

as at 30th June, 1934, shows a bank overdraft of £13,429. This overdraft is not actual, and to meet the cheques drawn further advances of approximately the same amount would be required from the Investment Executive Trust of New Zealand, Ltd.

The figure of 12 per cent. adopted in the calculation is explained by reference to para. 81 of this report, under the heading "Investments on account of 'Second B' Series debenture-holders," where it is noted that every £1,000 worth of debentures of the New Zealand Shareholders Trust, Ltd., represents approximately only £880 of the Investment Executive Trust of New Zealand, Ltd., debentures.

131. Assuming book-value for the remaining investments there is, on the foregoing basis, a sum of £624,173 available to meet a total debenture issue of £755,923, or approximately 16s. 6d. in the pound.

132. In our opinion, the debenture-holders in the Investment Executive Trust of New Zealand, Ltd., have, similarly to the case of the Southern British National Trust, Ltd., an unsecured claim (arising out of clause 1 of the debentures), ranking *pari passu* with ordinary unsecured creditors, against the general assets of the Investment Executive Trust of New Zealand, Ltd., for any shortage in debenture security.

133. It is, therefore, necessary to consider what sum in the pound should be added to the estimate of 16s. 6d. in the pound arrived at above.

| | |
|---|-----------------|
| The total debenture liability of the Investment Executive Trust of New Zealand, Ltd., | £ |
| as at 30th June, 1934, was | 755,923 |
| Estimated available funds as arrived at above (Para. 130) | 624,173 |
| Claim as unsecured creditors | 131,750 |
| Other unsecured creditors as per balance-sheet as at 30th June, 1934 (Exhibit "A") :— | |
| | £ |
| Sundry Creditors | 3,124 |
| The Sterling Investments Company (New Zealand), Ltd. | 4,375 |
| Income-tax reserve | 4,000 |
| | 11,499 |
| | <u>£143,249</u> |

NOTE.—Credit balances of J. W. S. McArthur and C. G. Alcorn have not been taken into account in above as they are stated to be "in respect of shares to be subscribed."

Unencumbered Assets—

| | |
|---|----------------|
| | £ |
| Office furniture—Book-value assumed | 1,212 |
| Shares in Smith and Smith, Ltd.—Book-value assumed | 40 |
| Sundry debtors, say | 2,000 |
| Bank balance | 756 |
| "B.N.T." debentures £13,275 at 14s. 3d. in £ as per Section B (Para. 122) | 9,458 |
| | <u>£13,466</u> |

134. On the above basis (£13,466 available to meet liabilities of £143,249) the additional security amounts to approximately 1s. 10d. in the pound on the claim. One shilling and tenpence in the pound on the estimated deficiency of £131,750 amounts to £12,077 which is equivalent to between threepence and fourpence in the pound on the total debenture liability of £755,923. Threepence in the pound added to the previous estimate of 16s. 6d. in the pound (para. 131) gives a total estimated value, on the basis adopted, of 16s. 9d. in the pound for the debentures (all series being for this purpose, regarded as one conglomerate group) of the Investment Executive Trust of New Zealand, Ltd.

135. We think that in view of the various favourable assumptions we have made as to values the foregoing estimate of 16s. 9d. in the pound is a liberal one. We emphasize, however, that no great reliance can be placed upon it. The interlocking of interests makes valuation both involved and difficult. Moreover, the valuation is based on many suppositions, and is liable to be affected materially by a number of factors. For example, any considerable reduction in the valuation of the trust building below £350,000 will reduce the estimate of debenture values. Per contra, the Sterling Investments Company (New Zealand), Ltd., is set forth as the owner of almost all the shares in the Pacific Exploration Company, Ltd. The Pacific Exploration Company, Ltd., includes among its assets an area of approximately 27,000 acres of land at North Auckland. The book-value of this land is £4,793. Mr. J. W. S. McArthur stated in evidence before the Royal Commission in Sydney on 11th September, 1934, that this land contains rich and extensive deposits of kauri-gum; that on a conservative estimate the quantity of gum on the area is not less than 50,000 tons, and that, valued at £60 per ton, the gum alone is worth £3,000,000 gross. This evidence does not greatly impress us, but we mention it as one of a number of factors which may possibly affect the value of the debentures. We are, however, strongly of the opinion that the debenture-holders should not have to rely on assets so problematical and speculative as this as part of their security.

136. We have already indicated that the above valuation of 16s. 9d. in the pound is based on a broad consideration of the position, all debentures issued being regarded as ranking *pari passu*. Actually this is not the case. The debentures are issued in four series—viz., "A," "B," "Second