

## INTERIM REPORT.

MAY IT PLEASE YOUR EXCELLENCY,—

We have the honour to report that, acting on Your Excellency's Warrant of appointment and instructions to inquire and report, we duly commenced and have prosecuted to date our inquiries into tendencies relating to the promotion, constitution, and control of certain companies.

We have decided, after considerable anxious thought, to adopt the unusual course of making an interim report on certain matters and facts, because we believe that the situation which they reveal is sufficiently serious to warrant special consideration by Your Excellency's Advisers, with a view to deciding whether or not urgent action should be taken in reference thereto.

### EVIDENCE.

We shall in this report refer to evidence given by . . . . .

\*            \*            \*            \*            \*

This evidence was given on oath in each case.

Our references to documents filed in State Departments are verified as follows: In the case of documents relating to the Transport Mutual and General Insurance Co., Ltd., the Assistant Registrar of Companies at Auckland attended, was sworn, and produced the actual documents for production to the other witnesses summoned in that case.

In other cases, we have (a) procured certified copies from the Registrar of Companies, or (b) made an actual inspection of the documents filed in the Registrar's Office, by two members of the Commission attending and inspecting separately.

In the case of references to companies incorporated in New South Wales, we have procured search notes by a leading public accountant and a leading share-broker of Sydney. These men have acted independently and forwarded to us search notes and reports compiled from the records in the Companies Registration Office at Sydney.

Our sittings have been held *in camera*, because our experience satisfied us that in many cases it was only by that procedure we could obtain the evidence we required. . . . .

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### PART I.—INTRODUCTORY.

Paragraph 2 of our order of reference requires us to inquire into and report on, *inter alia*, "The financial structure of financial investment and trust companies, and as to whether any additional legislative provision should be made to afford investors a greater measure of protection for their capital moneys and other interests in such companies"; and "The desirability of regulating in the public interest the formation and operation of trust companies and investment companies dealing in company shares, Government, local-body, and other forms of security."

In the course of our inquiries into concerns of this class, we have gathered much information relating to a group of companies which includes investment trusts and affiliates of various types. These companies, mostly registered in Auckland, have been formed and operated by a comparatively small group of persons. The names of these persons appear freely in the lists of members and directors of these companies, and there is little room for doubt that the common ownership and control thus evidenced has made possible and has facilitated developments and transactions that call for close scrutiny.