

The Investment Executive Trust at first refused to recognize the claim, but finally agreed to pay the full amount claimed, payment being made as follows :—

1934.		£	s.	d.
16 March.	Cheque from Sterling Co. . . . .	8,210	0	0
26 April.	Cheque from Sterling Co. per Hampson and Wiseman ..	5,000	0	0
30 April.	Cheque from Sterling Co. per Hampson and Wiseman ..	3,755	15	1
	Cheque from Southern British National Trust to Sydney office of Guardian, Trust, and Executors Co. of N.Z., Ltd. . . . .	10,000	0	0
		<hr/> £26,965 15 1 <hr/>		

The balance due to Miss Smith was satisfied by the retransfer of shares, the total value of the settlement by payment and transfer being approximately £39,000. The 2,874 debentures in the Investment Executive Trust held by Miss Smith were transferred to and are now held by the Sterling Co.

## 16. GENERAL REVIEW.

(a) The Sterling Co. formed an important link in the group of companies controlled by Mr. J. W. S. McArthur. Through it very substantial sums of money totalling probably over £200,000 were advanced at Mr. McArthur's direction for the following major purposes :—

- (1) To protect J. W. S. McArthur's assets and also his personal interests during a critical period.
- (2) To assist the Investment Executive Trust by buying out dissatisfied debenture-holders who threatened to cause trouble, by buying other debentures on the open market, and by advancing money to various associated companies.

(b) The loss of the books of the Sterling Co. covering the period to 28th February, 1934, has made the task of conducting a complete investigation into the affairs of the company extremely difficult. No satisfactory explanation of the disappearance of the books was given by the officers of the company either to the Royal Commission in Sydney or to the Inspectors.

(c) The large sums of money which passed through the Sterling Co. were provided almost entirely by the Investment Executive Trust, being money paid by the public for the purchase of debentures and money realized from the sale of securities taken over from the public in exchange for debentures.

Mr. Justice Halse Rogers, Royal Commissioner, in his interim report dated 1st November, 1934, stated, at page 5,—

“ There is no doubt that it (Investment Executive Trust) was in its early stages used by Mr. McArthur entirely for his own purposes. Practically the whole of the first £60,000 subscribed by the public for debentures in the Investment Executive Trust of New Zealand, Ltd., was applied for the salvage of Mr. McArthur's assets through the medium of a company called the Sterling Investments Co. (New Zealand), Ltd. This company was nominally controlled at that time by another company in which Mr. Alcorn was practically the only shareholder, but it is scarcely disputed, and I find as a fact that in all the dealings of Mr. McArthur with the various companies, wherever Mr. Alcorn did anything he did it at the bidding of Mr. McArthur.”

(d) It is apparent that Mr. J. W. S. McArthur controlled the affairs of the company and the directors and other officers acted in a purely nominal capacity and carried out J. W. S. McArthur's instructions.

(e) Many important transactions which were entered into by the company often involving the investment of many thousands of pounds, are not recorded in the minute-book, and apparently the directors were not consulted regarding them. Periodically, however, these transactions were ratified by confirmatory resolutions, which Mr. J. W. S. McArthur and Mr. C. G. Alcorn were able to have passed by the shareholders through their control of the shares and debentures.

(f) The books of the company were never audited nor were the three balance-sheets produced certified to by any officer of the company.

(g) In our opinion several of the assets appear in the balance-sheet at figures considerably in excess of their realizable value.

(h) Substantial sums were advanced by the Sterling Co. to associated companies and to the various officers of these companies, without a charge being made for interest, and apparently without security being given for the advances.

(i) The principal transaction entered into by the company—*i.e.*, the Sterling-Wynwood transaction, by which Mr. J. W. S. McArthur acquired assets upon which, in our opinion, the Sterling Co. expended at least £60,000—is not fully set out in an agreement, nor is it authorized by minute. Conflicting statements regarding the cost to the Sterling Co. of the assets concerned were made by J. W. S. McArthur in his evidence before the Royal Commission in Sydney.

(j) Although the company was registered in New Zealand and had its registered office at Auckland, and, as far as we could ascertain, practically all its operations had been carried out in New Zealand, the books and records were removed to Sydney in May or June, 1934. In our opinion the removal of the books and records of the Sterling Co. in this way, in conjunction with the removal of the books and records of the Investment Executive Trust, was most improper.