-company development prior to that year.

Not only throughout the United States of America but in many parts of the British Empire increased confidence is being placed in corporate administration of trust estates, and its advantages are being more widely recognized. In response to the growing demand arising out of this confidence the State has been appealed to, so that within the last few decades there have been established in New Zealand, England, the Australian States, parts of Canada, and elsewhere public officials whose special function is to provide corporate trusteeship and administration controlled and guaranteed by the State.

In the case of New Zealand a State-guaranteed Public Trust Office was founded in 1872. The aim of the founders was to appoint a State official whose special function it would be to undertake trustee duties, who by his frequent employment as trustee would possess considerable experience and for whose good conduct the Government would be responsible.

The record influx of new business into the Public Trust Office in recent years affords strong testimony that business and professional men, and, indeed, all classes of the community, are becoming more conversant with and appreciate more fully the advantages which corporate trusteeship offers, especially when it carries with it the State guarantee.

The reasons which have contributed to this extensive development of corporate trusteeship are not far to seek. In the first place the permanent continuity afforded by this kind of trusteeship makes a strong appeal to persons in the selection of an executor or trustee. A corporate trustee cannot depart from the country of incorporation, cannot become physically or mentally incapacitated, or die. Continuity in a trust estate is thus assured, and at the same time the expense, delays, and inconveniences which are necessarily attendant upon happenings such as those just mentioned are avoided.

In these days of specialization and of increasing stress of business competition business men generally find it necessary to devote their principal energies to the particular field into which they have entered, and therefore, as a rule, do not feel disposed to be burdened with the duties of executorship or trusteeship, especially when they realize the responsibilities which such positions entail. Accordingly it is becoming increasingly difficult to find suitable men to undertake these duties.

Moreover, upon the death of a person occupying a fiduciary position it often happens that some one altogether unknown to the original testator or settlor succeeds to the position of trustee. The ties of close friendship or acquaintance soon pass away, and at no distant date from the time of the testator's or settlor's death strangers will probably be controlling the trust interests. For example, where a last surviving executor of an estate dies, the rights and duties of administering the estate devolve upon his executors, who may be entire strangers to the original testator or settlor.

Another factor which influences testators and others in favour of corporate trusteeship is the experience and specialized knowledge which are obviously possessed by those whose special function it is to carry on that class of business. In advocating the establishment of the Public Trust Office in New Zealand the late Hon. E. C. J. Stevens stressed the point that an official such as the Public Trustee would, as the years went on, acquire considerable experience in the work of trusteeship and administration, which would be valuable to the estates placed under the control of that official. Where a corporate trustee acts, the trust estate receives the benefit of the experience derived from the administration of a large number of trust estates over a considerable period of years.

One of the main considerations in favour of corporate trusteeship is the security of trust funds. It need not be stressed that the principal concern of the person creating the trust relationship is to ensure, as far as possible, that the trust funds will be carefully conserved and applied at the proper time in accordance with his or her directions. This object may be defeated by the inexperience, inefficiency, recklessness, or dishonesty of the person appointed to administer the trust. This risk is considerably minimized by the appointment of a corporate trustee, for, apart from the experience and safeguards, a trust institution has to maintain a reputation for efficiency and careful administration.

Furthermore, in the case of loss through acts or omissions on the part of a trust institution its resources constitute an extensive guarantee that the loss will be made good. Obviously this protection is absent in a number of cases where private trustees have been appointed, and it is often found that a trustee who has caused loss through inefficiency or dishonesty is not in a position financially to make good the loss suffered by the trust estate.

In addition to the accumulated experience which must necessarily be acquired over a long period, institutions specially designed for the carrying-on of trust work and handling of large volumes of business are enabled to employ a specialized staff of legal, trust, accounting, and other classes of officers whose wide range of knowledge and experience are available for the benefit of clients at no additional cost to the trust estate.

The foregoing are a few of the considerations which explain the growing popularity of trust administration by a corporate institution. A corporate trustee such as the Public Trustee, whose fidelity is guaranteed by the State, and who has such facilities and advantages to offer, cannot fail to make a very special appeal to testators, settlors, and others. In the fifty-four years of its existence the Public Trust Office has dealt with every class of estate, and has acquired valuable experience and a fund of special knowledge. It is not surprising, therefore, that there has been such a great growth of business entrusted to it during recent years.

THE CARE AND INVESTMENT OF TRUST FUNDS.

3. The duty of a trustee or administrator is to execute the trusts he has undertaken in accordance with the provisions of the trust instrument, or to carry out the duties of administration according to the law of the jurisdiction governing his administration. The care and investment of trust funds comprises by far the most important duty or function of a fiduciary. As a general rule the measure of care and

diligence required of a trustee is that which an ordinary prudent man of business would exercise in conducting his own affairs. In applying this rule to trust investments, however, it has to be remembered that the trustee is investing on behalf of his beneficiaries, some of whom, it may be, will enjoy the benefits at a future time. In dealing with his own affairs a man of ordinary business prudence often takes risks which appear justified, but it may not be prudent for a trustee to take such risks.

This higher degree of care which should be exercised in the securities for trust funds has been widely recognized by the Legislatures of civilized countries. The rule generally adopted by them is that in the absence of authority granted by the instrument creating the trust, if there be such an instrument in existence, trustees and those acting in a similar capacity must invest in certain classes of investment prescribed by statute and no others. Within recent years in New Zealand, and in England too, the range of authorized securities has been considerably amplified—*e.g.*, in addition to the investments set out in the Trustee Act, 1908, trustees may now invest in debentures of Road Boards, Town Boards, and Electric-power Boards, and may deposit trust-moneys in any savings-bank constituted under the Savings-bank Act, 1908.

In the case of persons appointing the Public Trustee trustee of their estates two modes of investment are open to them. They have the full right to direct whether their estate funds shall be invested in the Common Fund or specially invested outside that fund.

If testators or other persons wish their investments to be made outside the Common Fund the Public Trustee acts in strict conformity with their wishes. The Department has accurate information as to the best trustee investments and offers a wide range of selection. These investments outside the Common Fund have not the State guarantee of principal and interest, but they are arranged with as much care as the Public Trustee's own investments, and he is under the same liabilities in respect to them as a private trustee.

The full interest earned by these special investments is paid to the persons concerned, less, of course, the usual commission for collection.

Testators and settlors may also select the Common Fund, which affords a form of trust investment unique for its convenience and safety. The advantages of the Common Fund were fully dealt with in my last report, and therefore it is not necessary to elaborate them here. The experience of the Office is that although both systems are plainly explained to settlors and testators the large majority prefer the Common Fund and the advantages which it has to offer.

LIFE-INSURANCE TRUSTS.

4. Reference has been made in previous reports to the growth in the United States of America of a special form of trust known as the "life-insurance trust," designed to conserve and protect the interests of persons benefiting under life-insurance policies, particularly in cases where the beneficiaries have had little or no experience in the handling of large sums of money.

I have previously expressed the opinion that this plan will probably be adopted extensively in the Dominion at a later date, and have made reference to the facilities offered by the Public Trust Office organization for the administration of this form of trust.

A statement as to the various types of trust of this description and of the provisions incorporated in the trust agreements appeared recently in an American magazine devoted to trust work, and this information is of interest in regard to this potential sphere of Office activity. The relevant portions of the article are reprinted hereunder:—

Every trust company in the country is to-day co-operating with the insurance men and helping to advertise their business. The most cordial relations exist. While the trust companies do not sell specific insurance they are urging their customers to buy from some one on a constructive programme. I have been told by some of the largest writers of insurance that the future never looked so bright, and they are beginning to think the possibilities have been scarcely touched.

From our viewpoint there are two types of insurance trusts: first, a simple trust containing the policies of the insured, naming the bank as beneficiary; second, a so-called funded insurance trust.

The so-called simple insurance trust agreement provides that the donor has transferred and delivered to the trust company as trustee all of his right, title, and interest, or that of his heirs or assigns, in or to the policies of insurance described in the schedule attached to the agreement. The insurance is either made payable to the trust company as trustee in the case of new insurance, or riders are attached showing the transfer of the beneficiary to the trust company. The policies are held under certain stipulated conditions in the agreement.

First, the right is given to the trust company to collect the proceeds of the insurance, inclusive of cash surrender or loan-payments, without responsibility on the part of the insurance company to see that the proper discharge of the trust is made.

Second, the trustee may also, when it is deemed to be for the best interest of the estate, surrender the policies of insurance for cash or paid-up insurance value, or any other option granted in the policy.

Third, upon the request of the donor the trustee may pledge the policies as collateral to any loan which may be made by the donor or the trustee for or on behalf of the donor of the trust estate.

Fourth, the donor is given the right to add to or take from the trust any insurance policy which he may wish, by giving proper notice in writing to the trust company.

Fifth, the trustee assumes no responsibility for the failure of the insured to pay premiums on the policies deposited under the trust agreement except in the case of the funded insurance trust.

Sixth, upon the collection by the trust company of the proceeds of the life-insurance policies at the death of the donor the money is invested, and from the income collected the trustee shall pay all taxes and charges and expenses incurred in connection with the trust estate, including the compensation of the trustee, and the balance of income shall be paid at least as often as quarter-annually, and, I believe, should be paid monthly to the wife of the donor or designated beneficiaries. In case there are minor children, and in the event of the decease of the wife, the estate is held until the children reach their majority, or any stipulated age thereafter in accordance with the laws of perpetuity as designated in the agreement.

Of course, the agreement must provide for the various contingencies that may arise over a period of years, such as provisions covering distribution of income and principal to surviving children or their issue. This covers in a general way the provisions of a simple insurance trust agreement.

The funded insurance trust agreement is much more complicated, as it provides for the deposit of certain securities with the trustee, the income from which is to be used for the payment of premiums on the policies deposited. The agreement must provide for the handling of the securities deposited, leaving this to the absolute discretion of the trust company, or it may contain a joint control clause with the donor, in which case written approval of the donor must be obtained, covering the sale, purchase, or transposition of investments.

The same provisions prevail as in the simple insurance trust, with the exception that if there is a balance of income remaining after the payment of the premiums this can be paid to the donor or beneficiaries.

It should also contain a provision whereby the donor agrees to pay to the trustee annually on demand the amount by which the income for the year just ended, plus any balance of income received and invested on account of income of prior year or years, shall be insufficient to pay the premium and other charges. Upon failure of the donor so to do the trustee should be given power to pay such deficiency out of the principal, or borrow upon the insurance policies in the trust having a loan value, or even to sell securities if necessary. This provision the insurance company shall not, however, be bound to take notice of.

Upon receiving written notice of the decease of the donor from his executor, or administrator, or any other person interested in the estate the trustee is empowered to collect the proceeds of the life-insurance policies, which, together with the securities previously deposited, shall then become one trust for the benefit of the donor's designated beneficiaries.

At that time the investments usually come under the full discretion of the trustee, and his duties and limitations shall be expressly set forth in the agreement. At this point the question of investment is usually taken up, and the donor sometimes specifies in the agreement what class of securities he wishes the funds placed in. However, practically all agreements leave the matter of investments to the full discretion of the trustee.

An agreement of this type should also provide that the trustee shall not be liable for any depreciation of value of the securities originally received or any other securities which may be added thereto, except in the event of gross negligence directly attributable to the trustee. The trustee is given full power to sell, dispose of, invest and reinvest, and do all things necessary for the proper administration of the trust, including the power to execute and deliver all such deeds, leases, and instruments in such effect as the donor could do if living.

There are many phrases and paragraphs which can be injected into a trust agreement to suit the individual requirements. Just for example, one trust agreement which is in operation at the present time provides that the trustee is directed to charge all premiums on investments, and to credit all discounts on investments against and to principal, and not against or to income, and no person entitled to the remainder or reversion of any fund shall have any claim against the trustee on account thereof.

Another one provides that no stock dividends or rights to subscribe for stock, whether availed of or sold by the trustee, shall be considered as income, but the same shall be considered as an increment of principal and charged to principal account. It then goes on to the distribution of income and principal, which are to suit the individual cases of the various donors and which have been described before.

Either type of trust may provide for a clause expressly reserving to the donor the right at any time, by writing, to revoke the trust, or to amend or change any of the terms or provisions thereof.

A very essential clause in the agreement provides that the trustee assumes no responsibility in respect of the validity or enforcement of any policy at the time of the creation of the trust or afterwards delivered to it, or in respect to the title of any securities that may be transferred to or deposited with it.

The trust may also be created for the payment of certain specified obligations of the donor, and the balance to be held as before stated, even to the payment of expenses of the last illness of the donor.

The advantages of the creation of a life-insurance trust are numerous, and the most outstanding is flexibility of administration, allowing the handling of the investments and distribution of principal and income to be done by a trust company in full knowledge of the local conditions with respect to the beneficiaries. There is no probate procedure on this part of the estate. Investments are made on receipt of the check, and no loss of income results to the heirs, and executors' fees are saved. The funds are protected 100 per cent. for the future generation, and through the agency of the trust company the proceeds are diverted into legitimate channels of business.

The will of the donor should contain practically the same provisions as the insurance trust agreement as to administration.

AMENDMENTS TO THE ENGLISH LAW RELATING TO TRUSTEESHIP.

5. The Trustee Act passed last year in England, which came into operation on the 1st January, 1926, consolidated and extended the various statutory enactments relating to trusts and trustees. A number of the amendments affected are by reason of the somewhat different conveyancing systems existing in the United Kingdom and the Dominion of technical interest to practitioners only, but others bearing upon the law of trusteeship generally are of wider interest. I have therefore thought it desirable to refer briefly to some of the more important provisions contained in the new statute. The operation of the Act is restricted to England and Wales.

Number of Trustees.—Before the coming into force of the new Act there was no restriction as to the number of trustees, except where the settlement contained express provisions upon the matter or in the case of trustees for the purposes of the Settled Land Act, 1882, in which case a minimum of two was required in the absence of a contrary provision in the settlement. Under the new legislation, however, in the case of trusts for the sale of land and trustees for the purposes of the Settled Land Act, 1925, the maximum number of trustees is fixed at four, and the minimum for giving a good receipt for purchase-money is two, unless the sole trustee is a trust corporation. A somewhat analogous provision is contained in the Administration of Estates Act, 1925, in terms of which neither probate nor letters of administration will, after the 1st January, 1926, be granted to more than four persons in respect of the same property. Furthermore, if there is a minority or a life tenancy administration will not now be granted in England or Wales to a single person as representative except in the case of trust corporations.

Investment Provisions: Investments on Mortgage.—Formerly in England and Wales trustees were not allowed to enter into any arrangement with the mortgagor for the continuation of the mortgage for a period of years, but they may, however, now contract that the mortgage shall not be called in for a period not greater than seven years from the date of the loan, subject to the prompt payment of interest and to the observance of the other covenants contained in the mortgage instrument.

A novel provision is that contained in subsection (2) of section 10 of the new Act, which provides, briefly, that on the sale of freehold land or leasehold properties held for unexpired terms of at least five hundred years the trustee or other competent parties may, in cases where the proceeds are to be invested, contract that any part of the purchase-money not exceeding two-thirds may remain on mortgage. The trustees are not bound to obtain any report as to the value of the property sold and subsequently forming the security of the mortgage, or any advice as to the making of the loan, and they are not liable for any loss incurred by reason only of the security being insufficient at the date of the mortgage.

Share Investments.—Subsection (3) of the same section contains an important extension of trustees' powers in regard to share investments. There was some doubt formerly as to a trustee's power to accept new shares on the reconstruction of a company in cases where they were authorized to retain the shares. The matter is now placed beyond question by the statutory provision referred to, which empowers trustees in cases where the trust comprises stocks or shares of a company to concur in any scheme for the reconstruction, amalgamation, &c., of the company as if they were the beneficial owners of the stock or shares, and to exercise, renounce, or sell rights, and to subscribe for stocks or shares, in any new company which may be offered to them in respect of holdings in the old company. The exercise of the powers conferred is made subject to the consent of any person whose consent to a change of investment is required by the trust instrument or by law.

Protection of Trustees in handing over the Trust Property.—An additional protection to trustees in handing over the trust property to the persons entitled is made available by section 27 of the new statute. Thereunder trustees may secure exemption from liability in this respect by publishing certain advertisements announcing their intention to convey or distribute the trust fund to or among the persons entitled, and requiring persons interested to supply the trustees, within a period of not less than two months, with particulars of their claims in regard to the property covered by the notice. After the expiration of the time fixed by the notice the trustees may convey or distribute the property referred to in the notice to or among the persons entitled, having regard only to the claims of which they then have notice. The rights of persons affected to follow the trust property into the hands of other persons, save purchasers, who have received it are not affected. The section, it is important to note, overrides any provision contained in the will or trust instrument.

It is interesting to compare this provision of the new Act with section 25 of the Public Trust Office Amendment Act, 1913, which is dealt with elsewhere in this report. There is a marked similarity between the two statutory provisions.

Delegation of Powers by Trustees.—Prior to the new legislation the general rule was that a trustee could not delegate his duties or powers unless specifically authorized by the trust instrument or by statute. Exceptions were made only in cases where the trustee was obliged from necessity to delegate, the delegation was of a variety usual in the ordinary course of business, and the agent was employed within the ordinary scope of his business. The law upon this subject has been revolutionized by the provisions of the Trustee Act, 1925, and, in particular, sections 23 and 25 of that Act. The former section specifically authorizes the employment by trustees or personal representatives of agents of all descriptions for the transaction of business required in connection with the trust, or the administration of the estate, as the case may be, without rendering the trustee responsible for the agent's default. They may also appoint persons to deal with portions of the trust or estate property situated outside the United Kingdom. In addition, trustees are permitted in certain cases to appoint solicitors or bankers to receive and give discharges for moneys or property forming portion of the trust estate.

