

NON-PRODUCTION OF BOOKS OF THE STERLING INVESTMENTS COMPANY (NEW ZEALAND), LTD.

248. We have already made several references to the Sterling Investments Company (New Zealand), Ltd., and have stated that the affairs of this company very materially affect the affairs of the Investment Executive Trust of New Zealand, Ltd. One of the most unpleasant features of the inquiry is the "loss" of the books of the Sterling Investments Company (New Zealand), Ltd., for the period from its inception to 28th February, 1934. The "lost" books cover a period during which transactions took place vitally affecting the Investment Executive Trust of New Zealand, Ltd. The loss of these books will be referred to in some detail in the Inspectors' Report on the affairs of the Sterling Investments Company (New Zealand), Ltd.

249. Mr. Justice Halse Rogers, Royal Commissioner in Sydney, said on 25th September, 1934, nearly seven weeks after the first sitting of his Commission:—

"18016. *Commissioner*: This Commission is drawing towards a close, and I am getting less and less information, apparently, about the really important and vital matters. Of course, one of the matters I will have to consider is whether or not, if it takes special legislation to move the present officers from this trust, I should recommend that special legislation be passed to remove them, and if it needs special legislation to get back any money which I think has been got by the mishandling of what are practically trust funds, then I shall have to consider whether I shall advise special legislation to revest that money in the trust company. I am simply saying that this attitude of 'you find out if you can' is most unsatisfactory. I am not at all satisfied Sterling books could not have been produced if there was any desire to produce them. Since the 9th August it has been stated quite definitely that the key to the whole position was the Sterling books, and I think if there had been any real desire to produce the Sterling books, if they had not been destroyed, they would have been here."

BALANCE-SHEETS AND ACCOUNTS GENERALLY.

250. The balance-sheets and accounts submitted as exhibits are mostly copies of balance-sheets and accounts submitted to the Royal Commission in Sydney. We accept no responsibility for the correctness of these accounts, the majority of which are unaudited.

251. Balance-sheets submitted by counsel for the various companies to the Royal Commission in Sydney were frequently amended as errors were discovered, and it is not improbable that further errors have since been discovered in a number of them. In certain instances the balances between companies differ in their respective balance-sheets.

252. Moreover, the position has changed in various respects since 30th June, 1934, but we have not, except in a few instances, referred to transactions recorded in accounts subsequent to 30th June, 1934. We have, however, little doubt but that balance-sheets of the various companies as at to-day's date would, in general, show that the security of the debenture-holders is less than it was as at 30th June, 1934.

REMOVAL OF BOOKS AND SECURITIES FROM NEW ZEALAND TO AUSTRALIA.

253. The principal books of account and records and securities of the Investment Executive Trust of New Zealand, Ltd., were transferred from New Zealand to Sydney, New South Wales, in about May or June, 1934. Mr. H. C. Glasson, secretary to the company, stated in evidence given on 9th August, 1934, before the Royal Commission in Sydney that the company was not conducting any business in Sydney, and in reply to an inquiry as to why in that case the books were kept in Sydney, said that he understood that eventually there was to be an amalgamation between the Investment Executive Trust of New Zealand, Ltd., and the Southern British National Trust, Ltd.

254. Mr. W. A. Pilkington, chairman of directors of the Investment Executive Trust of New Zealand, Ltd., in evidence given on oath before us, when asked what was the object of taking the books, documents, and papers of the trust to Sydney, said:—

"Well, the object—we had several objects in view. One was the central position of Sydney. In calculating the localities of our operations we found that the distance from Sydney to Perth was considerably greater than the distance from Sydney to Auckland, and as the volume of business in Australia was considerably larger than the business in New Zealand we felt that it would be a much more central position to have all our valuable documents in Sydney—that is, coming in from Australia and New Zealand—and work from Sydney as the centre. In addition to that the number of valuable documents had increased to such an extent that it was necessary for us to have bigger and more commodious and safer deposit vault."

255. We regard as entirely unconvincing Mr. Pilkington's suggestion as to more commodious deposit vault accommodation for the Trust's "valuable documents" necessitating their removal to Sydney. Mr. Pilkington's whole evidence to us was unsatisfactory, and he was either unable or unwilling to supply us with much useful information which one would naturally expect him, in his capacity as chairman, to have available.