

Sterling Investments Co. (New Zealand), Ltd., claims to have an option over all the shares in Farms and Farmlets, Ltd.; and J. W. S. McArthur and C. G. Alcorn have debentures (£65,000) over the assets of Farms and Farmlets, Ltd. The British National Trust, Ltd., is, however, a large unsecured creditor of the Sterling Investments Co. (New Zealand), Ltd.

31. *The Investment Securities Association, Ltd.*—Up to the time of the commencement of our investigation on the 9th August, 1934, no books had been written up for this company. It was largely controlled by C. G. Alcorn, who regarded this company as his own private business. The Investment Securities Association, Ltd., was the allottee of 9,000 shares in the British National Investment Trust, Ltd., which shares were at a later date transferred to J. W. S. McArthur, and by him to the British National Trust, Ltd.

32. *The British National Investment Trust, Ltd.*—This company was originally incorporated under the name of the Stock Exchange Corporation of New Zealand, Ltd. It is of major importance in considering the operations of the group of companies, as it was in the name of this company that the *Daily Telegraph* building at the corner of Castlereagh and King Streets, Sydney, was purchased.

33. On 3rd February, 1933, ordinary shares of the nominal value of 2s each in this company were allotted—190,395 to J. W. S. McArthur and 49,598 to C. G. Alcorn, on terms requiring them to pay 10 per cent. of the face value of the shares—i.e., 2½d. per share, within one month. The shares so allotted, together with 9,000 then controlled by J. W. S. McArthur, totalling in all 248,993, were, on 1st March, 1933, sold by J. W. S. McArthur and C. G. Alcorn to the British National Trust, Ltd., of which company they were directors, for £287,000.

34. *The New Zealand Shareholders Trust, Ltd.*—This company is also of major importance in that it was used for the purpose of acquiring from the public debentures to the extent of well over a quarter of a million pounds issued by the Investment Executive Trust of New Zealand, Ltd., in the "A" and "B" Series, debentures in the "Second A" and "Second B" Series of the Investment Executive Trust of New Zealand, Ltd., being issued in their place. These transactions are further referred to in this report under the heading "Investments on account of 'Second B' Series Debenture-holders," and under the heading "Exchange of Debentures of the Investment Executive Trust of New Zealand, Ltd., in First Series for Debentures in Second Series."

35. *The Pacific Exploration Co., Ltd.*—This company is also of importance. Its principal shareholder was, and is, the Sterling Investments Co. (New Zealand), Ltd., but it has throughout its existence been controlled by J. W. S. McArthur. Not only has practically the whole of its paid-up share capital (£6,486 7s.) been supplied by the Sterling Investments Co. (New Zealand), Ltd., but that company has from time to time made very substantial advances to the Pacific Exploration Co., Ltd. The funds supplied by the Sterling Investments Co. (New Zealand), Ltd., were obtained by that company principally from funds subscribed by the public to the Investment Executive Trust of New Zealand, Ltd. The funds of the Pacific Exploration Co., Ltd., were used principally for the financing of the auxiliary yacht "Morewa" and for making advances to J. W. S. McArthur.

36. *V. B. McInnes and Co., Ltd.*—The importance of this company lies in the fact that it and V. B. McInnes personally (trading as "V. B. McInnes and Co."), prior to the incorporation of V. B. McInnes and Co., Ltd., were the brokers or selling agents for debentures in the Investment Executive Trust of New Zealand, Ltd., receiving for their services 5 per cent. brokerage plus 5 per cent. administration charge—10 per cent. in all. V. B. McInnes and Co., Ltd., also acted as the principal brokers in connection with the "conversion" operations already referred to under the heading of "The New Zealand Shareholders Trust, Ltd." For this latter service they received 2½ per cent. on the "Second Series" Debentures issued.

37. *Financial Publications, Ltd.*—Among the activities of this company was the publication of the *Investment Review*, a monthly magazine which was widely circulated in New Zealand, mostly gratuitously, and which lent support through its columns to the investment-trust principle. This publication was conducted at a heavy loss, and up to 6th March, 1934, its disclosed losses amounted to £5,567. It had sundry creditors of over £6,000, of which the sum of over £5,400 was owing to the Sterling Investments Co. (New Zealand), Ltd. (At 30th June, 1934, the amount owing to the Sterling Investments Co. (New Zealand), Ltd., had increased to £8,280 3s. 3d.) The funds of the Sterling Investments Co. (New Zealand), Ltd., were obtained principally from the Investment Executive Trust of New Zealand, Ltd.

38. Financial Publications, Ltd., is now in liquidation. We consider it inevitable that a heavy deficiency will ensue. This will involve loss to the Sterling Investments Co. (New Zealand), Ltd., and through this, we consider, loss to the British National Trust, Ltd., the principal creditor of the Sterling Investments Co. (New Zealand), Ltd. This loss to the British National Trust, Ltd., will be reflected in the value of the debentures issued by the British National Trust, Ltd.

39. *The Transport Mutual and General Insurance Co., Ltd.*—This company was formed nominally to conduct the business of insurance. Practically the whole of its share capital was held by the Investment Executive Trust of New Zealand, Ltd., and, up to 15th August, 1934, the sum of £51,000, out of a total paid-up share capital of £51,107, had been provided by the Investment Executive Trust of New Zealand, Ltd. This money had been invested as to £21,525 in twenty-one debentures of £1,000 each in the British National Trust, Ltd., and the balance of the funds had been to a large extent invested in the purchase of shares in the Trustees, Executors, and Agency Co. of New Zealand, Ltd., with a view to obtaining a controlling interest in that company, nominally in order to provide a foundation for the business of insurance, but more probably to enable the Investment Executive Trust of New