

and other directors of the Investment Executive Trust, Mr. Glasson and other officers of that company and allied companies, had given evidence at a public hearing at which eminent counsel had been retained to watch the interests of the directors of the Investment Executive Trust.

SECOND PHASE OF DEALING WITH INVESTMENT TRUST FUNDS.

As part of the scheme for carrying out the second phase of the operations of the Investment Executive Trust in Mr. McArthur's hands, it was necessary for him to form and operate a similar company in New South Wales, and hence the Southern British National Trust was incorporated in Sydney early in 1933, and it carried on the same sort of business as the Investment Executive Trust of New Zealand: it was similarly constituted and it had the same board of directors.

On page 7 of Mr. Justice Halse Rogers' interim report, he says,—

On a consideration of the whole of the evidence that has been put before me, and the documents which existed before the commencement of the sittings of the Commission, I am definitely of the opinion that Mr. Monahan's charge that the object of the formation of the Southern British company was to enable Mr. McArthur and Mr. Alcorn to get the necessary ready cash for the alterations of the *Daily Telegraph* building, and so ultimately to turn a profit on paper of £287,000 into an actual profit to themselves has been established.

Again it should be noticed in considering this finding that the evidence on which it was based was largely the evidence of Mr. McArthur, Mr. Pilkington, Mr. Glasson, and Mr. Hewitt, supported by the books and records of the two trust companies and their subsidiaries.

This now introduces the second phase of the operations of the Investment Executive Trust in which the purchase and remodelling of the *Daily Telegraph* building in Sydney (also called the trust building) was undertaken with the debenture funds of the two trust companies.

A concise summary of this transaction will be found in the interim report of Mr. Justice Halse Rogers. It begins on page 6 with the words, "The history of this company is very largely bound up with the history of the transactions connected with the purchase by McArthur of the old *Daily Telegraph* building in Sydney," and ends on page 7. This extraordinary transaction has already received much publicity and it is not thought necessary to repeat its description here.

The two major phases in the history and transactions of the Investment Executive Trust, outlined and referred to above, represent transactions put through, not in the interests of the debenture-holders who supplied the cash, but adversely to those interests, and favourably to the personal interests and ambitions of the directors.

INVOLVED AND QUESTIONABLE TRANSACTIONS.

After the funds of the Investment Executive Trust and the Southern British National Trust had been committed to the second of these transactions—namely, the purchase and remodelling of the trust building in Sydney—many involved and tortuous transactions were passed through the books of all the companies in the group. The only explanation that can be given of some of these is that they were purposely designed to hamper inquiry and place difficulties in the paths of any persons who subsequently might try to trace the transactions. Some are designed to entrench the directors of the companies in the position which they had attained by making it possible for them to invoke principles of existing law to establish and confirm the purely legal result of their transactions. Again some have been designed to facilitate the immediate conversion into cash of as much as possible of the paper profits accruing to the directors as the result of the deal in the trust building; while others have been dictated by the necessity of taking cash from whatever source it was most easily available to carry out some scheme of the directors, and giving to the company from whom it was thus taken a supply of debentures issued by one or other of the companies in the group. As to still other transactions, no exercise of ingenuity has enabled the company's officers or the Government's advisers to offer any explanation of them or reason for them.