

The following extract is from Mr. J. W. S. McArthur's evidence before the Royal Commission on 27th September, 1934. (Mr. Monahan appeared on behalf of the Attorney-General of New South Wales.)

20067. *Commissioner*.—"I suppose the position really is that Mr. Alcorn had no option."

20068. *Mr. Monahan*.—"Was he told to transfer them to you at your price?"

*Mr. J. W. S. McArthur*.—"Yes, that was understood."

- (c) The books of the Sterling Co. prior to 1st March, 1934, cannot be found, and the receipt signed by Mr. C. G. Alcorn and Annexure 3 to Mr. J. W. S. McArthur's statement are the only documents produced relating to the transaction.
- (d) As set out previously in this section of this report, some of the assets were transferred by the Sterling Co. to the Wynwood Co. and were taken into the latter company's books at a figure of £50,284 15s. 7d., being a valuation made for the purpose by Mr. J. W. S. McArthur.

The remaining assets were taken over by Mr. J. W. S. McArthur personally, the value being assessed from the reconstructed Sterling books at £40,617 11s. 1d. This figure was accepted by Mr. McArthur, and is used by him in his final statement, though he claims that certain items are included in both lists of assets. Without allowing for any such duplication, there would be a total valuation of £90,902 6s. 8d. for the assets parted with by the Sterling Co. in exchange for fifty-nine debentures of £1,000 each in the British National Trust, Ltd.

- (e) In evidence given before the Royal Commission in Sydney, on 19th September, 1934, Mr. J. W. S. McArthur stated that £50,284 15s. 7d. represented a valuation which he believed the assets which were retained by the Wynwood Co. would be worth in the future, in "somewhere about five years."

The relevant evidence is as follows:—

14538.—*Mr. Monahan*.—"But they are your own figures?"

*Mr. McArthur*.—"Yes, but those are figures which I estimated the property would be worth at some time in the future, but not the present."

14539.—*Mr. Monahan*.—"How far is the future?"

*Mr. McArthur*.—"Somewhere about five years."

- (f) In further evidence given on 21st September, 1934, No. 16159, Mr. J. W. S. McArthur said that these same assets had stood in the Sterling Co.'s books at £32,000.

The following is the extract from the transcript of evidence:—

16159.—*Dr. Louat*.—"The remaining assets that you did not purchase from Wynwood had stood in the Sterling books at £32,000?"

*Mr. McArthur*.—"Yes."

- (g) Later on 27th September, 1934, after evidence had been given regarding the reconstructed books, Mr. J. W. S. McArthur again amended the figures and stated that the total cost of these assets to the Sterling Co. was £17,408, and this valuation was repeated in his final statement presented to the Royal Commission in Sydney on 2nd October, 1934.

The relevant evidence is as follows:—

19876. *Dr. Louat*.—"And what is the effect of the investigations you have made. What did you find that the cost to Sterling was of the Wynwood assets: give us particulars?"

*Mr. McArthur*.—"The total cost to Sterlings of Wynwood assets is £17,408. That is accounted for partly by the fact that the items—ordinary shares in Wynsel Co. and the first mortgage debentures were duplicated and were taken into account in Mr. Elliffe's figures."

- (h) There have therefore been three amounts applied to the same assets, given by Mr. J. W. S. McArthur for progressively smaller amounts. It is a fact, however, that the assets were brought into the Wynwood Co.'s books at £50,284 15s. 7d. on Mr. J. W. S. McArthur's instructions contained in a pencilled memorandum in his own handwriting, which memorandum was produced before the Royal Commission. This supplied the basis for increasing the capital of the Wynwood Co. to £10,000, and, as pointed out by the Commissioner and Mr. Monahan during the session of the Royal Commission on 27th September, 1934 (see extract given below), it would have been possible for Mr. J. W. S. McArthur at a later date to have sold these debentures for cash or other assets to the Investment Executive Trust or the Southern British National Trust.

The following passage is extracted from the transcript of evidence recording the examination of Mr. J. W. S. McArthur on 27th September, 1934, regarding the revised valuation of the assets acquired by the Wynwood Co.:—

"20088. *Mr. Monahan*.—"Do you want to say that should be written down to £20,000?"

*Mr. McArthur*.—"Yes, probably. I should say round about that figure."

"20089. *Mr. Monahan*.—"If you had any idea of the value, tell me why you took debentures of £40,000 for them?"

*Mr. McArthur*.—"What?"

"20090. *Mr. Monahan*.—"These assets. You took bearer debentures which you could have sold for £40,000; and you took £9,191 in shares. You took £50,000 practically in assets for them?"