

“The strongest objection the directors had to my requisitions concerned my decision to report the advances to the subsidiary companies that I have named—namely, Sterling Investment Co. of N.Z., Ltd., and the British National Investment Trust. I am not satisfied to use the word subsidiary in my answer here. I am not clear that it is a correct description. What I said in my report was, ‘Apparently through the medium of the membership of the two organizations there is created a connection between such organizations and the Investment Executive Trust of New Zealand, Ltd.’ The directors objected strongly to that. They said that I had no right as an auditor to call attention to that, and I said, ‘I know my duty as an auditor, and it is going in.’ They strongly objected, and I think that is why they would not publish this balance-sheet. The total amount they had invested in those two companies was £88,000 out of total investments of £243,675.

“I completed my audit, and I placed on the balance-sheet the following certificate: ‘Subject to my separate report of even date, to which members are referred, I certify that my requirements as auditor have been complied with and that the foregoing balance-sheet is properly drawn up so as to exhibit a correct view of the position of the Investment Executive Trust of New Zealand, Ltd., as at the 31st December, 1932.’”

“In my report I classified the capital items to which I objected, and gave the detailed figures, and I referred to the transactions with the associated companies. My report was as follows:—

“‘The following is my report mentioned in my certificate of even date appearing upon the balance-sheet of the Investment Executive Trust of N.Z., Ltd., of the 31st December, 1932.

“‘*Investments.*

“‘1. I have examined the bonds and certificates representing investments, except where such were not in possession of the trust, then I inspected acknowledgment from depositories of transfer for registration to the trust, except as to overseas investments, amounting to £570 5s., and transfers to the trust of investments amounting to £2,312 held by three companies pending approval.

“‘2. Included in “B” Series are two investments, one of £52,000 and the other of £36,358, in the debentures issued by British National Investment Trust, Ltd., and Sterling Investments Co. (N.Z.), Ltd., respectively.

“‘Apparently through the medium of the membership of the above two organizations there is created a connection between such organizations and the Investment Executive Trust of N.Z., Ltd.

“‘*Statistics, Records, and Establishment.*

“‘These are made up as follows:—

				£	s.	d.
“‘ Statistics and records	..	..	..	2,779	9	4
“‘ Brokerage—				£	s.	d.
“‘ “A” Series	..	..	..	1,320	10	0
“‘ “B” Series	..	..	..	13,134	0	0
				<hr/>	<hr/>	<hr/>
				14,455	0	0
“‘ Capital expenditure	..	..	..	17,234	9	4
“‘ General expenses including advertising	..	..	..	14,735	19	5
				<hr/>	<hr/>	<hr/>
				£31,970	8	9

“‘Included in the amount of £14,735 19s. 5d., is the sum of £12,768 16s. 3d. paid to V. B. McInnes, Ltd., being additional fees over and above 5 per cent. brokerage.

“‘I am of the opinion that this sum, £12,768 16s. 3d., should be transferred to a Suspense Account until it is decided whether or not such expenditure is administration costs as referred to in the debenture contract, if so, the same should be temporarily capitalized and gradually written off against revenue.

“‘I am of the opinion that the balance, £1,967 3s. 2d., should be charged against revenue even though unduly heavy because of the initial costs of getting the company into operation.

“‘*Investments.*

“‘The balance-sheet shows that the value of the investments are taken at cost. No comparative statement of market value with costs has been shown to me.

“‘(Sgd.) JOHN ANDERSON, F.P.A.N.Z.,

“‘30th March, 1933.

Auditor.’

“After I handed in my report I was invited to meet the directors and discuss the matter with them. I was met by Mr. McArthur and Mr. Pilkington, Directors, and Mr. H. Glasson, Secretary. They refused to accept my views, and after that meeting I resigned; I sent my resignation in next day.

“After this, the financial year of the Investment Executive Trust was extended to the 30th June, and a new balance was made and the balance-sheet as at that date prepared. It covered a period of eighteen months.”