of Germany, enemy property controlled by the Custodian is held in trust for all persons having any interest in such property. The money is invested in accordance with the directions of the Minister of Finance.

During the year the Treaties of Peace Regulations 1948 were gazetted, implementing the terms of the Treaty of Peace with Italy in so far as they affect enemy property. Action to dispose of the funds held in accordance with these regulations is now being taken. Inter-governmental agreements covering the disposal of funds held for the nationals of several other countries are in the course of negotiation. The Public Trustee has also collaborated with the Department of External Affairs in submitting the claims of New Zealand nationals against former enemy and enemy-occupied countries in respect of loss and damage suffered to their property.

FINANCE

Investment of Funds.—In common with other lending institutions, the Office has experienced difficulty in obtaining a sufficient number of mortgage investments for the investment of its funds. There has, however, been some improvement in the number and value of loans granted or taken over during the year. The value of mortgage investments held on behalf of the Common Fund as at 31st March, 1949, was £8,965,694, an increase of £260,553 over the amount held at the same date last year. The indications are that the improvement recorded will be maintained as the flow of applications appears to be increasing.

During the last half of the financial year there was a marked increase in the volume of mortgage applications, with the result that for the first occasion for a number of years mortgages formed the predominant part of the investments completed.

In view of the highly competitive state of the lending market this position is gratifying, as it indicates that the public appreciate the terms offered by the Department. Mortgages are granted on a flat or instalment basis, the present interest rates being 4 per cent. on mortgages of £2,500 and over, 4¼ per cent. for £1,000 and under £2,500, and 4½ per cent. under £1,000. Instalment mortgages are granted for terms up to thirty years, with the interest-rate reviewable every five years. Where required, liberal rights of repayment are granted. The instalment mortgage is particularly suitable for present-day conditions, as it enables mortgagors to reduce their capital liabilities out of income while prosperous conditions exist. It is significant that during the year more money was advanced on the instalment basis than on a flat basis.

Repayments were again heavy during the year. Some mortgages for large sums were lost through the securities being taken over for rehabilitation of ex-servicemen. In other cases mortgagors having surplus funds available as a result of the good prices ruling for primary produce and the general buoyant business conditions have exercised the right of repayment either to repay their mortgages in whole or to reduce them substantially.

The new investments completed during the year, excluding short-term deposits, totalled £2,569,633, compared with £2,827,416 for the year ended 31st March, 1948, a decrease of £257,783. The reduction is more than accounted for by the fact that whereas in previous years the Public Trustee was responsible for the investment of the whole of the funds of the various Government Superannuation Funds, that responsibility has now been almost exclusively assumed by the new Government Superannuation Board.

The total investments completed by the Office and still held at 31st March, 1949, inclusive of those held on behalf of certain estates and Funds whose moneys are required to be specially invested, totalled £32,946,686, which represents a decline of £1,930,354 when compared with the total investments held at 31st March, 1948. The decline is explained by the transfer to the Government Superannuation Board of various holdings of Government securities previously held by the Public Trustee on behalf of the Public Service, Teachers', and Railways Superannuation Boards.