A further important provision of the same character is that contained in section 25 of the Act, which permits a trustee to delegate the exercise of his trusts, powers, and discretions if he intends to remain outside Great Britain and Northern Ireland for a period exceeding one month. It is understood that this

provision has given rise to some criticism in England upon the ground that a trust is a personal thing, and though it may be enacted that one person may delegate his discretions to another, such a commitment is really impossible. A further instance of authority for trustees to delegate their powers is contained in section 29 of the Act, which provides that powers of leasing and managing land may be delegated to persons of full age (not being annuitants) beneficially entitled in possession to the net rents and profits of the property for life or for any lesser period.

Powers of Trustees.—Other new powers conferred upon trustees are the following :—

- (a.) In certain cases powers of sale or mortgage for the provision of capital funds in cases where the trustee is authorized by law or by the trust instrument to apply the capital of the trust estate for specific purposes. The section conferring this power is retrospective in effect. This is a striking extension of the powers of trustees.
- (b.) Restricted authority for trustees to have the accounts relating to the trust estate examined or audited at certain intervals by an independent accountant.
- (c.) Powers of advancement of capital for the benefit of persons entitled absolutely or contingently to the trust property.
- (d.) Extensive powers with regard to reversionary interests.
- (e.) Enlarged powers of maintenance with regard to infants.

TRUSTEE ACT, 1925 (NEW SOUTH WALES).

6. It is a matter of general interest that considerable and important modifications have also been effected in New South Wales in the law of that State relating to trustees by the Trustee Act, 1925 (N.S.W.), which came into force on the 1st March, 1926. Generally speaking, it may be said that the new Act introduces new rules of law which modern conditions have found necessary for the satisfactory administration of trusts, and makes clear many points which have previously been doubtful or obscure or dependent on the special circumstances of the case, and in a number of instances confers the binding force of statutory enactment upon what had hitherto been merely rules for practical guidance. In a number of cases the Act is retrospective in effect, for it is expressly stated to apply to trusts already under administration, and in some instances to things done before the passing of the Act in the administration of such trusts. A number of provisions of the new statute apply not only to trustees, but also to executors and administrators. It is interesting to note the prominence which has been given to the Public Trustee in New South Wales.

DISTRIBUTION OF INTESTATE ESTATES IN ENGLAND.

7. A statement as to the far-reaching changes in the devolution of real and personal property in England and Wales upon intestacy contemplated by the Law of Property Act, 1922, was contained in my last report, and I mentioned therein that the Act had not at that time come into operation. The change has been so sweeping and of so important a nature, and is of such interest to trustees, administrators, and beneficiaries having interests in estates in the United Kingdom and elsewhere affected by the new legislation, that I consider it will be useful to make some reference to it here. Information has now been received that various Acts passed by the English Legislature last year resolved the 1922 statute into its component parts, and these Acts duly came into force on the 1st January, 1926. The following are the Acts referred to : Law of Property Act, 1925 ; Settled Land Act, 1925 ; Trustee Act, 1925 ; Administration of Estates Act, 1925 ; Land Charges Act, 1925 ; Land Registration Act, 1925 ; Universities and College Estates Act, 1925. The general effect of these statutes as to the distribution of intestate

estates in England and Wales was set out at some length in my last report. It is sufficient here to say that the fundamental changes made by the new law are the following :—

- (a.) The beneficial interest in both real property and personal property belonging to an ancestor who dies intestate devolves together and into the same hands. Generally speaking, prior to the statutes real property descended to the heir, and personal property passed to the personal representatives of the deceased.
- (b.) The abolition of primogeniture, by which the eldest son took the whole of the freehold land and house property to the exclusion of his younger brothers and his sisters.
- (c.) The establishment of formal equality, in the case of both real and personal estate, as between males and females wherever existing rules created any difference.
- (d.) Relatives of the whole blood take priority over relatives of the half-blood.
- (e.) The complete exclusion of kindred more remote than first cousins and their issue. Where no relatives exist within the permitted limits the Crown takes the inheritance as *bona vacantia*.
- (f.) Representation of deceased persons by their issue is allowed through all degrees.
- (g.) Previously interests of beneficiaries vested upon the death of the intestate, irrespective of the fact that some of the beneficiaries might be infants. Now, in order to save the cost of taking out letters of administration, beneficiaries take absolutely vested interests only at the age of twenty-one years, or, in the case of females, upon marriage.
- (h.) All existing rules of descent have been abolished, including those arising out of copyhold tenure, gavelkind, borough English, tenancy by the courtesy, dower, and free-bench.

NEW ZEALAND AND SOUTH SEAS EXHIBITION.

8. As intimated in my last report, arrangements were made for a suitable display at the New Zealand and South Seas Exhibition for the purpose of bringing the Office under the notice of visitors. This took the form of a specially designed pavilion suitably equipped for the convenience of Office clients. It was stocked with supplies of literature detailing the nature and scope of the Office operations, the facilities which it affords, and the advantages of its administration. Throughout the term of the Exhibition a qualified officer was in attendance to supply information and to answer any inquiries which might be made. In designing the display a portion of the space was made available as a room for the transaction of business of a private nature, such as preparation and execution of wills. Any work of this nature was undertaken by the officer in attendance. Full advantage of these facilities was taken by the public. The design of the pavilion was of a simple yet dignified character, and was favourably commented upon. The display has undoubtedly been of great service as a means of familiarizing the public with the services rendered by the Public Trust Office. Writing upon the subject at the close of the Exhibition the District Public Trustee, Dunedin, states: "As an advertising medium the pavilion has been of considerable value, as thousands of interested visitors have inspected it during the term of the Exhibition. The benefit of the exhibit will be reaped by all branches of the Department, as is evidenced by inquiries received from residents of all parts of New Zealand."

SAFE-DEPOSIT LOCKERS.

9. The facilities offered by the installation of this system are now becoming more widely known, and the lockers are steadily increasing in popularity with the general public. During the past twelve months lockers have been installed at Whangarei,

Hamilton, Gisborne, Stratford, Wanganui, Blenheim, Timaru, and Christchurch. Additional lockers have been provided at Dunedin, and arrangements have been made for the early installation of a set in the new building at Hastings.

So great is the demand for locker accommodation in Christchurch that it is necessary to make an additional installation as soon as possible. Accordingly further lockers have been placed under order, and will be installed as soon as they have come to hand.

RECORDS.

10. It is essential in the operations of a large business concern such as the Public Trust Office that its record system should be efficient and at the same time not too elaborate or expensive. The record system of the Office fulfils these conditions, and is so organized that the work of each Division can be readily referred to.

Files form an important part of the well-ordered system. These are of a convenient size and properly classified, and strict attention is paid to the care, handling, and accommodation of them.

Often estates and other matters continue to be dealt with by the Office for prolonged periods, and it is important that the correspondence and documents extending over such a period can be promptly referred to whenever required.

The system in force enables this to be done, and information regarding any estate administered by the Office since its foundation can be readily given. This is of great service in dealing with inquiries and points often raised many years after the administration of an estate has been closed.

EXPANSION OF ORGANIZATION.

11. Since my last report agencies have been opened at Norsewood under the control of Mr. W. M. Thomson, at Oxford under Mr. L. Watson, and at Leeston under Mr. C. G. Fisher. The appointment of an Agent at Leeston followed upon the closing of the part-time office previously conducted there.

No additional District Public Trustee, District Manager, or part-time offices were established during the period.

INSTRUCTIONS TO OFFICERS.

12. The consolidated book of instructions which was issued to the staff some time ago and to which reference has previously been made in my reports has been much appreciated by departmental officers as providing a ready reference to matters contained in the Office instructions upon which guidance is required from time to time. It was recognized when the consolidated book was issued that provision must be made for additions and amendments, and the volume was so designed as to permit of these alterations being readily effected.

The following is a list of the principal instructions issued during the year:—

Bank of New Zealand shares held by the Public Trustee, Issue of scrip for.

Office charges: Commission in estates of mental patients, &c.

Mail: Clearing of post-office boxes.

Allocation or partial release of Common Fund mortgages.

New issue of shares by the National Bank of New Zealand (Limited).

Applications for probate by outside solicitors on behalf of the Public Trustee.

Stamp duty on lodgment-slips for moneys lodged to credit of payees' bank accounts: Audit Office requirements.

Miscellaneous record system: Indexing of matters and attachment of records to files.

Translation of correspondence, documents, &c.: English into Maori, and *vice versa*.

Correspondence addressed to deceased persons, convicts, and mental patients.

Concerning the Land Transfer (Compulsory Registration of Titles) Act, 1924.

Wills for deposit, custody and handling of.

Care of office premises, furniture, and fittings.

Partial intestacy : Distribution.
 Extending the term and/or increasing the rate of interest on Common Fund mortgages or other mortgages : Consents of subsequent mortgagees.
 Resealing probates and orders to administer in Great Britain.
 Application for probate, &c., where deceased known by more than one name.
 Custody of wills of mental patients.
 Stamp-duty accounts where estates not dutiable.
 Preparation of wills : Partnership business—Direction or power to carry on.
 Attestation of mortgage documents.
 Powers of attorney : Redrafting of standard Office form.
 Recording of legal work.
 Work and control of Farm Inspectors : Allocation of districts.
 The Death Duties Amendment Act, 1925.
 Execution of wills.
 Amended regulations dated 10th November, 1925 : Increase in Office rate of interest and reduction in charges.
 Collection of book debts.
 Stamp-duty accounts : Valuation of shares and debentures quoted on Stock Exchange.
 Stamp-duty accounts : Assets realized before filing of stamp accounts.
 Additional covenants to be inserted in mortgage forms.
 Assignments, orders, and authorities to pay.
 Income-tax : Assessment of trust income—Interpretation of section 102, subsections (a) and (b), of Land and Income Tax Act, 1923.
 Resealing of New Zealand probate in England : Requirements of English authorities.
 Insurance in respect of Common Fund and all superannuation fund mortgages.
 Duties and powers of District Managers in estates.
 Associations formed under the Land Settlement Finance Act, 1909 : Delegation of administration to District Public Trustees.
 Accounts register and diary card system.
 Payments through the High Commissioner to principals : Acceptance of moneys to be made available for them in London.
 Recording receipt of registered mail.
 Interest payable on legacies.
 Wills of Natives.
 Land and income tax : Filing certificate under section 35 of the Public Trust Office Amendment Act, 1921.

FINANCE.

13. In my report for the previous year mention was made of the difficulty in arranging suitable investments to absorb the ever-increasing funds as they become available from time to time during the year, and yet be in the position to meet all liabilities as they fall due; and it will be understood that the liabilities following upon the custody of estates and accounts of a value of nearly £40,000,000 are very heavy, while many of them cannot be foreseen.

Many factors have to be taken into account in estimating, too, the funds that will fall into the Office for investment, while the value of estates that may be reported for administration cannot be known beforehand.

The large sums available and the uncertainty regarding their amount make a close investment of the money a matter calling for the strictest attention. Generally, it has been found necessary during the past year to arrange loans to be completed as funds become available. Every endeavour has been made to make payment on dates convenient to borrowers, but at times it has been necessary to effect settlement earlier or later than the dates when settlement would have been more convenient to the borrowers. Full consideration is always given to representations made by borrowers with regard to settlement, but the finances of the Office have not always permitted of their wishes being fully met. Unless borrowers can take money when it is available it is sometimes impossible to give any assurance of the date of payment. Dealing with such large sums as the Office has to handle no other course

is practicable. Funds amounting to over £3,000,000 became available for investment during the year, and it will be seen from particulars given elsewhere in this report that suitable investments were found for the whole amount. The matter of finding investments for such large sums is one that gives a great deal of anxiety, and this is added to by the difficulty of arranging for the completion of investments with the receipt of funds.

14. Owing to the conditions which have prevailed in the dairy industry during the past season and to the fall in the price of wool the collection of interest has been attended during the year with some difficulty. Many applications for extension of time have been received, and in practically every case the extension asked for has been granted without infliction of the penal rate of interest provided for in the mortgage-deed. These concessions granted by the Office have been much appreciated by the mortgagors, and in most cases the interest has been forthcoming before the expiry of the period of extension. Notwithstanding the unfavourable conditions and the increase for the year in the amount of funds invested, the amount of interest overdue on the 31st March, 1926, was only slightly in excess of the amount outstanding on the 31st March, 1925. The position may be regarded as very satisfactory.

15. During the year investments amounting to £3,709,706 were completed. This constitutes a record for the Office.

The total value of investments held by the Public Trustee on the 31st March, 1926 (including special investments held on behalf of various estates and funds), was £24,316,637. The nature of these investments was—

	£
Government securities	1,654,592
Local bodies' debentures	7,414,066
Land Settlement Finance Act debentures	45,606
Other debentures and shares in companies	10,789
Mortgages	14,823,270
Savings-bank accounts	374
Overdrafts by way of advances to estates and to beneficiaries	332,695
Advances for protection of securities acquired or in possession	6,658
Property acquired by foreclosure (less reserve)	28,587
	<u>£24,316,637</u>

Other assets held on that date were—

	£
Cash in hand, on current account, and on deposit in New Zealand and London	111,348
Office premises, furniture, plant, &c.	482,699
Interest and rent accrued due and overdue	315,601
Sundry debtors	6,290
	<u>£915,938</u>

16. The gross value of estates, funds, and accounts under administration by the Public Trustee on the 31st March, 1926, was £38,009,480, compared with £35,570,642 on the 31st March, 1925—an increase of £2,438,838 for the year.

17. Although during the past five years the value of the estates and funds under administration has increased by nearly 70 per cent., the expenditure (exclusive of depreciation on premises and plant) for the year just ended was £5,395 less than it was for the year ended 31st March, 1921.

18. As stated elsewhere in this report, substantial concessions were made to clients of the Office during the past financial year, but notwithstanding the liberal increases in the rates of interest credited to estates and the reduction in the scale of charges made for its services the Office has shown a profit of £47,484 for the year. But for the concessions referred to the profits would have exceeded those of any previous year in the history of the Office.

INCREASE IN RATES OF INTEREST ALLOWED ON MONEYS INVESTED IN THE COMMON FUND AND REDUCTION IN OFFICE CHARGES.

19. From the 1st January, 1926, important changes were made in the rates of interest allowed on moneys invested in the Common Fund and in the rates of commission charged for the administration of estates by the Public Trustee.

The interest was increased and the charges were reduced. This is a continuation of the policy of the Office, which endeavours to give the best service on the best terms that circumstances will from time to time permit. Evidence of this will be found in the concessions which have been extended to clients and beneficiaries during the past few years. The rates of interest have been increased, the method of crediting it has been made more liberal, the rates of commission on both capital and income have been reduced, and fees previously charged for special services have been abolished, making the commission an inclusive charge for complete administration.

The most important of the changes made on the 1st January last was an increase of $\frac{1}{4}$ per cent. in the rate of interest on moneys invested in the Common Fund of the Office and held on behalf of minors, life tenants, beneficiaries for a term of years, Government and local-body sinking funds and superannuation funds, and insurance companies' deposits. The rate allowed is now $5\frac{1}{4}$ per cent.

The next most important change made was the reduction in the commission charged on the administration of estates of a value of under £1,000. Previously such estates were subject to a commission of 5 per cent. on the proceeds of certain assets to the value of £400, and $2\frac{1}{2}$ per cent. on the balance, while in estates exceeding £1,000 in value the highest rate chargeable was $2\frac{1}{2}$ per cent.

The reduction in the charges for administering estates of a small value has been under consideration for a long time with the desire to make the administration as inexpensive as possible so that the charges might not press unduly on clients not favourably placed to bear them.

The Public Trustee is called upon to administer a great many small estates, and the reduction made in the commission will extend throughout New Zealand.

In the past where circumstances have warranted such a course the charges have been reduced under the authority granted to the Public Trustee in such cases, but the reduction in the commission places the matter on a better basis and makes the smaller charge not one of concession but one of right.

To ensure, however, that the administration of estates of a minimum value shall not become a financial burden the minimum charge has been increased from £2 2s. to £3 3s. The former was in many cases wholly insufficient, and where the latter may be thought too heavy the power to reduce it will be used.

Another important change is one affecting the administration of estates of considerable value. The following table shows the previous scale applicable to the realization of assets and the one which was brought into force as from the 1st January last, from which it will be seen that a reduction of 5s. per cent. has been made after a value of £25,000 has been reached.

Former Scale.	Per Cent.	Amended Scale.	Per Cent.
On first £5,000 ..	$2\frac{1}{2}$	On first £5,000 ..	$2\frac{1}{2}$
On next £5,000 ..	$1\frac{1}{2}$	On next £5,000 ..	$1\frac{1}{2}$
On next £40,000 ..	1	On next £15,000 ..	1
On balance ..	$\frac{3}{4}$	On balance ..	$\frac{3}{4}$

Following upon this reduction in the rates of commission charged on the realization of assets, a reduction was also made in the rates of commission chargeable on assets in excess of £5,000 transferred in kind to beneficiaries. The following table sets out the reduction in this connection:—

Former Scale.	Per Cent.	Amended Scale.	Per Cent.
On the first £5,000 ..	$1\frac{1}{4}$	On the first £5,000 ..	$1\frac{1}{4}$
On the next £5,000 ..	1	On the next £5,000 ..	$\frac{3}{4}$
On balance ..	$\frac{1}{2}$	On the balance ..	$\frac{1}{2}$

It will be seen that a lower rate of commission has been fixed after a value of £5,000 has been reached.

