

13428. But you had not even made a start when the Commission started?—Exactly.
13429. And some accountants have been weeks since the Commission started trying to get the matters in order?—Yes; but we would have got them in order in three months.
13430. Do you take any responsibility for the chaotic condition of these books?—Yes; I must accept the responsibility.
13431. As a matter of fact, you must accept the responsibility for everything in connection with all these companies, whether here or in New Zealand?—Yes.”

“PROFITS” DERIVED FROM INTER-GROUP TRANSACTIONS.

243. The close association and inter-locking control of the various companies enabled the Investment Executive Trust of New Zealand, Ltd., to show “profits” which it could probably not otherwise have done. The following are examples of this:—

- (a) The Investment Executive Trust of New Zealand, Ltd., had purchased from Mr. T. H. Macky 25,000 7½ per cent. preference shares in the Cambridge Clothing Factory, Ltd., for £20,500, or approximately 16s. 5d. per share. At a later date 5,000 of these shares were sold by the Investment Executive Trust of New Zealand, Ltd., to the Transport Mutual and General Insurance Co., Ltd., for £5,000, or £1 per share. The Investment Executive Trust of New Zealand, Ltd., held 60,000 shares, paid up in all to £51,000, out of 60,307 shares paid up in all to £51,107, in the Transport Mutual and General Insurance Company, Ltd., of which company Mr. T. H. Macky was chairman of directors.
- (b) The Investment Executive Trust of New Zealand, Ltd., also sold to the Transport Mutual and General Insurance Co., Ltd., twenty-one debentures of £1,000 each in the British National Trust, Ltd., for £21,525, a premium of £525 (which may, however, include certain accrued interest).
- (c) The revenue of the Investment Executive Trust of New Zealand, Ltd., was from time to time inflated by taking credit for “profits” on transactions with the Sterling Investments Co. (New Zealand), Ltd. The following is an illustration of this: Certain debentures issued by the Sterling Investments Co. (New Zealand), Ltd., to the Investment Executive Trust of New Zealand, Ltd., were redeemed on 31st March, 1933. As at that date a cheque was drawn by the Sterling Investments Co. (New Zealand), Ltd., for £54,875, the cheque-book butt showing that this was made up as follows:—

	£
Repayment part debenture capital .. .. .	50,000
Premium .. .. .	4,000
Interest .. .. .	875
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	£54,875
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The above amount was paid to the Investment Executive Trust of New Zealand, Ltd., which company then drew a cheque for £55,000, which was paid to the Sterling Investments Co. (New Zealand), Ltd. The effect of this was that the Investment Executive Trust of New Zealand, Ltd., was enabled to show (apart from ordinary interest) a profit of £4,000 on the transaction, which could be used to show profits available towards payment of interest to its own debenture-holders.

INTEREST PAID ON DEBENTURES.

244. From time to time the Investment Executive Trust of New Zealand, Ltd., has drawn attention to the substantial rates of interest paid on its debentures. In this connection it is of interest to refer to the constitution of the revenue disclosed by the Revenue Account for the year ended 30th June, 1934. (Exhibit “B” [not printed]). The gross revenue is shown as £50,139 10s. 6d. Included in this amount are the following approximate sums:—

	£
Profits on sales of investments .. .. .	19,000
Interest, the British National Trust Ltd., debentures .. .. .	7,700
Interest, the British National Investment Trust, Ltd., debentures .. .. .	1,900
Interest, the New Zealand Shareholders Trust, Ltd., debentures .. .. .	13,800
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	£42,400
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245. The above figures are taken from notes of approximate figures extracted by us in Sydney. As the books of the company are still in Sydney we are unable to verify them, but quote them to show the large proportion of the “profits” realized from the sale of investments, approximately 45 per cent. of the “net profit” disclosed of £42,223 10s. 4d.