

£90,000 of property hitherto recorded in the accounts of the Sterling Co. there is no authorization of the transaction by the directors, and no mention of it in the minute-book of the company. Immediately after this transaction was put through Mr. McArthur instructed the secretary of the Sterling Co. to open a new set of books for that company showing the position as it was after that transaction had been put through (see para. 6 (b) of the New Zealand Inspector's report on the Sterling Co.). The books of the Sterling Co. containing records up to this point are said to have been "lost." On this point Mr. Justice Halse Rogers finds,—

I am not at all satisfied that the Sterling books could not have been produced if there was any desire to produce them. Since the 9th August it has been stated quite definitely that the key to the whole position was the Sterling books, and I think that if there had been any real desire to produce the Sterling books, if they had not been destroyed, they would have been here.

Since the closing of the Royal Commission in Sydney, there is evidence that Mr. McArthur has been busily engaged trying to consolidate the position created by these transactions with his own assets. Certain operations are being conducted in Brisbane, and a trust company is being formed there. Two of the assets so taken over from Sterling—namely, the yacht and Mr. McArthur's property at Hillsboro have been first mortgaged, and later transferred to a Brisbane mortgagee and purchaser. Caveats against certain other properties have, within the last two months, been filed in public offices in Auckland in favour of the Brisbane trust company.

It is quite clear that unless the New Zealand and New South Wales Governments act in concert to put all the companies into liquidation, there is every prospect of one of two things happening. The first is that the position arising out of the transactions described above will be consolidated and made impregnable, and the debenture-holders of the Investment Executive Trust will receive nothing in respect of the sum of from £60,000 to £90,000 of their money so diverted. The other alternative is that they will be involved in expensive litigation in endeavouring to follow their property through these devious transactions. If the companies involved in these transactions are wound up there will be let in the special powers of the Court under the winding-up provisions of the New Zealand Companies Act to procure disclosure of books and records and a thorough examination of directors and other officers of these companies. The debenture-holders probably could not do anything which would carry more relief to the late directors and controllers of the Investment Executive Trust and its subsidiaries than to attempt to carry out a reconstruction scheme which would tend to allow these transactions to slide into the limbo of the past without any redress. This, however, will tend to be the result of the adoption of the so-called reconstruction scheme.

## DIRECTORS' CLAIMS IN COMPETITION WITH DEBENTURE-HOLDERS.

2. I have already referred to that part of the interim report of Mr. Justice Halse Rogers, which contains a description of the transaction by which Messrs. McArthur and Alcorn sought to make a personal profit by their deal with the trust building in Sydney. It will be noted that by putting the building in the name of the British National Investment Trust and immediately attributing to the shares in that company the appreciation in value which he attributed to the building, Mr. McArthur was able to make a profit by the sale of his shares in that company. Once again he, the party who was to profit most, seems to have fixed the valuation of the building, and consequently the value of his shares in the holding company. He sold those shares to another subsidiary company of which he was managing director—this was the British National Trust incorporated in Canberra. Mr. McArthur fixed the selling-price of these shares. In part consideration of this purchase price he and his associate received a large parcel of debentures of £1,000 each in the Canberra company, the British National Trust. These debentures, by many devious transfers, have passed through several hands, and many of them