The policy of reducing charges where possible has also been extended to clients seeking advances by way of loans from the Office, and the former scale of fees for the preparation, renewal, extension, or rearrangement of mortgages has been reduced by one-third. This reduction does not affect solicitors entrusted with legal work at the request of clients; they are entitled to charge their usual fees, and the reduced rates will apply only in those cases where the mortgages, &c., are prepared by the Public Trustee.

The Public Trustee's charges now in force compare favourably with those of companies carrying on a similar class of business in New Zealand. Moreover, the scale charges are the maximum and may be reduced in suitable cases.

GOVERNMENT SUPERANNUATION FUNDS.

20. The following table shows the value of the investments and funds administered by the Public Trustee on behalf of the four large Government superannuation funds on the 31st March last and the increase in the value of such investments for the year:—

	Value as at 31st March, 1926.	Increase for Year.
	£	£
National Provident Fund ..	1,380,532	212,695
Public Service Superannuation Fund	2,358,715	122,849
Teachers' Superannuation Fund	1,035,537	60,892
Government Railways Superan- nuation Fund	826,058	121,895
	<u>£5,600,842</u>	<u>£518,331</u>

The Public Trustee attends to the collection of interest on the investments of all of the above-mentioned funds. All moneys not required to meet current claims on the funds are invested in first-class securities as from the 1st of the month following the date the moneys are received, so that the funds are very closely invested. In addition to collecting the interest the Office attends generally to the work of ensuring that the securities are adequately protected. It is therefore necessary for the Public Trustee to see that insurances on securities are kept up to date, that rates and taxes are paid, and that the covenants contained in the mortgages are generally complied with. In the last connection it is frequently necessary to invoke the services of the Office Farm Property Inspectors, while those of the local representatives of the Public Trustee are continuous. No charge is made for arranging new investments, but for the other services of the Office a charge is made of 2½ per cent. on the income collected. With the exception of an occasional charge for services of a very special nature the commission of 2½ per cent. referred to is the only remuneration received by the Office. It will be seen, therefore, that this work is conducted by the Office at a very moderate cost to the respective funds.

There are also four smaller Government superannuation funds administered by the Public Trustee, but all of these are invested in the Common Fund. On the 31st March, 1926, the balances at credit of these funds were—

	£
Civil Service Act, 1908	9,177
Deferred Pay (Naval) Account	25,241
Post and Telegraph Act, 1908	3,345
Public Service Classification and Superannuation Act, 1908, section 31	4,046
	<u>£41,809</u>

LOCAL AUTHORITIES' SUPERANNUATION FUNDS.

21. By regulations prescribed by Order in Council dated the 10th March, 1923, in pursuance of the Local Authorities Superannuation Act, 1908, it is provided that the treasurer of every fund established under that Act shall from time to time, at intervals of not less than one month, pay over to the Public Trustee all moneys deducted from the salaries of contributors to the fund and for the time being in his hands.

The regulations also provide that all moneys so paid over shall form part of the Common Fund of the Public Trust Office, and that on the requisition of the local authority concerned the Public Trustee shall from time to time pay to that local authority such moneys as may be required to meet claims on the fund.

As a medium for the investment of money the Common Fund is eminently suited to the requirements of local authorities' superannuation funds. Contributions to the funds are comparatively small, and they are made at frequent intervals. Then, again, withdrawals for payment of allowances take place frequently, and the retirement of a contributor at short notice may involve a call on the fund for a substantial payment. In view of these circumstances the benefit derived from investment in the Common Fund is obvious from a consideration of the following advantages:—

- (1.) Both capital and interest are guaranteed by the State. There is thus no possibility of loss through depreciation of securities.
- (2.) Interest begins to run immediately an amount is received by the Public Trustee, no matter how small the amount may be. Thus no loss of interest is incurred as a result of the accumulation of funds to invest in a suitable security.
- (3.) Interest earned on moneys at credit is capitalized yearly on the 1st April and thus itself earns interest from that date.
- (4.) Interest is earned on the total amount at credit—no small "broken" amounts lie uninvested.
- (5.) The fund is always "liquid," so that when a call is made on it the cash is available immediately. There is no possibility of having to realize investments at short notice on unfavourable terms.
- (6.) Payments may be made anywhere in New Zealand free of charge.

On the 31st March, 1926, the Public Trustee held £150,904 on behalf of four funds established under the provisions of this Act.

MISCELLANEOUS ACCOUNTS AND FUNDS.

22. The sum of £162,216 was held in the Common Fund on the 31st March, 1926, on behalf of the following miscellaneous accounts and funds:—

New Zealand Sheepowners' Acknowledgment of Debt	£
to British Seamen Fund	60,404
Sundry deposit accounts	4,024
Proceeds of mortgages discharged under section 75 of the Property Law Act, 1908, and under section 117 of the Land Transfer Act, 1915	862
Unclaimed moneys (held pending expiry of statutory period before being paid to the Consolidated Fund)	55,700
Government Fire Insurance Fund	41,226
	<hr/>
	£162,216
	<hr/>

INSURANCE COMPANIES' DEPOSITS.

23. In pursuance of the Insurance Companies Deposits Act, 1921-22, deposits amounting to £1,051,827 (including accrued interest) were held on the 31st March, 1926, on behalf of various insurance companies transacting business in the Dominion. That total included £50,000 deposited by one company which commenced operations in New Zealand during the year, and £32,500 deposited by two companies which extended their operations during the year to classes of business for which additional deposits were required.

These deposits are invested in the Common Fund of the Office, as provided for by the Act.

UNCLAIMED LANDS.

24. Assets and funds held by the Public Trustee on the 31st March, 1926, in connection with the administration of unclaimed lands under Part IV of the Public Trust Office Act, 1908, amounted to £4,275.

UNCLAIMED PROPERTY.

25. The value of unclaimed property under administration by the Public Trustee as at the 31st March, 1926, in pursuance of the provisions of Part III of the Public Trust Office Act, 1908, was £4,073.

TRUSTEE FOR DEBENTURE-HOLDERS.

26. One of the many capacities in which the Public Trustee is appointed to act is that of trustee under deed of trust for the protection of debenture-holders. As at the 31st March last the Public Trustee held the position of trustee in thirty-nine of such cases, the nominal value of the debentures affected by the trusts being £1,145,058.

GOVERNMENT STORES MARINE INSURANCE FUND.

27. By section 21 of the Finance Act of 1924 a Government Stores Marine Insurance Fund was established in order that the Government might assume its own marine-insurance risks on Government stores. One of the provisions of the section referred to is that all moneys belonging to the fund shall be paid to the Public Trustee for investment in the Common Fund of the Public Trust Office pending application as provided for by the statute.

The agreement under which Government stores has been insured expired on the 30th June, 1925, and after that date premiums at a rate fixed by the Minister of Finance became payable to the fund.

The balance held by the Public Trustee in this behalf on the 31st March was £1,495.

REPAYMENT OF THE PUBLIC DEBT ACT, 1925.

28. Section 8 (c) of the Repayment of the Public Debt Act, 1925, provided that the moneys which the Public Trustee previously held on behalf of various Government sinking funds should be capital moneys of the Public Debt Redemption Fund. Accordingly, as at the 1st April, 1925, the balances at credit of those several funds were transferred to the Public Debt Redemption Fund Account in the books of this Office, and the income for the year ended the 31st March, 1926, was paid to the Consolidated Fund in accordance with section 12 of the Act.

The amount held by the Public Trustee on the 31st March, 1926, was £7,966,688.

MUNICIPAL CORPORATIONS' RENEWAL FUNDS.

29. Five Municipal Corporations have exercised the authority to invest in the Common Fund of the Public Trust Office the moneys of their renewal funds established in pursuance of the powers conferred by section 114 of the Municipal Corporations Act, 1920. The amount held on the 31st March on behalf of those Corporations was £29,038.

SINKING FUNDS.

30. The rapid increase in the number and value of local bodies' sinking funds administered by the Public Trustee has been well maintained during the past year. On the 31st March the number of such funds under administration was 1,937, of a total value of £1,625,468. This represents an increase of 339 in number and £364,964 in value for the year.

ADVANCES TO BENEFICIARIES AND TO ESTATES.

31. When the assets in a deceased person's estate are not readily realizable and there is not sufficient money available for prompt payment of debts, death duties, and other charges, and for personal needs of dependants, if the Public Trustee has

been appointed he can make any necessary advances, on the security of the estate assets, without the delay and expense which would be incurred in the arrangement of a mortgage by a private trustee.

Another important advantage of administration by the Public Trustee is in his power to make advances in suitable cases to beneficiaries where payment of their shares may be delayed by insufficiency of liquid funds in the estates, or by other causes not fully foreseen by a testator or a settlor of a trust.

The amount of advances made to estates and to beneficiaries in this connection during the year under review was £99,115, and on the 31st March, 1926, the balance of such advances outstanding was £332,695.

OFFICE RESERVES.

32. The Office reserves on the 31st March, 1926, totalled £621,948, made up as follows:—

	£
Assurance and Reserve Fund	427,346
Investment fluctuation	120,278
Reserves for protection of mortgage securities and provision against possible loss in realization	63,660
General Legal Expenses Account	10,664
	£621,948

COMPARATIVE TABLE INDICATING THE PROGRESS MADE BY THE PUBLIC TRUST OFFICE DURING THE DECENNIAL PERIOD 1917–26.

Year ended 31st March.	Total Value of Estates in Office, including Unrealized Assets.	Funds at Credit of Estates and Accounts.	Interest credited to Estates.	Bonus granted to Estates.*	Gross Income.	Office Reserves.
	£	£	£	£	£	£
1917	15,065,583	8,058,886	287,818	27,000	129,008	295,234
1918	17,153,031	9,004,057	317,633	30,000	162,614	345,871
1919	19,242,347	10,065,027	352,783	33,100	194,452	393,377
1920	20,860,686	11,911,290	420,526	38,000	240,469	418,640
1921	22,364,319	13,918,906	537,890	..	244,090	437,414
1922	25,497,779	15,329,125	556,587	..	220,794†	451,585
1923	28,904,798	17,466,787	642,447	..	246,692	491,775
1924	32,404,724	19,215,388	691,768	..	257,623	541,473
1925	35,570,642	20,864,356	729,666	..	299,439	605,274
1926	38,009,480	24,426,009	832,721	..	282,386	621,948
Increase in preceding 12 months	2,438,838	3,561,653	103,055	..	17,053‡ (Decrease)	16,674

* Since 1920 the bonus has been merged in the increased rate of interest allowed to estates.

† On the 31st March, 1921, the administration of Native estates and funds was transferred to the Native Trustee, thus accounting for the reduced gross income. The estates and funds so transferred were of more than £2,250,000 in value, but in spite of this the value of estates and funds has increased during the five subsequent years at the rate of more than £3,000,000 annually.

‡ The decrease in gross income is accounted for by the substantial concessions made to clients during the year by way of increased rates of interest and reduced charges.

NEW SECURITIES VAULT.

33. In last year's report reference was made to the erection of a new securities vault in the Head Office building in Wellington. The work was completed during the year, and in consequence the safety of the large volume of valuable securities held by the Office is completely assured. The steelwork was manufactured by Messrs. Chubb, and the masonry-work was attended to by the Public Works Department.

STAFF.

34. The principal staff changes during the twelve months ended 31st March, 1926, were—

- (a.) The creation, elsewhere referred to, of the position of Chief Auditor, and the appointment of Mr. A. Purdie, previously Chief Inspector, to that position.
- (b.) The consequential appointments of Mr. A. R. Coad, formerly Assistant Chief Inspector, to be Chief Inspector, and Mr. H. W. S. Pearce, previously Special Administration Officer, Wellington, to be Assistant Chief Inspector.
- (c.) The retirement of Mr. T. D. Kendall, Reviewing Inspector, Christchurch, after thirty-eight years of service with the Department. The district under Mr. Kendall's supervision has now been allocated between two other Reviewing Inspectors.
- (d.) The appointment of Mr. J. Snell, formerly Special Administration Officer, as Controller of the Mortgage Division, in succession to Mr. A. Esam, who has been transferred to the position of officer in charge of the local authorities' loans work.
- (e.) The appointment of the following officers as District Public Trustees in the districts specified :—
- | | | | |
|------------|----|----|------------------------|
| Wellington | .. | .. | Mr. G. E. Miller. |
| Dannevirke | .. | .. | Mr. W. J. Forsyth. |
| Nelson | .. | .. | Mr. J. E. Fitz-Gerald. |
- (f.) Mr. W. M. Egglestone, who previously occupied the position of District Public Trustee for Nelson, was promoted to the position of Reviewing Inspector for the Wellington, Nelson, and Marlborough districts.

It is with deep regret that I record the deaths of the following officers: Mr. C. H. Fletcher, Officer in Charge, Leeston; Mr. R. A. Anson, Clerk, Wellington District Office; Mr. A. E. Thompson, Clerk, Auckland.

During the past year a visit of inspection to each Branch of the Department was made by the Chief Accountant and the Controller of the Estates Division. Each officer of the Branches visited was interviewed, and the nature of the work performed by him investigated. The inspection served a useful purpose, and the information which has been gained as a result of it will be valuable in considering staff matters.

TRAINING-CLASSES.

35. One of the most important problems to be faced in the conduct of a large trust business is the providing of a competent staff to carry out effectively the multifarious duties of a trust officer. The experience of the Office has been that the essence of success in building up its business is to be found in the quality of the service rendered. In a previous report I made mention of the significant fact that large numbers of beneficiaries and others who had had previous dealings with the Office are so satisfied with the manner in which the work has been carried out that they subsequently place their estates under the Public Trustee's control.

Some years ago the Department experienced an acute shortage of trained officers, but since then systematic efforts have been made to fill that need, and at the present time the staff is sufficient in number and quality to meet the demands made upon it. Nevertheless, with the rapid increase in business and the prospects of more rapid development in the future the responsibilities and problems of administration confronting the Office are very great. An officer performing trust work must have not only the requisite technical and general knowledge, but also the personality and other qualities to suit him for the varied character of the work and to deal with the varying types of persons. Such an officer must be interested in his work and in the persons with whom he deals. He must realize the importance of the human element in the administration of estates, and must be able to impart a personal touch to his correspondence, interviews, and general dealings.

It is therefore of first importance that in making appointments to the Office staff there should be selected officers who will be capable of mastering the difficulties and technicalities of the work and will readily adapt themselves to the constantly varying classes of duties which they are called upon to perform.

Special attention is paid to the training of the junior members of the staff. They are encouraged to take an intelligent interest in all phases of the Office operations, and to qualify themselves by undertaking on their own account a course of study which will be useful in their work. In the past, the results of the efforts to recruit additional staff from outside the Service for the positions of administration and accounting clerks have not been very encouraging, and it is realized that the Office must make its own arrangements for the training of a suitable staff to carry on the work in future. Accordingly for some time past there has been in existence a system of training the junior members of the staff in theoretical and practical work.

Until the beginning of 1926 these classes were conducted in the Head Office, but in view of the growing number of cadets and the lack of suitable space in the Head Office building it was decided to transfer the training-classes to Christchurch, where ample accommodation is available in the new building recently opened.

The controlling officers who have hitherto devoted their attention to training-class work in addition to their other duties found that the demands on their time made it difficult to give the work the attention it deserved. It was therefore decided to appoint officers who should be free to devote the whole of their time to the instruction of the juniors. A capable administration officer with legal experience was appointed as Director to control the scheme and to give theoretical instruction. At the same time two Instructors, one qualified in administration and the other in accountancy work, were appointed to undertake the instruction in practical work.

Although the class has been transferred to Christchurch it does not form part of the organization of that office, but is carried on quite independently of it. The practical accounts and administration work are supplied by the Christchurch Branch, but it is performed by the class under the supervision of the Director and the Instructors.

The class was duly opened on the 1st February, 1926, with a personnel of thirty juniors, consisting of cadets with from one to two years' service who had given promise of developing into useful officers.

It has been found that the best method of instruction is that which combines theoretical and practical training. This is the system adopted by the Office. Under it each junior spends part of the day in theoretical work and the rest of his time on practical work. Under the present scheme two courses of lectures will be delivered each year, each course complete in itself and of about five months' duration. The first course is to commence on or about the 15th January of each year and end on the 30th June, while the second course will commence on or about the 15th July and end about the 15th December. The course will comprise a series of lectures upon matters of law and practice which vitally affect the work of the Department, and the instruction given will be very complete. Prior to each course a syllabus of the work to be covered in each subject, with a time-table of the lectures, is drawn up by the Director of Training Classes and submitted to me for my approval.

A strict watch is kept upon the attendance and the progress of the individual cadets so as to ensure that the best results are being obtained from the expenditure incurred. Written examinations are held in each subject at the middle and end of each course, and the examination-papers, with the full reports and comments of the Director or the Instructors, are submitted for my information. Special care is taken to ascertain upon which phase of office-work each cadet is likely to be of greatest service to the Department. Full records are kept at Head Office of the results of the examinations and the capabilities of each member of the class.

The Office can confidently look forward to deriving considerable benefit in the near future from the system of training, and the expenditure involved will be more than recouped by the results obtained.

It is interesting to note that a number of the large trust companies in the United States have felt the difficulty of providing a qualified staff, and have instituted for themselves training schemes in both the theoretical and practical sides of their work.

CONTROL AND DISPOSAL OF ENEMY PROPERTY.

