

MANUFACTURER'S INSOLVENCY.

LIABILITIES £14,430.

DIVIDEND OF 10½d. IN THE £1.

Certificate of Discharge Opposed.

Harry Zmood, of Wilson street, Prince's Hill, Carlton, manufacturer, who became insolvent in 1924, applied to Judge Moule, in the Insolvency Court yesterday, for a certificate of discharge, with dispensation from the payment of the statutory 7/ in the £1. The report of the trustee in the insolvency (Mr. James Moffitt Graham) showed that, after payment of the costs of realisation and preferential creditors a first and final dividend of 10½d. was paid to Zmood's creditors, whose claims amounted to £14,430/4/4.

Mr. Hudson (instructed by Messrs. Norris and Norris) appeared for insolvent in support of the application; Mr. Gorman (in-

port of the application; Mr. Gorman (instructed by Messrs. Rylah and Anderson) for the trustee to oppose; and Mr. D. S. Abraham for a creditor (Messrs. Gross and Goldbloom) also to oppose.

Zmood, in an affidavit in support of his application, said that his estate was, on his own petition, placed under sequestration on May 31, 1924. At the date of his insolvency, according to his schedule, the debts owed by him to unsecured creditors amounted to £9,778/17/, and the debts due to secured creditors to £528/4/7. The value of his personal property held as security was £529/4/7. The value of his personal property not held as security was £3,308 17/5. The amount of debts due to him was £158,0/3, and his deficiency was £6,211 19/4. He had been informed that his deficiency proved later to be some thousands of pounds greater than the amount estimated in his schedule. He had not been, and would not be able, to pay 7/ in the £1 to all his creditors. At the time of his insolvency he was carrying on the business of a softgoods manufacturer, and had been doing so for about two years. The causes of his insolvency, and the reasons he had failed to pay his creditors 7/ in the £1 were that, during practically the whole of the period in which he was carrying on business, market prices for the goods he was manufacturing were falling, and when

on business, and when prices were falling, and when he realised on the manufactured goods he found himself unable to sell them other than at a loss, and at less than cost prices. In common with most other persons in the trade he believed that the market would turn and prices improve, and for this reason he had continued his business in the hope of recouping his losses. In the period of his trading he suffered losses of approximately £3,000 through the failure of certain traders named Grimblats. The Grimblats conducted several retail shops in country districts throughout Victoria. With a view to realising better prices than those obtainable in the city he had supplied the Grimblats with goods which he had manufactured. When he ceased dealing with them, before his insolvency, the Grimblats owed him approximately £5,000. In partial satisfaction of this indebtedness he received back goods which he had supplied to the extent of about £2,200. He had had no reason to doubt either the integrity or the business ability of the Grimblats. Shortly before his insolvency he was rendered liable to pay £3,000, or thereabouts, to merchants on account of his brother, William Zmood, whose account he had guaranteed, and who had failed in business through similar causes to insolvent.

Insolvent's Drawings.

The affairs of the insolvent, the report

The affairs of the insolvent, the report of the trustee stated, had been very involved, and had not been thoroughly cleared, although an examination had been held before the Insolvency Court in May and June, 1925. At that examination attention had been directed to the insolvent's heavy drawings from the business. Despite the fact that on his own figures his capital was in debit, Zmood drew £690 13/5 from July, 1923, to May, 1924. According to his books insolvent drew an average of £13 a week during 1921-22, although at that time he had a large overdraft with the bank. During 1922-23 his drawings averaged £24/10/ a week, and an approximate balance-sheet at June 30, 1923, showed that he was then insolvent, his capital account being in debit £1,402/14/4. Included in the creditors' claims, amounting to £14,430/4/4, were liabilities of £2,756 12/10, incurred under a guarantee given to creditors of Woolf Zmood. Before the sequestration of his estate insolvent guaranteed accounts of other persons and endorsed bills, and also assumed the liabilities of Grimblat Brothers when his own business was not flourishing; he paid large sums of money to his wife to assist her in the purchase of a property; his drawings were frequently in excess of the profits earned by his business, and were altogether too heavy; and the books of the business were not properly kept to record all

ness were not properly kept to record all transactions. Some of the transactions which were recorded were not accurately recorded.

Zmood said:—I live at Orrong crescent, Caulfield. I am now manager for the Supremacy Clothing Co. Pty. Ltd., and receive a salary of £5 a week. I have to keep my wife and four children on that amount. I have no interest in the business I am managing. The Grimblats are my brothers-in-law. I had no money when I began manufacturing. I arranged for an overdraft at the bank, which my wife guaranteed.

In answer to Mr. Gorman, Zmood said:—At present I have four brothers in Victoria and one in Russia. One of my

brothers came to Australia two years ago. The large sums of money which I sent to Russia were not given by me to the Russian Relief Fund, but to my brothers, who were then living in Russia. It was sent through the relief fund, because I had lost touch with my brothers.

Judge Moule. — Fraternal feeling is very strong among these people.

Mr. Gorman (to insolvent). — Are you prepared to make any offer to pay so much in the £1 to your creditors?

Witness.—How can I pay?

Capable of Making Money.

Mr. Gorman said that it would take £721 to pay 1/ in the £1. The trustee and

£721 to pay 1/ in the £1. The trustee and creditors recognised that Zmood was a man capable of making large sums of money, and they would much prefer, if the Court could sanction it, that Zmood should be called upon to pay some lesser amount than 7/ in the £1. The creditors could not, however, allow this application to go through unopposed.

Judge Moule. — If the creditors had not opposed it the commercial morality of Melbourne would simply smell very strongly. I will consider my decision in this case. It involves some important matters. I want to lay down some specific principles which will apply to trading cases of this kind.

Judgment was accordingly reserved.
