

ALLOTMENT, ETC., OF SHARES TO J. W. S. McARTHUR.

184. The first allotment made to J. W. S. McArthur was on 27th January, 1931, when he was allotted two hundred and fifty ordinary shares of 2s. each.

185. The next allotment to him was on 25th February, 1931, when he was allotted 16,750 ordinary shares.

186. The manner in which these 16,750 shares were paid for was as follows: On 25th February, 1931, an extraordinary general meeting of shareholders was called at which there were present J. W. S. McArthur, C. G. Alcorn, T. R. McArthur, and H. C. Glasson. At this meeting it was resolved:—

“That J. W. S. McArthur be paid £1,675 for services rendered to the company subsequent to its formation to date.”

187. It will be noted that this amount represents the exact sum necessary to pay for the 16,750 shares of 2s. each.

188. It may be here noted, however, that reference to the company's share register shows that J. W. S. McArthur paid in the sum of £1,625 only, so that there is a balance still outstanding of £50 on these shares. This is supported by the fact that in the company's balance-sheet as at 30th June, 1934, there is what is termed an “uncalled liability” of £65 on the ordinary shares representing J. W. S. McArthur's £50 and £15 of C. G. Alcorn's.

189. It will be seen, therefore, that in respect of these 16,750 shares the company, in fact, provided the moneys to pay for these shares.

190. Up to 29th February, 1932, J. W. S. McArthur's shareholding was, therefore, 17,000 ordinary shares.

191. On or about 29th February, 1932, a transfer of 16,750 shares from J. W. S. McArthur to Alcorn Trower and Co., Ltd., was recorded, the instrument of transfer being dated 16th October, 1931. The transfer document expressed the consideration for the sale of these shares as £500 and stamp duty £1 15s. was paid thereon.

192. There is no doubt that the transfer of 16,750 shares from J. W. S. McArthur to Alcorn Trower and Co., Ltd., was made by McArthur at a time when his own financial position was precarious, and at a time when he was making endeavours to place certain of his assets in safety and to secure the same from attacks of creditors. In this connection we refer to certain correspondence between Mr. W. C. Hewitt and Mr. J. W. S. McArthur, and to evidence given before the Royal Commission in Sydney by C. G. Alcorn and J. W. S. McArthur. This correspondence and evidence is set out in detail as Exhibit “AA” [not printed]. The extracts from the evidence are somewhat lengthy, but are quoted for four reasons: Firstly, to illustrate the difficulties which were experienced in arriving at facts; secondly, to demonstrate Mr. McArthur's views of business ethics; thirdly, to demonstrate Mr. McArthur's views as to the suitability of certain “securities” for the investment of the funds subscribed by debenture-holders; and, fourthly, to indicate the state of Mr. McArthur's financial position at the time when the Investment Executive Trust of New Zealand, Ltd., commenced to function.

193. It is of interest to add that J. W. S. McArthur has stated that when he transferred the 16,750 shares to Alcorn Trower and Co., Ltd., he retained the voting-power in respect of these shares by an irrevocable power of attorney.

194. Reverting now to the share transaction whereby J. W. S. McArthur transferred 16,750 shares to Alcorn Trower and Co., Ltd., this left McArthur with two hundred and fifty shares only.

195. The next transaction took place on 26th May, 1933, when 193,400 ordinary shares were allotted to J. W. S. McArthur.

196. On 28th February, 1933, there is an entry in the company's cash-book purporting to represent payment for these shares—viz., £19,340. This item of £19,340 formed part of what purported to be a deposit in the company's bank on 28th February, 1933, for £22,006 15s. made up as follows:—

	£	£	s.	d.
J. W. S. McArthur	19,340			
C. G. Alcorn	2,660			
		22,000	0	0
Other items			6	15
		£22,006	15	0

197. The £22,000 really represents twenty-two debentures of £1,000 each issued by the British National Trust, Ltd. (see para. 65), actual cash for this sum not passing.

198. Mr. J. W. S. McArthur's holding of shares at this stage was 193,650.

FURTHER SHARE TRANSACTIONS WITH J. W. S. McARTHUR.

199. On 21st August, 1933, J. W. S. McArthur acquired from O. M. Hope (who was a director of the company but resigned on 27th July, 1933) five hundred shares, bringing his total holding up to 194,150 shares.

200. On 20th April, 1934, J. W. S. McArthur sold 155,320 of these shares, having a nominal value of £15,532, to the Southern British National Trust, Ltd., for £62,128—four times the nominal value of the shares.