36. The past year has seen considerable progress towards the completion of the duties imposed upon the Public Trustee under the War Regulations, the Treaty of Peace Order, 1920, and its amendments, and the Treaty of Peace (Austria and Hungary) Order, 1924.

I have previously drawn attention to the fact that the duties fell principally under the following headings:—

- (1.) The settlement under the Clearing Office procedure established in terms of Article 296 of the Treaty of Versailles of pre-war debts between British nationals resident in New Zealand and German nationals resident in Germany. To this should be added the settlement of a small number of claims by New Zealand nationals against the German Government in respect of their property in Germany subjected during the war to exceptional war measures.
- (2.) The control and liquidation of the property in New Zealand of nationals of all the ex-enemy Powers with the exception of Turkey.

With regard to the duties comprised under the latter heading, it is interesting to note that the net proceeds of the ex-enemy property retained and liquidated in New Zealand by the Public Trustee as Custodian of Enemy Property, disregarding certain claims by New Zealand nationals chargeable thereon, amounted on the 31st March last to £238,250. Further, up to that date the amounts collected in pursuance of the War Regulations and of the Treaty of Peace Orders previously mentioned which I have been authorized and directed to release to persons whose property is not liable to retention under the relative peace treaties, or to ex-enemy persons in necessitous circumstances by way of compassionate release, or to other persons for sufficient reasons, totalled £118,110, this total not including property handed over in kind.

The progress made towards completion of the work is indicated by the fact that the cash funds and property remaining to be disposed of amount only to £24,646 and £28,137 (approximately). In each of the cases comprised under these headings the finalization of the individual matters depends upon circumstances beyond the Public Trustee's control.

With regard to the settlement of claims falling within the Clearing Office procedure or arising otherwise out of the provisions of the relative peace treaties, I referred in my last report to the absence of any compulsory procedure for securing the final disposal of claims of the former category, but stated that a proposal was then under consideration to confer upon Clearing Offices the right finally to reject claims lodged by the opposing Clearing Office, making it necessary for a claimant to prosecute the claim so rejected before the Anglo-German Mixed Arbitral Tribunal within a limited time, or in default to forgo it. These proposals were duly adopted and took effect as from the 1st May, 1925. The period allowed after final rejection for referring a claim to the Mixed Arbitral Tribunal was fixed at nine months, and consequently the operation of these provisions is not reflected to any marked extent in the statistics for the past year given hereunder. It is anticipated, however, that as a result of the procedure so made available the bulk of the outstanding claims will be finalized during the current year.

Some idea of the progress made to date in regard to claims dealt with by the New Zealand Clearing Office may be gained when it is stated that 216 claims, totalling £53,034, were lodged by British nationals resident in New Zealand against German nationals under the provisions of Article 296 of the Treaty of Versailles, and of these claims only fourteen, totalling £8,031, still remain unsettled. Of the outstanding claims, six, totalling £3,024, have been rejected by the German Clearing Office under the procedure referred to previously. Under the same article of the

treaty the German Clearing Office has forwarded to the New Zealand Clearing Office for investigation and settlement 1,474 claims, totalling £210,975, lodged by German nationals against British nationals resident in New Zealand; but only 283 claims, totalling £16,762, were still outstanding on the 31st March last. Furthermore, of these outstanding claims 240, totalling £7,944, had been finally rejected by this Office. As a result only 43 claims of this description, totalling £8,817, are still under active consideration.

The only other class of claim dealt with by the New Zealand Clearing Office comprises claims by British nationals resident in New Zealand against the German Government under the provisions of Article 297 of the Treaty of Versailles, relating chiefly to claims in respect of property in Germany owned by British subjects resident in New Zealand and subjected by the German authorities during the war to exceptional war measures. Thirteen claims of this description, totalling £52,731, were lodged for settlement, and of them only two claims, amounting to £2,161, remained unsettled on the 31st March last. In the case of one claim an offer of settlement made by the German authorities has been accepted by the claimant, and the claim will be finally settled when a formal award by the Anglo-German Mixed Arbitral Tribunal is secured giving effect to the settlement agreed upon. In regard to the other claim an offer of settlement has been accepted provisionally.

As in previous years, a separate report covering the work done during the year ended 31st March, 1926, will be presented to Parliament by the Hon. the Attorney-General, under whose direction the Public Trustee acts in carrying out the special duties associated with the Clearing Office procedure and the control and disposal of enemy property.

ADMINISTRATION OF ESTATES.

STATISTICS.

37. During the year a total of 3,353 new estates came into the Office. The estates were of the following classification:—

	Number.	Value. £
Wills estates	923	2,192,811
Trust estates	255	636,905
Intestate estates	625	429,352
Mental patients' estates	346	406,444
Miscellaneous	1,204	985,935
	<u>3,353</u>	<u>£4,651,447</u>

The estates closed during the year numbered 1,984. Of these, 509 were closed within twelve months of their being reported.

On the 31st March, 1926, there were 13,087 estates under administration. These are classified as follows:—

	Number.	Value. £
Wills estates	2,972	8,663,960
Trust estates	2,000	6,110,145
Intestate estates	2,134	1,468,542
Mental patients' estates	1,233	1,425,557
Miscellaneous	4,748	20,341,276
	<u>13,087</u>	<u>£38,009,480</u>

ECONOMIC POSITION.

38. Naturally the interdependence of economic interests affects the working of the Office, which in its operations controls such a large volume of investments and acts in a representative capacity in so many spheres of business activity. It is fitting, therefore, to refer briefly to the financial and economic position in reference to the operations for the year now under review. The prosperity of the Dominion is indissolubly bound up with the success or otherwise of its primary products.

In reference to the staple products the satisfactory position which was recorded in my previous report, unfortunately, has not continued to exist. The principal fall was in regard to wool, but the other primary products have also to some extent suffered. The fall in the return from our staple products may be only a passing result of the operation of the economic laws of supply and demand, or it may, on the other hand, exemplify a gradual return to lower prices and conditions more closely approximating those of pre-war days. Viewing the matter in relation to the trend of produce-values generally throughout the world the latter statement probably represents the true position.

Whatever may be the position it is necessary that the greatest attention should be paid immediately to the remedies which lie within the powers of the citizens of the Dominion. They are, in the main, the restriction by traders of importations, particularly of luxuries, and the expansion of production by the primary producers. The increasing tendency which is observed on the part of farmers to recognize the importance of more scientific methods of farming may be confidently expected to assist in the latter respect in the restoration of a proper equilibrium. In this direction the Office is paying strict attention in the leasing, working, and general management of farm properties under its control.

Up to the end of the period under review the Office did not feel to any appreciable degree the effects of the somewhat unfavourable conditions which have been prevailing for some time. Indeed, at the end of this period the position of the Office investments was quite satisfactory when compared with the position at the end of the previous year, when admittedly very favourable conditions prevailed.

Within the Office the policy of economy is being conducted, all waste being prevented, and all unnecessary expenditure eliminated.

NEW BUSINESS.

39. The greatest tribute to the quality of the service rendered by the Office is contained in the ever-increasing amount of business reported to it from year to year. The past year has been a particularly satisfactory period in this respect, the increases reported over previous years being well sustained, both as to the number, quality, and value of the new estates reported for administration. It is pleasing to see that the new business alone reported during the past year was practically equal in amount to the whole of the estates and funds under administration by the Public Trustee on the 31st March, 1907, a comparison which shows in a striking manner the rapid growth of the Office.

While an essential feature of the Office is rightly the administration of estates of small value at the minimum cost to the beneficiaries concerned, it nevertheless continues to attract the notice of well-to-do members of the community, who are favourably impressed with the efficient service rendered and the security provided. This is evidenced by the increasing number of valuable estates which are reported for administration, and by the large number of wills held on deposit for wealthy citizens of prominence in all phases of activity—farming, professional, commercial, manufacturing, and otherwise.

The numerous cases where beneficiaries of estates which have been administered by the Office have subsequently appointed the Public Trustee executor and trustee of their own wills are also pleasing testimony to the manner in which it performs the work entrusted to it. As time passes the Office is building up a large personal connection, and with it a very valuable goodwill founded upon satisfaction with the services rendered on previous occasions. This augurs well for the future, and the healthy development of Office activities may be confidently expected.

It is urged by some of the competitors of the Office that its administration is official, and that it lacks "the personal touch." In my report for last year I stressed the importance of the human element in trust and administration work, and briefly referred to the methods adopted by the Office to establish and maintain close personal contact with the beneficiaries and other interested parties. This is done not only in the interviews with them, but in the carrying-on of the correspondence generally. In training its junior officers these special features are kept constantly before them.

The machinery and organization of the Public Trust Office are much more extensive than that of any other concern conducting similar business in the Dominion, and it has offices or representatives in a very large number of centres throughout the country. The result is that clients are assured of personal attention no matter where they may reside, and even though they may move from one part of the Dominion to another they may conveniently consult an Office representative and obtain the benefit of his advice and assistance. It will be readily seen, therefore, that the suggestions which have been made to discredit the Office administration are wholly unjustified, and that those who deal with it receive close personal attention from qualified officers.

TRANSFERS FROM PRIVATE TRUSTEES.

40. A noticeable feature of new estates reported for acceptance is the number that are being transferred from private trustees.

For one reason or another many persons who undertake trusteeships find it necessary subsequently to be relieved of their duties. Some do so for health reasons; others find that their own business does not leave them time enough, or energy enough, to conduct other people's affairs. There are others who have an uneasy feeling that they have not the necessary experience for the proper performance of the duties appertaining to trusteeship.

Whenever from any cause private trustees desire to be relieved from their duties the Public Trustee can be readily appointed in their place.

ASSETS.

41. The estate business of the Public Trust Office is now so large that the assets handled by the Public Trustee are of a very varied nature. It is easy to realize that in a large trust and administration business like that of the Public Trust Office the interests controlled will be almost as varied in their range as the property and beneficial interests of the members of the community in which the operations are carried on.

Rural Property. The Public Trustee has under his management a large number of rural properties, and each year brings an increase in these. In some cases, for various reasons, farming operations are actively carried on on behalf of estates. No pains are spared by the Office to see that the best results are obtained. Competent managers are selected, and the advice of the Departmental Farm Inspectors, or of outside experts where necessary, is freely availed of. Proper systems of recording and accounting and careful checks are put into operation, so that beneficiaries can rely upon their interests being scrupulously safeguarded.

Of course, by far the largest number of the country properties are leased. In arranging leases it is the aim of the Public Trustee to secure the maximum return from the properties controlled by him, and at the same time to maintain, or if practicable to enhance, their earning-capacity. Appropriate conditions to be inserted in leases receive careful consideration, and the needs of a particular locality and each individual property are borne in mind. Modern methods of husbandry and the advantages of top-dressing, &c., are fully realized, and every effort is made to ensure that the estates shall gain the benefit of these.

Close attention is devoted to subdivision of large holdings of the better-class land, for by intensive working of reduced areas larger yields can be obtained by the occupiers and, as a result, greater returns secured for the estates by way of increased rentals.

It has been said that in certain classes of land requiring special treatment, such as scrub-cutting, draining, keeping down fern and other rank noxious growth, or special methods of cultivation, the term of five or even seven years usually granted by trustees is too short a period to enable lessees to do what is required to keep up the earning-capacity of the properties they occupy and at the same time to yield them an encouraging return for the expenditure involved. Furthermore, it is urged that grants and concessions to assist in development-work should be more freely made by the Public Trustee. Many of those who make these charges do not appreciate the true relationship of a trustee to the

estates under his control. Unlike an absolute owner, the duty of a trustee is to those for whom he acts. As a general rule, an owner of property may, in the exercise of his right of ownership, handle it as he thinks best, subject, of course, to the limitations of the law contained in the well-known legal maxim, *Sic utere tuo ut alienum non lædas*—so use your own property as not to injure that of another person. On the other hand, a person acting in a fiduciary capacity is of necessity restricted in the manner in which he can deal with trust property. An owner can make to his tenants what concessions he deems advisable, but a trustee is administering the trust estate for the benefit of beneficiaries who are often wholly dependent upon the income which it produces and whose wishes must as far as possible be given effect to where the revenue to which they are entitled is concerned.

These beneficiaries are often unable to permit much to be spent in improvements, and so long as the earning-power is not permitted to deteriorate they cannot be induced to incur additional expenditure, even though it may eventually bring them a greater return. Quite apart from legal restrictions, concessions to tenants for desirable improvements are thus frequently not possible.

As to the extending of the period for granting leases to enable a lessee to recoup himself for expenditure of the nature already referred to, this also is often not possible, and it is usually inadvisable to burden trust property with leases for a long period. It is conceded that unless some encouragement is offered tenants will do no more than is absolutely necessary, so that in the long-run the trust property may suffer. Each individual case is considered on its merits and the surrounding facts and circumstances carefully scrutinized, so that wherever it is possible and justifiable for any of the foregoing suggestions to be given effect to proper action is taken.

Town Properties.—Valuable residential and business properties are also dealt with in large numbers. These present a series of problems more or less peculiar to themselves and largely differing from those affecting rural holdings. In the principal centres the Public Trustee has employed Property Inspectors to assist him in the management of these properties. These Inspectors are qualified to give reliable information as to valuations, letting-values, and the like; to supervise tenancies and repairs, conduct inspections, and generally to see that the properties dealt with are receiving proper attention. The question of repairs receives most careful consideration to ensure that not only is the expenditure kept to a minimum consistent with proper preservation, but that fair value is obtained for the outlay.

Repairs.—In order to remove a misunderstanding which is found to exist from time to time it is necessary to refer to one matter in connection with the management of property—namely, that of repairs. It is frequently alleged against the Public Trustee as well as other trustees that insufficient is spent on repairs. As I have already pointed out, a trustee is bound to administer a trust property for the benefit of the beneficiaries to whom he owes his first duty in the management of such property. He should see that the best return possible is obtained from it, and in doing so must necessarily arrange that the outlay in repairs, upkeep, &c., is kept at a minimum consistent with the maintenance of the property. It is true that a number of properties in an unsatisfactory condition pass through the Public Trustee's hands from time to time, but in carrying on a large trust business this is only to be expected. There would be no justification, even in cases where he could do so, for his refusing to act merely because properties were in an unsatisfactory state of repair or poor condition, and, furthermore, if he did not administer, some one else would have to do so. In a large number of cases such as mental patient and convict estates the Public Trustee is bound to act. He can deal with properties only as he finds them and as the circumstances of each particular estate will permit. Tenants and those who make representations on their behalf too often see only the tenants' side of the case and fail to grasp the position in which the Public Trustee, or, indeed, any trustee in like circumstances, finds himself. Often a trustee has under his control properties which if he were the absolute owner thereof he would dispose of or extensively improve or renovate. It is, however, a different case where he is acting in a fiduciary capacity—he must faithfully carry out the trust he has undertaken.

REALIZATIONS.

42. The past year has not been a prosperous one for those engaged in our primary industries, and, of course, this has been reflected in trade and commerce generally. The uncertainty of the markets for our primary products continued to have a depressing effect on business and to discourage the outlook of business men.

One result of this uncertainty has been that greater difficulty has been experienced in the realization of assets. The conditions of the share-market are referred to later in this report.

The realization of freehold and leasehold interests in land has been particularly difficult and has considerably hampered the administration of a number of estates. On the one hand the Public Trustee, in common with other trustees, has been concerned with his duty as trustee to secure the best prices possible, and on the other has been confronted with the exigencies of the estates and the necessities of the beneficiaries. In most cases where sales have been effected liberal terms have had to be allowed if satisfactory prices were to be forthcoming, and even with easy terms the sale of a number of farming and other properties has hung fire.

It is sometimes urged that terms should be granted in a greater number of cases, but those who make these suggestions fail to appreciate the Public Trustee's position. Subject to the usual legal obligations, to the rights of creditors, and to specified trusts in certain cases, the wishes of the beneficiaries and other interested parties must receive paramount consideration by the Office in dealing with the assets under its management.

It will be readily seen that in numbers of instances beneficiaries naturally require an early payment of what is due to them and are not prepared to have this delayed by allowing an extensive period for the settlement of the purchase-money; they prefer to have their benefit now rather than wait for it for a number of years. Where he can legally do so and the beneficiaries desire it, if he is satisfied that such a course is justified, the Public Trustee arranges suitable terms, but in doing this takes the precaution, whenever possible, to collect a deposit sufficiently large to make the completion of the purchase more assured and the security for the outstanding balance more satisfactory.

SHARE-MARKET.

43. The joint-stock company or the limited liability company is a very common form of organization in modern industry, and therefore it is to be expected that shareholdings in public and private companies constitute one of the most important classes of assets handled by the Public Trustee. As a result of the rapid growth of the Office during recent years he has been brought into very close touch with the share-market, for with constantly increasing numbers of estates and interests entrusted to his control he now holds shares in almost every company in the Dominion and in a large number of companies and trading concerns throughout the British Empire and elsewhere.

Accordingly he is called upon to deal with questions of realization or retention, the taking-up of new issues, and generally all matters pertaining to shareholdings.

Shares are not an authorized trustee investment, and therefore, apart from special provisions in a trust instrument, it is the strict duty of a trustee without delay to convert shareholdings into authorized investments.

In a number of cases shares are held in sound companies returning regularly a good dividend, and interested parties are often anxious to retain them as an investment of the trust estate in which they are interested. If proper indemnities or other safeguards are forthcoming, then in cases where it can be done effect is given to the wishes of the interested parties.

Shares require special consideration, and so in order to determine questions involving realization, or retention in those cases where the beneficiaries are anxious that an existing investment shall not be disturbed, close and constant study of the Stock Exchange with its daily fluctuations and special conditions has to be made.

