

## 9. METHOD OF FINANCE.

### A. SHARE CAPITAL.

As set out in section 4 (E) of this report, up to 30th June, 1934, there had been issued 21,007 shares, on which £2,370 14s. is recorded as paid. Of this sum £300 was credited in respect of services rendered during the formation of the company, so that only £2,070 14s. was actually received in cash. Of this amount £2,000 should have been received from Investment Securities Association, Ltd., in payment of application and allotment money on 20,000 share allotted on 27th March, 1933. The affairs of the Investment Securities Association, Ltd., have been investigated by an Inspector appointed under the provisions of the Companies (Special Investigations) Act, 1934, and are the subject of a separate report. It is shown in that report that the books of the Investment Securities Association, Ltd., are incomplete. We have examined these books, but have been unable to trace the payment for these shares about the date of the allotment. In view of the incomplete state of the books of the Investment Securities Association, Ltd., and the fact that the Sterling books are not available, we are unable to verify the source from which the payment of £2,000 was received.

The balance-sheet of the Sterling Co. as at 31st August, 1932, showed £370 14s. as paid-up capital (this including the £300 credited as paid up as mentioned in the preceding paragraph). The assets as at that date, consisting mainly of advances to associated companies, were shown at £41,897 6s. 6d. At 30th June, 1934, when paid-up capital appears at £2,370 14s., the assets are shown at £122,291 18s. 1d. It is obvious, therefore, that the moneys paid up on shares provided but a small portion of the funds used by the company in its operations.

### B. ADVANCES BY THE INVESTMENT EXECUTIVE TRUST.

Practically the whole of the money required to finance the operations of the Sterling Co. was provided by advances from the Investment Executive Trust of New Zealand, Ltd. The exact amount received by the Sterling Co. in this way cannot be ascertained owing to the loss of the books recording the transactions prior to 28th February, 1934.

A dissection of the deposits to the credit of the Sterling Co.'s banking accounts shows that over £360,000 was deposited, but that a substantial portion of this was balanced by the contemporaneous issue of cheques for amounts corresponding to the amounts deposited. Eliminating these as far as is possible with the meagre information available, it appears that at least £200,000 was advanced to the Sterling Co. during a period of about three years, and that almost the whole of these advances came from the Investment Executive Trust. Repayments were made from time to time, so that the whole £200,000 was not owing at any one time.

The method of treatment of advances to the Sterling Co. and various other associated companies by the Investment Executive Trust is explained in subsection C immediately following.

We have not been able to ascertain from the books of the Investment Executive Trust the total advances to the Sterling Co., and, as mentioned above, the books of the Sterling Company covering the transactions during the early years of the company's existence are "lost."

### C. DEBENTURES ISSUED.

Security was given by the Sterling Co. to the Investment Executive Trust by the issue of debentures charging all the company's assets. Various issues were authorized as under :—

Authorized 19th June, 1931. Registered 19th June, 1931.

£5,000 in fifty debentures of £100 each bearing interest at 7 per cent. per annum : to be offered for sale at £90 each or "such higher prices as may be obtainable." (Some at least of these debentures were actually issued at £90, a discount of 10 per cent.)

Redeemed at par 30th September, 1931. Satisfaction registered 1st October, 1931.

Authorized 30th September, 1931. Registered 1st October, 1931.

£10,000 in ten debentures of £1,000 each. Terms and conditions similar to former issue.

Redemption resolved 31st May, 1932. Satisfaction registered 21st June, 1932.

Authorized 31st May, 1932. Registered 21st June, 1932.

£50,000 in fifty debentures of £1,000 each. Terms and conditions as before.

Redemption resolved 5th December, 1932. Satisfaction registered 21st December, 1932.

Authorized 5th December, 1932. Registered 21st December, 1932.

£100,000 in one hundred debentures of £1,000 each. Terms as set out in a form submitted to the meeting. Satisfaction registered on 28th February, 1934.

An attempt was made to trace the various issues of debentures of the Sterling Company in the books of the Investment Executive Trust. These showed that until 31st March, 1933, all advances to the Sterling Company were debited to a special account in the name of that company. As at that date this account was balanced off by a credit of £50,300, and all subsequent advances, together with advances to various other associated companies, were debited to an account in the name of the British National Trust, Ltd., the explanation given being that the Investment Executive Trust received debentures in the British National Trust, Ltd., for all such advances.

## 10. INTEREST ON AND REDEMPTION OF DEBENTURES.

From the particulars given in para. 9 (C) above, it will be noted that the first issue of £5,000 of debentures was redeemed within four months of issue ; the second series of £10,000, eight months after issue ; and the third, or £50,000 series, approximately six months from issue.