

The consideration for this transfer was to be the sum of £11,250, payment to be made as follows :—

- (1) By payment of a deposit of £1,000, the receipt of which was acknowledged in the agreement.
- (2) By the purchaser taking over the mortgages of £2,218 10s. 11d. on the Putaruru property and of £2,000 over the Parnell property.
- (3) The balance to be secured by debentures payable £1,000 in six months, £1,000 in one year, and the balance in three years.

(b) TRANSFER FROM WYNSEL TIMBER CO., LTD., TO WYNWOOD INVESTMENTS, LTD.

On the 9th October, 1933, a further agreement, of which a copy is appended as Exhibit "F," was entered into between the Wynsel Timber Co., Ltd., and Wynwood Investments, Ltd., whereby the former agreed to sell the assets acquired as above from the Selwyn Timber Co., Ltd. (in liquidation), with the exception of approximately 118 acres of land comprising the sawmill site near Putaruru, and the mill, plant, machinery, and chattels situated thereon. The consideration payable was £6,500, of which receipt of a deposit of £500 is acknowledged by the agreement.

The balance of purchase-money, amounting to £6,000, was to be paid by the purchaser to the vendor on or before 31st October, 1933.

This agreement was signed on behalf of Wynwood Investments, Ltd., by S. Grange, director, and H. Glasson, secretary, and, as already set out in section 9 of this report, confirmation of the directors' action in the matter was given by a shareholders' signed minute on 26th October, 1933.

On the same date as the above agreement was made—viz., 9th October, 1933—the Sterling Investments Co. (N.Z.), Ltd., which was interested as the holder of the debentures of the Selwyn Timber Co., Ltd. (in liquidation), undertook, by letter under seal of the company, to release the properties sold from existing securities for the consideration and upon the terms and conditions following :—

- (1) The purchase-money of £6,500 to be paid to the Sterling Investments Co. (N.Z.), Ltd., and to be appropriated by it in the manner following :—
 - (a) £2,000 to be utilized in repayment of the mortgage over the Parnell property.
 - (b) The balance of £4,500 to be appropriated towards reduction of the securities given by the Wynsel Co. to the Sterling Co. for the balance of purchase-money on the acquisition of the property by the Wynsel Timber Co. in March, 1933.
- (2) Upon such payment as aforesaid payment of the instalment of £1,000 due on the 30th September, 1933, not to be requested—i.e., instalment due by the Wynsel Timber Co., Ltd., in respect of purchase by it under agreement of 30th March, 1933.

A copy of the letter above referred to is appended as Exhibit "G."

From the agreements and the particulars given above it is seen that Wynwood Investments, Ltd., had undertaken to pay £6,500, though at that time it had no money, and, in fact, did not open a banking account until some two months later, on 11th December, 1933.

The payment of £500, which is acknowledged in the agreement as having been made to the Wynsel Timber Co., Ltd., is not recorded in the books of either company, nor has the balance of £6,000 been discharged by Wynwood Investments, Ltd., as a money transaction.

Owing to the loss of the books of the Sterling Investments Co. (N.Z.), Ltd., for the period prior to 1st March, 1934, it is not possible to discover by what means, if any, discharge was effected of the debt of £6,000 which, in pursuance of these agreements, was to be paid by Wynwood Investments, Ltd., to the Wynsel Timber Co., Ltd., and which had then to be paid over to the Sterling Investments Co. (N.Z.), Ltd. The item does not appear in the books of the Wynsel Timber Co., Ltd., or in the available books of the Sterling Investments Co. (N.Z.), Ltd., and it was presumably discharged or eliminated during what is referred to as the Sterling-Wynwood transaction, dealt with at some length in section 12 of this report.

It is difficult to appreciate the reason for the transactions described in this present section unless on the assumption that they were carried through in this manner for the personal benefit of J. W. S. McArthur. The main points of the transactions can be thus summarized :—

- (a) Certain transactions carried out or arranged by J. W. S. McArthur, as managing director of the Selwyn Timber Co., Ltd., were alleged to be irregular. Any rights of action which might arise out of these and certain other assets (in particular, real properties) were sold to the Wynsel Timber Co., Ltd., by the receiver for debenture-holders of the Selwyn Timber Co., Ltd., on the 30th March, 1933.

The alleged irregularity of the transactions was not admitted by J. W. S. McArthur.

The sale to a third party of the rights of action would tend to deter, if not actually prevent, the creditors and/or shareholders of the Selwyn Timber Co., Ltd., from pressing for enforcement of remedies against J. W. S. McArthur.