As the shareholdings of the Public Trustee are so large it is not out of place to make in this report some reference to the share-market and the conditions which in his extensive dealings he has found to exist during the past year. The financial conditions have on the whole been fairly satisfactory. The high prices which obtained for primary products for the two or three preceding years had restored the balance of trade, and the share-market received attention from investors. Unfortunately, the improved conditions did not continue throughout the year. As has been pointed out elsewhere in this report, the prices of primary products have now fallen very considerably, and the balance of trade for the past year has been adversely affected. It is felt that new financial difficulties will present themselves during the coming winter, and the share-market will react in sympathy with the changed conditions.

The changing financial barometer is carefully watched, and every endeavour is made to enable estates to secure the greatest gain from the realization or retention of investments. As has been mentioned on previous occasions, the Public Trustee has the benefit of the services of the Financial Adviser, whose expert advice is available in considering dealings in shares as well as general financial and commercial matters.

INTESTATE ESTATES.

44. With the advance of knowledge on the subject there is not the same reluctance to make wills as formerly existed. As a consequence the number of persons dying intestate is gradually decreasing.

There seems to be a widespread idea that when a person dies intestate the Public Trustee or the Crown takes one-third of the estate before any distribution is made to the next-of-kin. This erroneous opinion is so frequently encountered that I deem it advisable to refer to it in this report. There is no justification whatsoever for it, for no more is charged by the Public Trustee for the administration of an intestate estate and no more death duties are payable to the Crown than if the intestate had made a will disposing of his estate in the manner in which it devolves under the law governing the distribution of intestate estates. Of course, where a person dies intestate and no next-of-kin can be traced, then the balance of the estate goes to the Crown as *bona vacantia*.

Reference has been made earlier in this report to the important changes which have recently been made in the law of England as to the distribution of intestate estates.

MENTAL PATIENT ESTATES.

45. The estates of persons committed to mental hospitals in New Zealand are by statute placed in the Public Trust Office in cases where no committee is appointed by the Supreme Court. Where a private committee is appointed he is obliged to render to the Public Trustee an annual statement of account of his administration.

During the past year 346 mental patient estates, valued at £406,444, were reported for administration.

AGED AND INFIRM PERSONS PROTECTION ACT.

46. The provisions of the Aged and Infirm Persons Protection Act are still being largely availed of in suitable circumstances, and in a number of cases the Public Trustee has been appointed manager. The special provisions of the Act have been dealt with in previous reports, and during the past year nothing of special interest has arisen in connection with the administration of these estates.

AGENCIES.

47. The Public Trustee is empowered to act as attorney or agent. Persons resident in New Zealand or elsewhere who by reason of health, absence from the Dominion, or other causes are unable to conduct the management of their affairs are thus enabled to entrust them to the Public Trustee. As I have pointed out on previous occasions, agency work is steadily increasing. In a number of cases the Public Trustee has acted as agent for wealthy principals for very long periods.

RESEALING.

48. In the new business reported from time to time is included a considerable amount of administration work on behalf of persons who reside outside New Zealand. Whilst obviously the Office operations are carried on chiefly with persons resident in New Zealand, applications are increasingly being received from those resident abroad for the Public Trustee to act in regard to assets situated here.

The Public Trustee acts in resealing a foreign grant of probate or administration to enable New Zealand assets to be dealt with, or, if it is necessary, in obtaining a fresh grant by the New Zealand Courts. The organization of the Office is admirably adapted for this kind of work. The Public Trustee has in his employ a large number of officers skilled in questions of domicile, the incidence of death and succession duties and other charges in various jurisdictions, so that all kinds of administration work may be promptly and efficiently handled.

The reciprocal services rendered by the Public Trustee and the various officials who perform similar functions in other jurisdictions are important and are of considerable assistance to the Office and to them.

ADMINISTRATION ABROAD.

49. In the course of administration a large number of estates are possessed of assets outside of this country. Of course, the New Zealand grants of probate or administration have no effect beyond the Dominion. When the Public Trustee is required to administer and deal with assets of an estate situated beyond New Zealand he employs suitable officials or persons resident in the foreign jurisdictions wherein such assets are situated to enable the necessary grant of administration to be obtained and to account to him as principal administrator. In such cases the Office has adopted the practice of instructing public officials endowed by the law of their respective countries or states with the power of administering deceased persons' estates in those jurisdictions, unless there is some good and sufficient reason why some other person should be employed.

As I have previously pointed out, there is close co-operation between the Public Trustee of New Zealand and the various State officials in Australia, and the Public Trustee, London. A large proportion of the business transacted in the United Kingdom is done through the High Commissioner for this Dominion in London, whose officers have now had a long experience in this class of work. The arrangement works very satisfactorily and is found to be a great convenience to clients and others resident in England and on the Continent. There are, however, numerous cases where for one reason or another it is necessary or advisable to employ the Public Trustee, London, or independent legal practitioners.

In determining who shall be employed to complete administration abroad the Office takes into account all the facts of the case. Where, for example, a reputable practitioner acted during the deceased's lifetime, or where the beneficiaries for some good reason desire the employment of some special person, effect is given to such considerations wherever possible.

CONVICTS.

50. As I have already intimated on previous occasions, the Public Trustee administers the estates of all convicts in New Zealand, other than Natives within the meaning of the Native Land Act, 1909. Section 55 of the Prisons Act, 1908, vests in the Governor-General power of appointment of an administrator for each convict's estate. By virtue of this power the Governor-General has executed a general appointment appointing the Public Trustee administrator of all convicts' estates, except those of Natives, as indicated above. In addition to the persons included in the term "convict" in the Prisons Act, 1908, by section 24 of the Crimes Amendment Act, 1910, persons sentenced to reformatory detention for any period are deemed to be convicts, and therefore the administration of the estates of these persons devolves upon the Public Trustee. There is nothing of special interest to record in connection with the administration of convicts' estates for the year now under review.

INFANTS' SHARES.

51. By subsections (2), (3), and (4) of section 17 of the Public Trust Office Amendment Act, 1913, an executor or administrator or trustee may pay into the Public Trust Office any share or legacy payable to an infant. By this means such executors, administrators, or trustees desirous of closing the administration may do so and thus not have it drawn out until such infant comes of age, perhaps many years hence. The simple procedure laid down in section 17 of the Amendment Act, 1913, and section 57 of the Amendment Act, 1921, is all that is necessary to vest such share or legacy in the Public Trustee. The statutory provision is being made use of by executors, administrators, and trustees in a large number of cases.

It is a matter of interest to see that a similar provision has been included in the Trustee Act, 1925 (N.S.W.). Previously where money was held in trust for an infant or for a person who could not give a good discharge or could not be found, it was necessary to pay such moneys into Court, and in small sums the cost of payment in and out would in many cases absorb the greater part of such sum. To get over this difficulty it is provided by section 47 that in such a case a trustee may pay the money to the Public Trustee, Sydney, and furnish a copy of the trust instrument, or if there be no such instrument, a statutory declaration embodying the effect of the trust. The Public Trustee shall thereupon hold such moneys for the person entitled.

LIFE-INSURANCE MONEYS.

52. In the present age life insurance has come to be a very common form of saving, or of making provision for old age, dependants, &c. In administering estates life policies are amongst the most frequent assets, and therefore matters in regard to life-insurance moneys are of very great interest to the Public Trustee and others engaged in trustee and administration work. Last session the Legislature passed the "Life Insurance Amendment" Act, which contains three important amendments to the Life Insurance Act of 1908. By sections 65 and 66 of the Life Insurance Act, 1908, life policies of certain descriptions are accorded absolute protection from liability for payment of the insured person's debts in the event of his death or bankruptcy. In a recent decision by the Court of Appeal in the *National Bank v. Official Assignee of the Estate of Claridge* (1925 N.Z. L.R. 305) it was held that where a policyholder had transferred his policy to a bank as security for a loan he had ceased to be a policyholder within the meaning of the provisions referred to. It followed from this decision that a policyholder by transferring or assigning a policy as security would lose the benefit sought to be conferred upon him on bankruptcy or upon the beneficiaries entitled to the life-policy moneys on his death. With a view to remedying this defect section 3 of the Life Insurance Amendment Act, 1925, provides that sections 65 and 66 of the principal Act shall operate as follows:—

- (a.) Where the policyholder as defined by section 41 of the principal Act is the person insured, then for the protection of that person or of his estate.
- (b.) Where the policyholder as defined by section 41 is the wife, or husband, or a lineal ancestor or descendant of the person insured, then for the protection of all or any such persons (including the person insured) and of their estates to the extent of their several interests (if any) in the policy.
- (c.) Where, in any case to which the last preceding paragraph is not applicable, the policyholder as defined by the said section 41 is a person to whom the policy has been mortgaged, transferred, assigned, or otherwise disposed of, then for the protection of the person insured, or of the wife or husband, or of any lineal ancestor or descendant of the person insured, to the extent of any residual or other interest that any such person may have in the policy.

Section 2 of the same Act previously defined the expression "person insured" as "person on the contingencies of whose life the terms of any policy as defined by Part II of the principal Act are dependent."

It is to be noted that the amendment does not affect the validity of a policy as security, but relates only to its protection in the event of bankruptcy or death.

Section 4 of the amending Act repeals subsections (1) and (2) of section 66 of the main Act, which section was imperfect in form, and it more clearly defines the policies to which the protection referred to extends. The protection is limited to policies dependent on accident, sickness, death, or other contingencies of life, but the following classes of policies coming within this description are excepted from the protection conferred:—

- (a.) Policies certainly payable at the end of a shorter term than seven years :
- (b.) Policies in respect of which the premiums are payable at longer intervals than one year, or are payable by unequal instalments, unless in either case the policy has actually been in force for at least seven years :
- (c.) Any policy in respect of which the premiums are not payable during the continuation of the policy, or a term of seven years at least, unless in either case the policy has actually been in force at least seven years.

It will be observed that except in the first instance policies of the description referred to which have actually been in force for seven years at the date of bankruptcy or death are fully protected.

The foregoing statement is, of course, to be read subject to the provisions of subsection (3) of section 66 of the principal Act, which limits the protection conferred by sections 65 and 66 to an amount of £2,000, together with accrued or allotted profits, or, in the case of annuities, to the annual sum of £104.

Section 5, the remaining provision in the Act, empowers an insurance company to transfer a policy on the death of the policyholder (not being the person insured) to any person who satisfactorily establishes his right to receive the policy, without requiring probate or letters of administration. This power is restricted, however, to policies in respect of which the premiums paid do not exceed the sum of £200, or where the sum payable, exclusive of bonuses, does not exceed that sum.

Death Duties Amendment Act, 1925.—Another recent statutory enactment bearing upon insurance policies as estate assets is contained in the Death Duties Amendment Act, 1925. By section 2 of that Act the proceeds of insurance policies comprised in any estate (whether or not the deceased was the person insured therein) are exempted from estate duty up to a maximum of £1,000. The rate of estate duty payable by the estate is nevertheless determined without reference to this deduction: in other words, although life-policy money up to £1,000 is free from estate duty, yet in determining what rate of duty an estate will pay under the graduated scale appended to the Death Duties Act, 1921, such life-policy money is included in the dutiable balance. Take, for example, an estate where the net balance is £7,000, made up of general assets (£6,000) and life-policy money (£1,000). In order to determine the rate of estate duty the estate is regarded as valued at £7,000, so that 5 per cent. is payable. Such rate, however, is levied only on £6,000, thus exempting the proceeds of the life policy from the impost.

It will be seen that the policy of the Legislature has been to confer considerable privileges in regard to life-insurance policies. By virtue of these provisions the insurance policy presents a convenient method of ensuring future provision for dependants.

Such provisions are another example of the attention paid by modern legislation to the social conditions and requirements of our time.

SHARES OF MISSING BENEFICIARIES.

53. A matter of considerable importance in the administration of estates is the tracing of missing beneficiaries and dealing with the shares of persons who cannot be traced. The extensive machinery of the Office enables it to prosecute expeditiously and effectively inquiries in regard to missing beneficiaries. It has

had a long experience in this class of work which it is able to apply to good advantage. The Public Trustee has representatives all over the Dominion, and recognized officials and others act as agent for him in various centres abroad. By utilizing the Office organization, by means of advertising, and the assistance of Consular Agents and other officials inquiries can be promptly conducted.

It frequently happens at the time of distribution in a trust estate that a share has been given to a person whose address is then unknown or of whom there is no information as to whether such person be dead or alive. In the case of intestacy, too, there may be no information as to the survival or the whereabouts of a relative who, if surviving the intestate, would according to the statutes governing the distribution of intestate estates be entitled to participate in the residue. In estates under administration by the Public Trustee where either of these circumstances arises recourse to section 25 of the Public Trust Office Amendment Act, 1913, may be economically and conveniently had. This section provides that where any part of an estate cannot be distributed by reason of the fact that it is not known to the Public Trustee whether the person entitled thereto is alive or dead, or where that person is, the Public Trustee may apply to the Supreme Court for directions in accordance with the section. Upon consideration of such a petition the Judge directs what advertisements are to be issued calling upon the person concerned to make a claim within a time specified in the order. After this condition has been complied with, and provided that the person concerned, or others claiming through such person, have not sent in a claim, the Judge has power to authorize the Public Trustee to distribute the estate, or the relative part of it, disregarding the claims of that person and all persons claiming through him or her. The Judge may, if he thinks fit, direct that such order shall not be acted upon for any period not exceeding one year from the date of the order, and may further require it to be advertised during that period.

It is important to note that the section does not prejudice or affect in any way the right of the person in question or those claiming through him to follow the estate or any relative part of it into the hands of persons receiving it under a distribution authorized in accordance with the section.

The usefulness of the procedure so provided is exemplified by the numerous applications which are made in pursuance of it. It is necessary to explain, however, that the machinery set up by it is not put in motion until thorough inquiries have first been made through the usual channels and in the manner suggested by the circumstances of each particular case.

CLAIMS UNDER THE WORKERS' COMPENSATION ACT, 1922.

54. The Public Trustee's interest in claims under the above Act may arise—

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

As Employer.—The Public Trustee in his corporate capacity as the legal representative of a deceased person's estate may be an employer of labour and liable under the Act to pay compensation. As has been pointed out in the report of Departmental Committee on Workmen's Compensation under the Chairmanship of Holman Gregory, Esq., K.C., and presented to the Imperial Parliament in

1922, the Act presents an important practical problem how to ensure financial certainty, prompt payment of claims, and avoidance of friction at a reasonable cost. The Act provides no guarantee that compensation will in fact be paid on the one hand, or, on the other hand, that the employer will not be seriously affected by the incidence of an award for compensation. This twofold disadvantage is generally avoided by the practice of employers insuring against the risk. The Public Trustee as an employer in connection with estates administered by him is insured by the State Fire and Accident Insurance Department against claims under the Act, as also against claims under the Deaths by Accident Compensation Act, 1908, or at common law, or otherwise; and in accordance with the conditions of the policy it is his duty, in case of an accident within the terms of the policy, to transmit notice of the accident and all available particulars to the insurer as soon as possible. The object of such insurance is, of course, not to insure that the valid rights under the Act of an injured worker or his dependants will be effectively recognized by payment, but that the estate out of whose administration the claim arose is effectively protected against the incidence of a claim.

As Representative of a Deceased Employer.—Where a right for compensation has accrued due prior to the death of the employer a claim may be enforced against the deceased employer's legal representative. The Public Trustee's position in this case is different from his position in the case last considered. There he is primarily liable though he has a right to be indemnified out of the assets of the estate. In the latter case, however, he merely represents the deceased employer, and is liable only to the extent of the assets of the estate.

As Representative of a Deceased Worker.—The cases where the death of a worker is caused by an accident arising out of and in the course of his employment are naturally more numerous than those where an employer dies against whom a claim for compensation is pending. Though provision is made in the Act that if a deceased worker has no representative, or if proceedings are not taken by the representative within three months after the death of the worker, the proceedings may be taken by the dependants, it is the duty of the representative, where there is one, to prosecute a claim for compensation if there are reasonable grounds and he is protected for the costs of the action.

The prosecution of such a claim involves an inquiry whether the conditions precedent to liability exist, the most important of these being (a) the causes of the accident, and (b) the existence of dependants.

Inquiry is made with regard to each estate administered by the Public Trustee where the death was caused directly or indirectly by accident. It frequently happens that the immediate cause of death has been a disease, but this disease may have been accelerated by an accident. In one case a claim for compensation was established where a worker died from a disease brought on by an accident which occurred some twelve years previously.

When it is ascertained that the death was due to accident a copy of the inquest depositions is obtained if an inquest has been held, and a report is obtained from the local officer administering the estate as to the various circumstances and conditions requisite to support a claim.

A search for dependants frequently involves inquiries outside New Zealand, which may extend over a period of several months. It is provided by the Act that an action for compensation must be commenced within six months from the date of death. If the action is not commenced within that time the failure may be excused by the Court if due to absence from New Zealand or any other reasonable cause. The application is frequently made in such cases to the employer for an extension of time for the commencement of legal proceedings pending inquiries as to whether the deceased person left any dependants.

As Statutory Administrator under the Mental Defectives Act.—The condition of a mental patient is sometimes due to an accident arising out of and in the course of his employment, and, moreover, even though the mental infirmity was not caused by accident there would be a claim for compensation if the patient was incapacitated by accident at the time his mind became impaired.

As Custodian of Compensation-moneys Payable to a Person under Disability.—When any moneys are payable under the Act to a person under the age of twenty-one years, or of unsound mind, or under any other legal disability, the Court may

order either that the money shall be paid to that person himself or to any other person on his behalf, or that it shall be paid into Court to be dealt with for the benefit of the person entitled thereto in such manner as to the Court seems fit.

