

PART II.

A BRIEF OUTLINE OF THE GROUPING OF COMPANIES HEREIN REFERRED TO.

The foregoing description of the financial constitution of the Redwood Co. introduces the Selwyn Timber Co., Ltd., and the Beulah Land Co., Ltd., as vendors of land to the New Zealand Redwood Forests, Ltd. These three companies are thus linked by this transaction, and also by the fact that J. W. S. McArthur, promotor, director, and principal shareholder in the Redwood Co., held a controlling interest as shareholder and managing director of the Selwyn Timber Co., Ltd. In addition, the Selwyn Timber Co., Ltd., held over 97 per cent. of the shares in the Beulah Land Co.—J. W. S. McArthur and members of his family also being shareholders.

The Selwyn Timber Co., Ltd., went into liquidation in June, 1930, and its affairs were finally settled by an arrangement made with a new company incorporated under the name of Wynsel Timber Co., Ltd. This company is the successor of the Selwyn Co. Operations and transactions between New Zealand Redwood Forests, Ltd., Selwyn Timber Co., Ltd., and Wynsel Timber Co., Ltd., on the one hand, and the Sterling Investments Co. (New Zealand), Ltd., and Wynwood Investments, Ltd., on the other hand, tend to link up this group with the group of investment trust companies referred to in our first interim report. Edgecumbe Forests, Ltd., and Kotahi Lands, Ltd., were both incorporated in 1926, and they became connected with the present group of companies by important transactions during the year 1930, particularly with Redwood Forests, Ltd. At the time these transactions were put through, the directors of Edgecumbe Forests, Ltd., were J. W. S. McArthur, M. H. Hampson, and W. L. Wiseman. At the same time, Messrs. McArthur and Hampson were directors of New Zealand Redwood Forests, Ltd., whilst Messrs. Hampson and Wiseman were solicitors to both companies. At this time, also, the shareholders in Edgecumbe Forests, Ltd., comprised three other companies in the present group, viz., Overana Land Co., Ltd., Modern Homes, Ltd., and Selwyn Timber Co., Ltd. The shareholders in Kotahi Lands, Ltd., in 1930 were Edgecumbe Forests, Ltd., M. H. Hampson, and J. W. S. McArthur.

We now refer to Modern Homes, Ltd.: This is a private company incorporated on the 19th day of July, 1923. In 1932 it was a shareholder in Sterling Investments Co. (New Zealand), Ltd. In the year 1930 it was used by Mr. J. W. S. McArthur to facilitate an important share transaction affecting New Zealand Redwood Forests, Ltd., Selwyn Timber Co., Ltd., and Edgecumbe Forests, Ltd. At that time the principal shareholders in Modern Homes, Ltd. were Mr. J. W. S. McArthur and Mrs. E. M. McArthur. Other shareholders were Mr. H. C. Glasson, Secretary of New Zealand Redwood Forests, Ltd., and Mr. W. L. Wiseman, one of the firm of solicitors to New Zealand Redwood Forests, Ltd.

We refer also to Overana Land Co., Ltd., another company of the group. This company was registered as a private company at Auckland in February, 1916. The memorandum of association was subscribed by M. H. Hampson, K. H. Hampson, Arthur Overall, and S. J. Overall; the capital being £1,450 in fifty-eight shares of £25 each. At the time of the transactions herein referred to the whole of the shares in the company were held by M. H. Hampson and Katherine H. Hampson.

The positions and relationships of other companies affected by this report will appear in the history of transactions set out hereinafter.

PART III.

SOME TRANSACTIONS OF THE GROUP.

I. (a) *New Zealand Redwood Forests, Ltd.*

The debenture scheme set out in the foregoing description of the New Zealand Redwood Forests, Ltd., was varied in the year 1930. A proposal was put to the debenture-holders in February of that year. A letter above the name of W. McArthur, chairman, was sent to each debenture-holder, briefly setting out the details of a proposed reconstruction scheme, which was more fully described in a circular which accompanied the letter. The circular stated that the reconstruction