In the case of a person of unsound mind where the Public Trustee is statutory administrator the moneys are paid to him in that capacity. In the case of a minor where the claim is settled by agreement—in which case it is not binding unless it is in writing and approved by a Magistrate—the general practice of the Magistrates is to order payment to the Public Trustee until the beneficiary attains twenty-one years, with power in the meantime to apply the moneys for the benefit of the person entitled.

As Statutory Custodian.—Unless the Court otherwise orders, the Act directs payment to the Public Trustee of all compensation-moneys due in respect of the death of a worker, pending an order of the Court disposing of or apportioning them. Where the Public Trustee is also administrator the moneys are paid to him in his capacity as statutory custodian and not as the representative of the deceased worker.

As statutory custodian it is the Public Trustee's duty to report to and advise the Court as to the best method of apportioning the moneys amongst the various dependants or of otherwise applying such moneys.

His duty as statutory custodian applies, therefore, whether he is or is not the legal representative of the deceased person in respect of whose death the compensation-moneys were paid. His duty is to make full inquiry in regard to the dependants, their circumstances, age, state of health, earning-power, and any other information required by the Court to enable it to decide as to the apportionment and application of the said moneys. Where the application for apportionment is made by the Public Trustee this information is set out in an affidavit, but where the application is made by some one other than the Public Trustee the information is supplied in the form of a report by the Public Trustee to the Court, which report contains a recommendation as to the method of apportionment. Various schemes of apportionment have been devised by the Court to suit the needs of the dependants. As a rule in the case of a widow and young children, the widow will receive one-third share of the compensation-moneys, either in a lump sum, or her share may be impressed with a trust to be held by the Public Trustee and applied for her benefit at his discretion, the remaining two-thirds being held by the Public Trustee as a class fund and applied, in his discretion, for the benefit of the infant children. If any compensation-moneys remain in the hands of the Public Trustee when all the dependants come of age they may agree amongst themselves as to the division of such moneys; otherwise a further application to the Court is necessary.

It frequently happens that a widow desires a home to be purchased for herself and the children. Before the purchase is sanctioned a full report is supplied to the Court by the Public Trustee as to the condition of the property, its estimated value, and its suitability for the purpose. A purchase is usually arranged under Court authority by applying the widow's share as a cash payment, the balance being advanced to the widow on mortgage out of the share held on behalf of the infant children, the mortgage containing a provision that so long as the widow maintains the children to the satisfaction of the Public Trustee no interest shall be charged.

During the period under review the number of applications for apportionments made by the Public Trustee was forty-five. In addition, a considerable number of such applications were made by private solicitors, in which case a report by the Public Trustee was filed.

CLAIMS UNDER THE DEATHS BY ACCIDENT COMPENSATION ACT, 1908.

55. This Act gives a right to damages where the death of a person is caused by wrongful act, neglect, or default, and the wrongful act, neglect, or default is such that it would (if death had not ensued) have entitled the party injured to maintain an action.

In certain circumstances the relative for whose benefit the Act makes provision may bring the action, but otherwise it must be brought by and in the name of the

deceased's legal representative. Where, therefore, the Public Trustee is the legal representative of a deceased person he has also a duty to satisfy himself whether the death of the person whose estate he is administering was caused under circumstances which create a right of action for damages, and whether the deceased person's relatives have suffered pecuniary loss as a result of his death.

Where a claim exists under the Workers' Compensation Act or under the Deaths by Accident Compensation Act it is usual to enforce the claim which will result in the greater benefit. Compensation and damages cannot both be recovered, but the dependants are entitled to whichever amount is the greater.

The Public Trustee is not, as he is in the case of compensation moneys, the statutory custodian of moneys paid to satisfy a claim or judgment for damages, except in the case of money or damages received or awarded in any cause or matter in which money or damages is claimed on behalf of an infant or person of unsound mind. Where there is more than one dependant the damages awarded must be apportioned between the dependants. If the Court has not apportioned them it is the duty of the plaintiff—usually the legal representative—in the action to make application to the Supreme Court for an apportionment-order. If there is a sole dependant *sui juris* such dependant is entitled to payment. If a dependant is an infant or person of unsound mind such dependant's share must be paid to the Public Trustee.

The Public Trustee, for the period under review, instituted three such actions, two of which were successful. The third has not yet been disposed of.

CHARITABLE AND PUBLIC TRUSTS.

56. The special advantages of corporate trusteeship have been referred to elsewhere in this report. In no phase of trust work is it more advantageous than in the administration of charitable funds. Accordingly the Public Trustee is frequently called upon to administer trusts of a charitable nature or of more or less public benefit. The more important of those under administration at present are the following:—

Kaitangata Relief Fund.—The oldest relief fund under active administration is the Kaitangata Relief Fund, the origin of which has been explained at length in previous reports. The control of this fund was finally transferred to the Public Trust Office by the Kaitangata Relief Fund Transfer Act, 1892, which declared that any surplus funds after providing for the original beneficiaries should be available for the relief of the dependants of coal-miners who might lose their lives in subsequent mining accidents in New Zealand.

There is now only one person dependent upon the fund, and during recent years there has been some suggestion that the surplus funds, after making provision for the sole remaining beneficiary, should be distributed amongst the descendants of the victims of the original disaster. During the past year two petitions were laid before Parliament asking for the distribution or extended application of the surplus funds. In view, however, of the provisions of the Act of 1892 amending legislation would be required to enable a distribution to be made otherwise than in the manner provided by that Act.

On the 31st March, 1926, the balance at credit of the fund was £3,790, an increase of £86 for the year under review.

Brunner Disaster Fund.—The history of this well-known fund has been set out in detail in previous reports. On the 31st March, 1925, the fund amounted to £2,444. During the past twelve months eighteen beneficiaries have received payments totalling £515, and after crediting interest allowed by the Office the fund had been reduced on the 31st March, 1926, to £2,042. It will be seen that this fund is rapidly diminishing, and at the present rate of allowances will be exhausted within the next few years.

Carterton Home for Aged Poor Men.—The late Mr. Charles Rooking Carter, a resident of Carterton, who died in 1896, made generous provision in his will for the establishment of a home for aged poor men in the Carterton district. He directed that a valuable block of land, containing about 2,186 acres, near the town, and the sum of £2,500, should be set aside and the rents and proceeds thereof applied

in the erecting, establishing, and managing of a suitable home. When the trust had been in operation for some time it was found that the objects of the testator's bounty were too restricted. Carterton is a prosperous district, and there were frequently no indigent persons eligible for admission to the institution. Accordingly, in 1916 legislation was passed extending the area within which applicants for admission must have resided so that it would include the whole of the Wairarapa Electorate as it existed in 1896. At the same time provision was made whereby the wives of eligible aged poor men could also be admitted. This legislation also extended the Public Trustee's power of leasing the endowment lands.

This trust property has been subdivided and is subject to a number of leases. The Public Trustee as trustee of the estate attends to the collection of the rents and the general management and running of the properties. In accordance with the benefactor's directions the home is controlled by a committee comprising the Mayor for the time being of the Borough of Carterton, the Vicar of the Parish of Carterton, and three members of the Borough Council elected annually by ballot of the said Council. On being satisfied that the provisions of the will are being complied with the Public Trustee pays over such funds as are required for the maintenance of the Home.

Kirkpatrick Masonic Institute for Girls.—A recent public benefaction has been that of the late Mr. Samuel Kirkpatrick, of Nelson, manufacturer, who died on the 21st May, 1925, and who was well known throughout New Zealand on account of his connection with S. Kirkpatrick and Co., the noted manufacturers of "K" jam and products. The late Mr. Kirkpatrick was an enthusiastic member of the Masonic fraternity, and held the office of Deputy Grand Master for Westland and Nelson (English Constitution). By his will, in which the Public Trustee was appointed executor and trustee, the greater part of his valuable estate, including his large residence in Mount Street, Nelson, has been vested in his trustee to be administered as a perpetual trust for the establishment and maintenance of a home for the benefit of the orphan daughters of deceased Freemasons of the English, Irish, Scotch, and New Zealand Constitutions throughout New Zealand. The object of the trust is to provide board and maintenance, and, if circumstances permit, education for eligible orphan girls. Under the will a Board of Governors is directed to be set up to control the management of the institution. This Board has been duly elected, and at once set about making the necessary arrangements for the establishment of the home, which was opened at a representative gathering of Freemasons on the 4th April, 1926, and which has been designated "The Kirkpatrick Masonic Institute for Girls." The Public Trustee attends to the administration of the estate and accounts to the Masonic authorities from time to time for such portion of the revenue as is required for the purposes of the Home.

The Renwick Cottages.—The cottages, which, in accordance with the directions contained in the will of the late Miss Adeline Renwick, were erected in Nelson for the free use of deserving poor people in that city, are controlled and administered by the Public Trustee. They have been under his management since their erection in 1883 and have served a very useful purpose. The cottages are built of brick and are in a pleasant locality. Recently certain improvements, such as installation of electric light and asphaltting of paths, have been effected. There is sufficient vacant land in the front of each cottage to enable the occupiers to have a garden if they so desire.

T. G. Macarthy.—The late Mr. Thomas George Macarthy, who died in 1912, made a very handsome gift for charitable and educational purposes. In accordance with the directions contained in his will, of which the Public Trustee is executor, one-half of the net income shall be applied to and for such charitable and educational purposes or institutions in the Provincial District of Wellington in such manner and in such shares as a special Board of Trustees named in the will shall direct, their decision to be final.

The estate is a large and valuable one, and at the time of the late Mr. Macarthy's death it was valued at approximately £375,000, and with the advance in the value of land, and with careful management it has largely increased in value since that time. Thus it will be seen that the trust is a very important one, and one from which a great amount of public benefit is derived for educational and charitable objects.

As I intimated in my last report, the testator did not specify the objects of his bounty, but after indicating his general intentions was satisfied to leave the distribution to the discretion of the Board of Trustees named in the will and now incorporated under the title of "the Board of Governors of the Thomas George Macarthy Trust" by the Thomas George Macarthy Act, 1912. I also indicated the careful manner in which the work of allocating the available income is carried out. All applications are first reviewed by an advisory committee, and its recommendations serve as a useful guide to the Board of Governors in making a distribution of the available funds.

Since the inception of the trust £83,437 has been distributed amongst eligible charitable and educational institutions. The past year has also been a successful one, and there is a further £12,000 available for the purposes of the trust.

Coal-miners' Relief Fund.—In addition to the funds raised by public subscription or established by private benefaction the Public Trustee administers a general fund called the Coal-miners' Relief Fund. The legislation relating to coal-mines was consolidated in the Coal-mines Act of last year, which contained a number of amendments to the existing law. Funds for the Coal-miners' Relief Fund are derived from a levy payable by mine-owners of all coal-mines. The legislation relating to the relief funds with which the Public Trustee is chiefly concerned is contained in sections 152-154 of the new Act, and the main feature of the new legislation in this respect is the abolition of the Sick and Accident Funds previously controlled by trustees appointed by the miners in the various districts, and the transfer of the existing balances in those funds to the credit of the Coal-miners' Relief Fund under administration by the Public Trustee.

The purposes of the funds so transferred are, however, still maintained, and the disbursing of relief grants in connection with the funds generally is still carried out by local committees appointed by the miners. The appointment and operations of the local committees and the application of the funds for the purposes contemplated by the statute are governed by regulations issued in pursuance of the Act and published in the *New Zealand Gazette* dated the 1st April, 1926, which also make suitable provision for cases where no local committee is in existence.

The balance at credit of the Coal-miners' Relief Fund at the 31st March, 1926, was £12,469 1s. 3d. Relief grants paid by the Public Trustee to miners during the year amounted to £2,320 8s. 1d., and in addition to this payments were made to the local committees of the various Sick and Accident Funds aggregating £1,555 10s.

British Mercantile Marine Pension Fund.—These pensions are collected for such of the boys brought to New Zealand under the "Flock House" scheme as are entitled by reason of their fathers or guardians having been killed or disabled whilst serving at sea during the war. The pensions arise out of service with the Royal Navy, Admiralty, mercantile marine, fishing service, or the Canadian Government.

The amounts received are held in trust for the boys until they attain the age of twenty-one years, but the Public Trustee has power to utilize the funds in assisting them should they commence farming on their own account at an earlier age.

With the passing of time the number of eligible boys in the Dominion is steadily increasing. On the 31st March, 1926, a sum of £1,075 9s. 7d. was held in varying proportions for forty-five boys. Interest on the amount held is credited by the Office at the maximum rate allowed by the Office regulations.

Although the collection of the pensions entails a considerable amount of work no charge is made in the circumstances for these services.

New Zealand Sheepowners' Acknowledgment of Debt to British Seamen Fund.—The origin and purposes of this fund were explained in my last report. The amount held in respect of this fund as at the 31st March last was £60,404.

TRUSTS FOR DEATH DUTIES.

57. An increasing number of testators are recognizing the advisability of creating trusts to provide for the payment of debts, death duties, and legacies when their estates fall in for administration. The Public Trustee has power to make advances for these purposes on the security of estates under his administration, but far-

seeing testators often desire to make their own provisions for meeting the demands that in the early stages of the administration will be made upon their estates for payment of debts, death duties, and legacies.

The Public Trust Office is in a position to offer testators appointing the Public Trustee their executor or trustee facilities for the creation of trusts during their lifetime providing for the investment of such an amount as may be considered sufficient to meet these payments. In such cases the trusts will terminate when the estates fall in for administration, and the money will be immediately available for the purposes specified.

In the creation of such trusts provision may be made for the regular payment of the income to settlors during their lifetime or for its accumulation and capitalization.

The creation of trusts of this kind overcomes the difficulty which many persons have met in the search for an investment which will return a good rate of interest and yet remain sufficiently liquid to be readily available when required for the purpose of the fund.

SECTION 75 OF THE LIFE INSURANCE ACT, 1908.

58. Under section 75 of the Life Insurance Act, 1908, as amended by section 4 of the Life Insurance Amendment Act, 1920, the Public Trustee's consent is necessary to enable a minor of the age of fifteen years or over to surrender, give a discharge for, dispose of by will, or otherwise deal with his policy as if he were of full age. It is the Public Trustee's duty to be satisfied that in any such dealings the best interests of the minors are served, and each application is therefore carefully investigated. A nominal fee of 5s. is charged in respect of each application, which, though it does not adequately remunerate the Public Trustee, is considered the maximum amount which can reasonably be charged in view of the nature of the applications.

During the year under review the number of applications dealt with was 136, made up as follows: Surrenders of policies, 70; bonuses, 1; loans, 41; assignments, 21; payment of proceeds on maturity, 2; reduction of amount of policy, 1.

UNCLAIMED LAND.

59. There have during the past year been a number of applications to the Public Trustee to administer land under Part II of the Public Trust Office Act as unclaimed owing to the fact that the owner has no known agent in New Zealand, or is unknown, or after due inquiry cannot be found. As a consequence of the closer settlement of the Dominion the number of applications is, however, decreasing from year to year.

EDUCATION RESERVES.

60. By virtue of the Education Reserves Amendment Act, 1910, various School Commissioners throughout New Zealand who at that time administered the education reserves and endowments for the benefit of secondary and primary education were abolished. The lands forming part of the endowments referred to in the Act became vested in the Commissioner of Crown Lands in terms of the new legislation, whilst the cash and investments held by the School Commissioners were transferred to the Public Trustee.

The assets under administration by the Public Trustee in pursuance of the Act include cash and mortgages as follows:—

	Primary Schools.			Secondary Schools.		
	£	s.	d.	£	s.	d.
Cash held in Common Fund ..	19,143	4	6	788	5	0
Mortgages	3,310	0	0	Nil		
	<hr/>			<hr/>		
	£22,453	4	6	£788	5	0
	<hr/>			<hr/>		

During the past year payments have been made to the Crown Lands Department out of the capital funds under statutory authority in connection with the education reserves administered by it.

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

61. During the year ten mortgages were discharged under the Public Trustee's statutory powers, and principal and interest amounting to £4,499 16s. 7d. collected.

WILLS DEPOSITED.

62. During the year additional wills, numbering 5,807, were deposited by testators with the Public Trustee for safe custody. The following table gives detailed figures for the year:—

Wills on hand on 31st March, 1925	44,102
Add new wills from 1st April, 1925, to 31st March, 1926	5,807
Deduct wills withdrawn from 1st April, 1925, to 31st March, 1926, through death of testator or otherwise	952
Net increase in number of wills on deposit	4,855
Total number of wills on deposit at 31st March, 1926	48,957

The following statement shows the yearly increase of wills deposited for the period commencing 31st March, 1915, and ending 31st March, 1926:—

Number of wills on deposit at 31st March, 1915	7,844
Net increase for year ending—	
31st March, 1916	3,541
„ 1917	4,884
„ 1918	4,781
„ 1919	3,187
„ 1920	1,555
„ 1921	2,564
„ 1922	3,483
„ 1923	3,663
„ 1924	4,180
„ 1925	4,420
„ 1926	4,855
Number of wills on deposit at 31st March, 1926	48,957

The foregoing figures relate only to wills actually held by the Office and do not include wills held by private solicitors, banks, and others appointing the Public Trustee executor. Many cases have come to the notice of the Office where wills containing a provision for the Public Trustee to act have been deposited in these quarters.

The past year's increase in the number of wills deposited represents a record for the Office, with the exception of the year ended 31st March, 1917, during which period, however, an abnormal increase was experienced on account of wills deposited on behalf of members of the New Zealand Expeditionary Force. This represents a very satisfactory state of affairs, reflecting as it does the steadily increasing popularity of the Office with members of the public.

In view of the large number of wills held by the Public Trustee, the Legislature considered it advisable that wherever application is made to the Court for administration of a deceased person's estate reference shall be made to this Office before the application is disposed of to ensure that in cases of intestacy a will is not held by the Office, or in cases where an application is made for probate of a will that a later will is not held. Provision was contained in the Administration

Amendment Act, 1911, section 4, that upon the filing in any office of the Supreme Court of an application for administration of the estate of a deceased person it should be the duty of the Registrar of that office to transmit to the Public Trustee by telegram sufficient particulars in regard to the application to enable him to identify the deceased person in the event of his holding a will executed by that person. It will be readily understood that a very large number of notices in terms of this statutory provision are received each day from the Registrars of the various offices of the Supreme Court, and that a considerable amount of work is involved in dealing with these inquiries. Satisfactory arrangements have been made, however, to ensure that in every case the inquiries are disposed of with the utmost promptitude in order that the applications for administration may not be delayed on this account.

The system of an annual stock-taking of the whole of the wills on deposit with the Register of Wills, to which I have made reference in my previous reports, has been continued during the past year. With the large number of wills deposited the work involved is considerable, but it is considered that a very necessary purpose is served by this check. It is satisfactory to record that the thorough examination carried out, which is conducted with a proper regard to secrecy, has disclosed that all matters were in good order. With the most modern appliances ensuring the material safety of the wills, and in view of the other precautions strictly carried out, testators may rest assured that their wills and any other documents deposited with them are in secure custody and immune from any risk of improper disclosure of their contents. Safety is assured free of charge for the storage of wills in which the Public Trustee is named executor. The wills are kept in steel filing-cabinets in a special vault, and the method of filing facilitates the quick production of any will desired, and the expeditious filing away of them when they are completed.

LEGAL DIVISION.

63. In accordance with the principle of decentralization the legal staff is no longer concentrated at Head Office. District Solicitors have been stationed at Auckland, Wellington, Christchurch, Dunedin, Hamilton, Palmerston North, Gisborne, and Invercargill; and Legal Clerks, who are qualified solicitors, have been appointed at the Wanganui, Napier, New Plymouth, and Masterton branches.

The duties of the legal officers stationed at branches are mostly confined to the preparation of wills, conveyancing matters, and Magistrate's Court work. The duty of advising the Public Trustee is in the hands of the Solicitor to the Public Trust Office at Wellington. It has been found that the delegation of legal duties to legal officers at branches has made for a speeding up of work generally, with a consequent advantage to the Office and its clients.

64. Considering the fact that the Office represents and protects so many diverse interests it is inevitable that it should be drawn into litigation. Not only may the defence of the rights of beneficiaries compel or invoke consequential resort to the Courts, but the duty is frequently cast upon the Public Trustee of representing absentees, infants, or other persons under disability in proceedings to which the Public Trustee is not a party. It is recognized that the organization and resources of the Department peculiarly fits it to undertake the representation of persons whom it is impossible to make parties directly or who are unable by reason of disability to look after their own interests. Both the rules of Court and statutory measures make provision for the assistance of the Public Trustee being invoked in the cases last alluded to. The Office has discharged these special duties with entire satisfaction, and its services are being increasingly availed of in this direction.

In matters where the Public Trustee as representing particular beneficiaries is directly interested in the settlement of matters of doubt and difficulty all efforts are made to find a solution which safeguards the rights of beneficiaries without recourse to litigation with its attendant delays and expense.

From the nature of the case, however, or by reason of the uncompromising attitude of other parties, a settlement cannot in many cases be reached out of Court.

and it becomes the Public Trustee's duty to enforce the rights or remedies of his *cestuis que trustent*, or to seek the direction of the Courts as to their rights by appropriate action at law.

The following is a brief summary or outline of the contentious proceedings in the Supreme Court involving important principles of law bearing on trustees' duties to which the Public Trustee was a party during the period under review. There were, in addition, numerous cases in which no particular principles of law were involved.

(1.) *In re Yuill, Yuill v. Tripe and Others* (1925 N.Z. L.R. 196; 1925 G.L.R. 65).—

This was a case where trouble arose out of a "home-drawn" will made by a testator. The testator purported to give to his wife "all my personal effects and money and in the event of her death all to be equally divided between my two eldest sons . . ." At the time he made his will the testator's estate consisted of money and chattels. Before his death, however, he had become possessed of a house and land.

The Supreme Court was asked to decide what was the destination of the testator's land and property, and whether or not there was power to make an order under the Family Protection Act affecting property as to which a deceased person died intestate. On account of the importance of the proceedings the questions were removed into the Court of Appeal. The latter Court decided that the gift in the will of the personal effects and money of the testator included and passed all the testator's property other than land, and that as to the land he died intestate. Such land was held to pass to the next-of-kin of the testator by virtue of the operation of the statutes affecting intestacy. The Court further laid down the important principle that no order can be made under the Family Protection Act, 1908, in respect of any portion of a deceased person's estate as to which such person has died intestate.

(2.) *In re Thomas, Winch v. The Public Trustee* (1925 N.Z. L.R. 555; 1925 G.L.R. 150). Section 49 of the Administration Act, 1908, provides that in the event of a child dying in the lifetime of an intestate the children of such child are to take his or her parent's share. It was held by the Supreme Court that despite the special provisions of our statute law admitting illegitimate children to share in certain cases under intestacy, yet in the section of the Act referred to the ordinary rules of interpretation must apply and the term "children" be construed "legitimate children" only.

(3.) *Baldwin v. Baldwin and The Public Trustee* (1925 G.L.R. 171). A mental patient who was detained in a mental hospital and who had a substantial private estate was also entitled to be maintained out of the income from another trust fund the capital of which belonged to other persons. It was decided that resort must first be made to the income of the trust fund to provide for the patient's maintenance so as to leave the patient's own estate whole and undiminished so far as possible.

(4.) *In re Mair, The Public Trustee v. Mair* (1925 N.Z. L.R. 436; 1925 G.L.R. 269).—A testator directed his trustee to apply the income from his estate for the benefit of his grandchildren: "each year equally the share of each grandchild to be paid to the parents of each child towards the education and maintenance of such child" (any childless son or daughter of testator to receive each year such share of income as he or she would have received if he or she had had one child)—and on the youngest child of testator attaining twenty-one years of age (but not sooner than twenty years after testator's death) to divide the residue among testator's surviving children. The judgment of the Court was that the trusts as to the income included grandchildren born after the testator's death up to but not after the period of distribution of the capital: that the payment to the parents was to them as joint tenants, and that the surviving parent was entitled to receive such income though only a son-in-law or daughter-in-law of testator; that any moneys so received by the parents of a grandchild was received by them as trustees, but without liability to account, provided that such parents discharged the duty of maintaining and educating their children: and that, finally, on a grandchild attaining twenty-one years of age such grandchild would be entitled to demand his or her share of income to be paid to him or her directly. It was further held that on the death of a grandchild his interest in the income ceased and passed to

the surviving grandchildren, and that the time for distributing the estate was when, after twenty years from testator's death, the youngest grandchild for the time being attained the age of twenty-one years, and that all grandchildren living at the period of distribution were entitled to share in the capital whether they were born before or after testator's death.

(5.) *The Public Trustee v. A.* (1925 N.Z. L.R. 744, 1925 G.L.R. 468).—This case dealt with the effect of the Legitimation Amendment Act, 1921–22. The following are the facts: "A person died intestate having previously been married to one J. S. D. Of this marriage a child was born. Prior to the marriage, however, another child of J. S. D. had been born, of which the deceased intestate was the father. The last-named child was not legitimated during the intestate's lifetime, but after his death the mother registered legitimation under the provisions of the Legitimation Amendment Act, 1921–22. The point to be decided was that whether the child who was born out of wedlock and therefore illegitimate at the time of the intestate's death was entitled to share in the estate of its deceased father by reason of its subsequent legitimation. The Court decided in favour of the legitimated child, holding that on legitimation the rights of the child legitimated were to be adjusted as if such child had been actually born legitimate.

(6.) *Webb v. Hodge* (1925 N.Z. L.R. 22).—A testator devised his property to two sons by name, and declared that if they should not marry and should have no children the property should, after their decease, be given to two nephews of testator. There was a further provision that the property was not to be sold, and was to be kept in testator's family. The testator's two sons survived him, both being unmarried and childless. The Court, being asked to consider the will, decided that the testator's two sons took a life interest as joint tenants, but that if both sons married and had children they should become entitled to the fee-simple; that in the event of one of the sons marrying and having issue the joint tenancy would be determined, and such son would thereupon take his moiety of the property absolutely, his brother merely retaining his life estate unless and until he married and had issue.

(7.) *In re Guy* (1925 G.L.R. 47).—This case was brought to obtain the ruling of the Supreme Court as to the meaning and effect of a will. The testator left the income from one-half of his estate to his wife for life, with power to resort to the capital of such one-half so as to bring the wife's income up to £200 per annum. After the wife's death such half-part was given to testator's children or their issue. The balance of the estate was bequeathed to testator's children, but it was provided that if any child or children of testator predeceased him or his widow leaving a child or children surviving testator or his widow such grandchildren of testator were to take the share their deceased parent would have taken. The Court held that, as regards the first half of the estate in which testator's widow was given an interest, all testator's children took vested interests immediately at testator's death, such interests, however, being divested in the case of any child by such child's death in the lifetime of testator's wife. As regards the residue of the estate, testator's children were held to take immediate vested interests. The word "issue" may be limited to "children," but as used in this context the Court decided that it meant descendants of every degree.

(8.) *Crawshaw v. The Public Trustee* (1925 G.L.R. 145).—A testator who had married twice had but one child of the first marriage. For a considerable time prior to his death he was boarded and kept by his daughter and her husband. A few days before his death he married the second time, and immediately after the marriage made a will in favour of the second wife. Although no definite arrangements had been made between testator and his son-in-law regarding payment for the testator's keep by the latter the daughter and son-in-law of testator claimed payment for their services.

The Court found that the son-in-law and his wife had not rendered the services to the testator in the vague undefined hope of obtaining a benefit under the testator's will, but that, on the other hand, there was an understanding between the parties that testator was to pay for such services. Judgment was accordingly given for amount which the Court fixed as representing the value of such services.

(9.) *Manson v. The Public Trustee* (1925 G.L.R. 153).—The Public Trustee recovered judgment in an action against several debtors, some of whom were beneficiaries. Upon his proceeding, however, to make one of the debtor beneficiaries bankrupt it was objected that like proceedings must be instituted against all. The Court decided, however, that it was open to the Public Trustee to enforce judgment against one only of the judgment debtors.

(10.) *Warnock v. Jones* (1925 G.L.R. 189).—In this case the Court laid down that it had jurisdiction apart from statute to allow payment to a trustee when such was for the benefit of the estate. The estate in question was of considerable value, and comprised the varied and miscellaneous businesses of the deceased testator, which comprised hotelkeeping, general storekeeping, carrying, baking, conducting a billiard-saloon, and providing, provisioning, and conducting fishing-camps for tourists and anglers. The manager of the business was appointed one of the trustees, but the will contained no provision for his remuneration. The Court held that in these circumstances this trustee's services were specially desirable for the estate, and accordingly sanctioned payment therefor.

(11.) *Toner v. Lister* (1925 G.L.R. 323).—This case arose out of a previous application for relief under the provisions of the Family Protection Act, 1908. At the original hearing the Court had reserved leave to the plaintiff to make further application if her circumstances changed. It was urged that the rights of the parties could not be kept open in this way, but the Court, overruling the objection, made an allowance to the plaintiff, who was the widow of the testator.

(12.) *Watson v. Richards* (1925 G.L.R. 397).—This action decided that a direction in the will to discharge "current expenses" embraced testamentary expenses and estate duty.

(13.) *The Public Trustee v. O'Brien* (1925 G.L.R. 500).—Testator, by his will, which was of the "home-drawn" variety, directed that the "interest on mortgages be reduced to 4 per cent. from date of my death. The mortgages may be renewed if so desired for fifteen years at 4 per cent." It was decided that the last sentence relating to the renewal of the security conferred a right of benefit upon each mortgagor to obtain a renewal of his mortgage for the term stated and not a mere authority to the trustee of the will to extend any mortgage if he so thought fit.

65. Apart from contentious matters there is always a considerable volume of *ex parte* applications in the Supreme Court to engage the attention of the Office. When the Public Trustee is appointed executor under the will of a deceased person, or invited to act in the administration of a deceased intestate, his first duty is to obtain the necessary authority from the Supreme Court to enable him to assume his functions of executor or administrator, as the case may be. As might be expected, there is always a steady stream of applications of this kind.

The figures for the year ended 31st March last and the corresponding totals for the previous year in connection with applications for probate or orders to administer are as follows:—

Applications to the Supreme Court for grant of	1925.	1926.
probate	566	569
Applications to the Supreme Court for grant of		
orders to administer	216	234

In addition 668 elections to administer were filed.

Included in the foregoing figures for the past year are forty-four applications made by private practitioners—thirty-two applications for probate, and twelve applications for grants of letters of administration. In all other cases the solicitor to the Public Trust Office acted.

Where a grant of probate or administration has been made in England or in some other part of the British Empire it is not always necessary for a separate independent grant to be made by the Supreme Court of New Zealand in order for the New Zealand assets to be dealt with. All that is required to confirm the executor or administrator in his office within New Zealand is for the original grant of probate or letters of administration to be produced to and resealed by the Registrar of the Supreme Court of New Zealand, and this has the effect of enabling such executor or administrator to act in that capacity in New Zealand in all respects as if his grant had been originally made by the New Zealand Courts.

Before leaving the subject of grant of administration it may be proper to mention here that, save in rare and exceptional cases created by statute and where the amount involved is small, no person is allowed to obtain possession of and administer the New Zealand assets of a deceased person without the authority of the Supreme Court of New Zealand. Amongst such exceptional cases may be mentioned the authorities conferred by the following statutory provisions:—

- (1.) Sections 29 and 30 of the Building Societies Act, 1908.
- (2.) Sections 82 (4), (5), (6), and Section 86 (c) of the Government Railways Act, 1908.
- (3.) Sections 42, 43, and 44 of the Public Service Classification and Superannuation Act, 1908.
- (4.) Sections 19, 20, and 21 of the Public Service Classification and Superannuation Amendment Act, 1908.
- (5.) Section 57 of the Friendly Societies Act, 1909.
- (6.) Section 76 of the Life Insurance Act, 1908.
- (7.) Section 127 of the Public Revenues Act, 1910.
- (8.) Section 29 of the Savings-bank Act, 1908.
- (9.) Section 10 of the Post and Telegraph Amendment Act, 1919.
- (10.) Sections 96 and 97 of the Shipping and Seamen Act, 1908.
- (11.) Section 35 of the Expeditionary Force Act, 1915.
- (12.) Sections 29, 30, and 31 of the Local Authorities Superannuation Act, 1908.
- (13.) Section 14 of the National Provident Fund Act, 1910.
- (14.) The Workers' Compensation Act, 1922, in respect of compensation payable on the death of a worker.
- (15.) Deaths by Accidents Compensation Act, 1908.
- (16.) Section 88 of the Public Trust Office Amendment Act, 1921-22.
- (17.) Section 5 of the Life Insurance Amendment Act, 1925.

MORTGAGE DIVISION.

66. The figures published elsewhere in this report afford impressive evidence of the growth in the value of estates under administration by the Public Trustee. Many of the assets in such estates consist of real property—land and buildings—but such assets are constantly being realized and the proceeds either distributed to creditors and beneficiaries or held for investment by the Public Trustee in terms of the will or trust deed or under the statutory provisions applicable to the investment of funds in the Public Trust Office. These moneys are constantly augmented by the proceeds of new realizations and the falling in of estates possessing cash assets. The total of funds available for investment by the Office therefore shows rapid and sustained increase.

The collection of interest and the control and management of the large volume of securities held require constant vigilance on the part of the Public Trustee. The year just closed constitutes a record one so far as the advancing of money from the Common Fund of the Office is concerned. During the year the Public Trust Office Investment Board met on fifty occasions, and new loans to the value of £3,709,706 were paid out.

Maturing mortgages to the number of 364 were renewed during the year by the Board, representing investments to the value of £1,759,038. The number of releases and partial releases granted by the Board during the year was sixty-four, representing an amount of £62,104. The work involved in the granting of applications and other incidental matters dealt with by the Board has proved to be considerable. The receipt of the applications, the ordering of valuations, the submission of the applications to the Investment Board and notification of decisions to applicants, and the issue of instructions to solicitors involve a large amount of work when the magnitude of the operations is taken into consideration.

GRANTING OF LOANS ON INSTALMENT SYSTEM.

67. Practically the whole of the new loans are now being granted under an instalment system providing for the repayment of principal by half-yearly instalments together with the interest. This principle has long been applied in the case of loans on house properties and over buildings situated in the cities, but the extension of the system to rural properties is of recent adoption by the Public Trust Office. Generally speaking, the new system has been welcomed by those members of the farming community who are clients of the investment branch of the Office. Many of the farmers have come to realize that the short term loan is a most expensive one from the point of view of the borrower, involving as it does the recurrence at comparatively short intervals of the expense of a valuation and the legal expenses incidental to the renewal of the mortgages. Besides being less expensive, the instalment system acts as a mode of compulsory saving on the part of the farmers, and many have expressed their appreciation of this special feature. The system is also a useful one from the point of view of the Public Trust Office, as it ensures that the margin of security will be constantly improved by the repayment of portions of the capital sum advanced, and it also makes additional moneys available for reinvestment from the proceeds of the repayments, and increases the flow of money available to borrowers.

Wherever possible, renewals of existing mortgages are being carried out under this system over a period of fifteen, twenty, twenty-five, or thirty years, but in cases where good reason can be given by the mortgagor why a table mortgage is not acceptable the Board has endeavoured to meet the wishes of the mortgagor and grant the renewal on a flat mortgage.

Under the short-term-mortgage system the Office has a periodical opportunity of reviewing each security, as Government valuations are called for in practically all cases where the mortgage matures. In the case of instalment mortgages over long terms the same opportunity is not afforded. It has therefore been found necessary to insert in the mortgage-deed a covenant to the effect that inspections shall be carried out at periodical intervals at the cost of the mortgagor. Normally the period fixed for the first inspection is five years from the granting of the loan, and subsequent inspections are required at five-yearly intervals thereafter. Where special circumstances so require the mortgagor is required to covenant for more frequent inspections.

ADVANCES TO LOCAL AUTHORITIES.

68. The demand for funds on the security of broad acres has shown a slight tendency to decrease during the past year, and in consequence it has been possible to make more moneys available by way of advances to local authorities for works of public utility.

The principal classes of local authorities to which loans have been granted comprise Borough Councils, County Councils, Electric-power Boards, Hospital Boards, Road Boards, and Town Boards.

Much of the increase in the amounts advanced to Borough Councils and County Councils has been due to the adoption of a progressive roading policy by those bodies. Numerous applications have recently been received from local bodies for special loans for the relief of unemployment. Emergency legislation giving the local bodies power to raise loans by resolution without obtaining the sanction of the ratepayers has been passed during the present session of Parliament for the purpose of meeting the position created by the existing unemployment. Applications for considerable amounts have been received, and the loans applied for have been granted by the Public Trust Office Investment Board, subject, however, to the requirement that the local bodies shall obtain the consent of the Governor-General in Council under the provisions of section 20 of the Finance Act, 1919, authorizing the raising of the loan, and section 11 of the Finance Act, 1921, giving authority to pay interest at a rate exceeding 5½ per cent.

It is understood that the various enactments governing loans to local bodies will be consolidated during the present session of Parliament. The existing legislation in connection with local body loan matters is unsatisfactory in some respects, and as soon as the consolidation has been completed it would be advisable to have the whole of the legislation revised with the object of making it more effective.

Before loans are granted to local bodies careful scrutiny is made by the Investment Board of the nature of the proposed works and the value of the special rates offered as security. The whole of the legal work connected with loans to local bodies and the printing of the debentures is undertaken by the Public Trustee.

During the year a booklet embodying the principal provisions of statute and other law bearing on local body loans work has been prepared and circulated for the information of officers.

ASSOCIATIONS FORMED UNDER THE LAND SETTLEMENT FINANCE ACT, 1909.

69. The object of the Act was to promote the closer settlement of land by enabling groups of purchasers to buy private freehold property for subdivision among them, and to raise the purchase-money by means of a loan guaranteed by the Government. For this purpose any five or more persons may by agreement form an incorporated land settlement association, and may purchase in the name of that association any estate consisting of not less than 125 acres. The agreement of purchase must comprise a scheme for the subdivision of the estate into allotments of not less than 25 acres and not more than 200 in extent, and for the allocation of each of these allotments to one of the purchasers at a fixed price. The agreement becomes operative only if it is confirmed by Order in Council in pursuance of a recommendation from the Board of Land Purchase Commissioners. On the confirmation of the agreement the incorporated association, acting through the Public Trustee as its agent, is empowered to raise the total purchase-money of the estate by the issue of debentures under the guarantee of the Government. On the completion of the purchase the estate is transferred to the association, and the several allotments are then transferred by the association to the individual purchasers. Each purchaser must pay in cash to the association not less than 4 per cent. of the purchase money of the allotment. Since the 3rd December, 1910, a sum in addition and equal to $\frac{1}{2}$ per cent. of the purchase-money is payable to provide a fund out of which the management expenses of the association may be met. Each purchaser gives a mortgage to the association to secure the balance of purchase money of his allotment, together with interest on such part of the purchase money as is for the time being unpaid. Interest is calculated at $\frac{1}{4}$ per cent. in excess of the rate at which the debentures have been issued. The present rate payable is $4\frac{3}{4}$ per cent. in some cases, and in others $5\frac{1}{4}$ per cent. The purchase money of each allotment so secured by mortgage is payable by such instalments as the mortgagor chooses, but he must in every year pay at least such part as amounts, together with the interest paid by him in that year, to 6 per cent. of the balance of purchase money secured by the mortgage at the commencement of the year. The balance of purchase money must be paid in twenty years. All capital and interest moneys paid to the association by the purchasers are expended in meeting the interest accruing due on the debentures, and the balance is accumulated in the hands of the Public Trustee as a sinking fund for the redemption of debentures.

The title to any allotment is subject to the following restrictive provisions:—

- (1.) No person can acquire an interest in any land which is subject to the Land Settlement Finance Act, 1909, if the unimproved value of such land, together with the unimproved value of all other land of any description held or occupied by him, exceeds the sum of £6,000.
- (2.) Until at least one-third of the purchase-money has been paid off a purchaser must reside on his allotment, unless exempted by the Minister of Finance, and has no power to alienate or charge it without the consent of the Minister.

The instalments which are payable by a mortgagor are not sufficient to repay the loan within its term, and as the debentures require to be redeemed within twenty-one years of the date of issue—that is, within one year after the maturity date of the relative mortgages—it will be necessary for the members concerned to obtain accommodation in order that repayment may be effected on maturity date.

During the past year the active administration of the associations has been delegated to the District Public Trustees. Full instructions for the guidance of the District Officers and a summary of the law governing the work of the associations were embodied in a circular which was distributed to all the officers concerned. The whole of the accounting records, deeds, and insurance policies have been forwarded to the District Officers, and the transfer was carried out without any interruption to the work.

The following figures show the volume of work performed by the Public Trustee as agent of the associations :

Number of associations	44
Number of mortgagors	203
Amounts received during the year	£27,816
Amounts held in Common Fund for redemption of debentures	£109,890
Amount of mortgages	£327,290
Interest paid on debentures during the year.. .. .	£21,414

DELEGATION OF WORK TO DISTRICT OFFICERS.

70. In addition to the land settlement finance work it has been decided to place all insurances in connection with Common Fund mortgages under the control of the district officers. These officers are already responsible for the whole of the insurance work in connection with estates under administration by the Public Trustee, and the system which has been in force in the district offices will prove quite suitable in the case of Common Fund mortgage insurances.

As there are now more than three thousand mortgages held by the Public Trustee for moneys advanced from the Common Fund the delegation of the work will involve the transfer of more than five thousand policies to the district officers. Full and explicit instructions for the conduct of the insurance work have been issued to the district officers, and insurances in the case of all new loans and all renewals of existing loans will at once be placed in the charge of the district officers. The insurances of existing mortgages which are at present held in the Head Office will be transferred within the next few months. As the work involves a review of the whole of the existing insurances it will occupy a considerable time.

INSPECTIONS.

71. In a concern of the magnitude of the Public Trust Office it is essential that there should be an effective system of check and supervision. This system of inspection and oversight is very complete and, besides being a careful check on what is being done, keeps the Public Trustee in close touch with all phases of the work performed throughout the Dominion. The system includes :—

- (a.) General inspections, conducted by the Chief Inspector and the Assistant Chief Inspector :
- (b.) Inspections of accounting matters, and internal audit, controlled by the Chief Auditor :
- (c.) The review of the administration of estates by the Reviewing Inspectors :
- (d.) Inspection and supervision of rural interests by Farm Inspectors :
- (e.) Inspection and supervision of urban properties by Property Inspectors.

(a.) *General Inspections.*— With the rapid increase in the business and with the expansion of the policy of decentralization it is essential to keep close scrutiny over the work of the Office as a whole, and therefore throughout the year the closest attention has been given to the system of inspection of the various district offices. The system, which has been described in previous reports, is working effectively. It ensures that the Public Trustee is furnished at regular intervals with accurate information as to the quality of the estates administration and accounting work at each branch office, the condition in which that work stands from time to time, and also the capacity and the quality of the work of each officer. It further ensures uniformity and the employment of up-to-date office systems and methods throughout the Department. As a result of information

gained from these inspections many desirable improvements have been made in the organization of the various branch offices and the staff properly allocated in proportion to the volume of work to be performed.

During the past year twelve District Public Trustee offices and ten District Manager offices were inspected in regard to all branches of the work, either by the Chief Inspector or the Assistant Chief Inspector. In conducting the inspections care was taken to avoid duplication of the work done by these Inspectors and the local Reviewing Inspectors.

The inspections carried out indicate that the work throughout the Dominion was efficiently performed. It is apparent that the policy of decentralization which has been in full force for the past five years is a wise one and has been of immense benefit to the working of the Office.

Elsewhere in this report reference is made to the appointment of a Chief Auditor. The duties of the Chief Inspector and the Chief Auditor have been so arranged as to enable the Chief Inspector and his staff to devote their principal attention to the administration of estates, staff, and organization matters.

In addition to the District Public Trustee and District Manager offices inspected by the Chief Inspector and the Assistant Chief Inspector there are fifty-five Agencies throughout the Dominion, which are inspected at regular intervals by the controlling District Public Trustees or District Managers. During the year 121 such inspections were conducted, and reports furnished in each instance to the Public Trustee. On each visit of inspection the opportunity is taken of giving instructions to the Agents upon matters calling for attention, and to discuss with them the estates situated in their districts. Contact is also maintained with the Agents by monthly circular memoranda discussing matters relating to the administration of estates and to the work of the Office generally.

(b.) *Internal Audit.*—In view of the vast extent of the funds and property under the control of the Public Trustee and the constant increase in the business transacted by the Office, it was decided during the year to institute a complete and continuous internal audit system, covering all books, accounts, and accounting records, for the purpose of ensuring that all cash, securities, jewellery, &c., received by the Public Trustee in the ordinary course of business are properly accounted for and under adequate protection.

This internal check does not in any way restrict or interfere with the audit conducted by the Audit Department. On the contrary, it is co-ordinated with it, and the underlying purpose is to ensure that the audit of all branches and agencies of the Office is kept up to date, and by reason of the intimate knowledge of Office matters by the officers conducting the work that the entire accounting system is maintained on proper lines, and the prescribed method of dealing with cash, securities, &c., is closely observed. This work is supervised by the Chief Auditor, a position which was created in August, 1925. He is required to make personal visits to all District Public Trustee offices, and such other offices as he may deem necessary, at such times as will provide the most useful check, and to satisfy himself, *inter alia*,—

- (a.) That the manner in which the cash, valuables (including jewellery and effects), and securities are kept is satisfactory :
- (b.) That the safes, strong-rooms, and vaults in which cash and securities are kept are suited to the requirements of the Office and afford proper security :
- (c.) That the system of custody of deeds, &c., deposited with wills of living testators is satisfactory :
- (d.) That the safe-deposit locker system is properly conducted :
- (e.) That the officers acting as cashiers or custodians of securities are suited to their positions and are thoroughly reliable :
- (f.) That the system of receiving, recording, and parting with securities, collecting coupons, &c., in force at each branch is in accordance with instructions and provides every safeguard :
- (g.) That the Office premises and furniture are suitable and are kept in good condition :
- (h.) That proper provision is made against unauthorized entry into Office premises :
- (i.) That all books and accounting records are well and neatly kept, and that the work is not allowed to fall into arrear.

In respect to the audit of the District Manager offices where the accounting system is not so elaborate, the Chief Auditor and the Chief Inspector co-operate so as to economize in the time of the officers engaged on the work and in travelling expenses.

The accounting work at the agencies is confined entirely to the receipt of cash. The system is simple but effective, and the audit of the agencies, which number fifty-five, is conducted by the controlling District Public Trustees, who forward certificates quarterly to the Public Trustee, through the Chief Auditor, that the work is in order.

At the four large centres--Auckland, Wellington, Christchurch, and Dunedin--the Audit Department maintains what is practically a continuous audit of the classified cash-book and the relative vouchers and lodgment-slips. The internal check conducted at these branches by the Chief Auditor's staff does not overlap in these matters, but is confined to the additional items covered by the system. At some of the smaller branches the Audit Department makes similar audits at irregular intervals as opportunity permits, and any work thus done is not again traversed in detail when the quarterly audit by the Chief Auditor's assistants is conducted.

The Audit Department also checks the interest accrued on investments, the annual accounts and balance-sheet, and the Office securities held as at the 31st March in each year.

At the end of the financial year, of the nineteen District Public Trustee offices, eight were audited to within one month of date, five to within two months, and the remaining six to within three months of date. All the District Manager offices, numbering twelve, were audited to within three months of date, and of the fifty-five agencies fifty-two were completed to within three months of date.

The system of internal audit ensures that all outstanding rents, interest, book debts, &c., are under close and regular scrutiny, and that the payment of estate claims and amounts due to beneficiaries receive prompt attention. It further ensures that clerical errors and omissions are discovered and remedied promptly, thus raising to a high level the standard of efficiency in respect of all matters pertaining to the cash, accounts, the estate and Office securities, and property.

Generally the Office system in respect of the receipt and payment of cash, and the receipt, custody, and disposal of negotiable securities and other estate property received by the Office, affords adequate protection against carelessness, fraud, and dishonesty, and it is gratifying to report that notwithstanding the large turnover during the year, comprising many thousands of cash transactions, not a single irregularity took place.

(c.) *Review of the Administration of Estates.*—The system detailed in previous reports continues to work satisfactorily, but the increasing business may necessitate the Reviewing Inspectors being relieved at a later date of certain routine duties to enable them to devote the bulk of their time to the review of the administration of the estates.

The Reviewing Inspectors have each a special district allocated to them, and they conduct what is practically a continuous audit of the administration of each estate, this work being carried out in the offices where the estates are administered. There are four officers engaged on this work, with headquarters in the main centres, all being competent officers of long experience. Definite itineraries are laid down each year, and advantage is taken of their presence at any particular branch to investigate and report upon complicated matters. Much constructive work is performed, and valuable assistance is given by these officers in the larger and more complicated estates, and in other estates where difficulties arise. Difficulties are discussed by the branch officers with the Reviewing Inspectors, whose experience proves of valuable assistance in such cases.

During the year 724 reviews were dealt with by the Reviewing Inspectors, in addition to which the files of 6,755 estates were surveyed, but no formal reviews were necessary in these latter cases.

In addition to reviewing the administration of estates the Reviewing Inspectors personally investigate any complaints received from clients of the Office and other persons, and in proper cases furnish full reports for the consideration of the Public Trustee. Having regard to the volume of business transacted the number of complaints received is extremely small, and in very few cases is there found to be any justification for the complaint.

(d.) *Farm Inspectors.*—The rural interests controlled by the Office are so large that some years ago it was found necessary to appoint officers who are expert in general farming matters so that effective supervision of these interests might be exercised, and that competent advice would be readily available in conducting the administration of them. The Office employs the services of four Farm Inspectors, three being engaged in the North Island and one in the South Island. These officers are kept very busy, and during the past year 998 inspections and reports were made in respect to estate properties, and 234 in regard to the securities of Common Fund mortgages.

The valuations and reports made by the Farm Inspectors and the valuable advice given by them in regard to farming properties in estates and securities for money advanced are of the utmost assistance to the Office in its work. The services of the Farm Inspectors have also been utilized for the purpose of making valuations to enable the Public Trust Office Investment Board to decide whether or not existing mortgages should be renewed, also in making check valuations for new loans where the amount involved is large.

It is pleasing to be able to record that the employment of Farm Inspectors has met with approval by members of the farming community, and that as a result numbers of farmers are appointing the Public Trustee executor of their wills or placing other administration work in the hands of the Office.

(e.) *Property Inspectors.*—The work of the Property Inspectors has already been referred to by me in this report when dealing with the handling of assets in estates under administration by the Office.

OFFICE BUILDINGS.

72. The Office buildings erected during recent years in different parts of the Dominion have proved of the greatest benefit in the conduct of the business. In many places the work was being done under unsatisfactory conditions, as well to the clients of the Office as to the members of the staff, and this, combined with the fact that there was no real security of tenure, made a building scheme essential to the Office welfare.

It has been found that the prominence and individuality following upon the completion of new buildings have been attended by an increased business, while the improved facilities have been an important factor in ensuring its efficient management.

In my report relating to the previous year's working it was stated that a new building was in course of erection at Hastings. This has now been completed. The Public Trust Office staff occupies portion of the ground floor, while the other portion, as well as upstairs rooms, have been let on such terms as to enable the Office to enjoy its new quarters on advantageous terms.

The building is one of handsome design and finish both externally and internally, and forms a striking addition to the architecture of Hastings.

A contract has been signed for erecting a new building at Dunedin, where the business is at present being conducted under conditions of difficulty and inconvenience.

CONCLUSION.

73. Before completing this report I desire once more to express my appreciation of the services which have been rendered wholeheartedly by the Assistant Public Trustees, the Controlling Officers, and all other members of the staff of the Office during the past year. Their hearty co-operation has made possible the successful conduct of this great institution, and the value and the quality of their services are reflected in the remarkable progress which it has made.

I have, &c.,

J. W. MACDONALD,

Public Trustee.

The Right Hon. the Prime Minister.

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