

- (b) The greater part of these assets were sold by the Wynsel Timber Co., Ltd., to Wynwood Investments, Ltd., on 9th October, 1933, when, as pointed out in section 9 of this report, J. W. S. McArthur was neither a shareholder nor a director of Wynwood Investments, Ltd. At that time all shares were held by R. Glover-Clark and Stanley Grange, who were also directors. I believe that, in respect of matters affecting J. W. S. McArthur's companies, Messrs. Clark and Grange were completely under his domination.

This further transfer would impose an additional barrier against those who might wish to prosecute the alleged claims against J. W. S. McArthur.

- (c) Though Wynwood Investments, Ltd., undertook to pay £6,600, it had no funds from which the payment could be made, nor is there any record in the books of the company of the payment of any part thereof having been made subsequently.

Nevertheless, so far as can be ascertained, the assets concerned are now in the name of Wynwood Investments, Ltd., or in the name of J. W. S. McArthur.

- (d) All the information before me indicates that J. W. S. McArthur was in complete control of the various companies concerned in the transaction, and, as his personal interests are vitally concerned and the transaction as a whole appears to be of material advantage to him, the matter is one which I consider should be reviewed in the event of the liquidation of the company or of any action against J. W. S. McArthur.

11. TRANSACTIONS PASSING THROUGH THE COMPANY'S BANKING ACCOUNT.

An examination of the cash-book of Wynwood Investments, Ltd., reveals that, with one exception, the only substantial transaction entered into by the company, and involving it in the payment of money, was the Sterling-Wynwood transaction, discussed in section 12 of this report.

The first banking transaction recorded is the deposit on 11th December, 1933, of £91 16s., made up of moneys supplied by the Sterling Investments Co. (N.Z.), Ltd. This is recorded in the books of Wynwood Investments, Ltd., as on account of calls on 900 shares, being apparently in payment of 2s. per share on 898 shares allotted on 12th April, 1932, to the Sterling Investments Co. (N.Z.), Ltd., and of 20s. per share on two shares allotted on the same date—one each to J. W. S. McArthur and C. G. Alcorn respectively. As is shown in section 5 of this report, Sterling Investments Co. (N.Z.), Ltd., held no shares in Wynwood Investments, Ltd., at the time this payment of £91 16s. was made, all of its holding, and also the two shares allotted to J. W. S. McArthur and C. G. Alcorn, having been transferred to R. Glover-Clark and Stanley Grange.

The one transaction apart from the Sterling-Wynwood transaction involving the payment of a substantial sum of money, was as follows:—

On 22nd December, 1933, an advance of £700 from the Sterling Investments Co. (N.Z.), Ltd., was lodged to the credit of the banking account of Wynwood Investments, Ltd., and on the same date a cheque for £750 was paid to Mr. V. R. Meredith, Crown Solicitor, at Auckland, the item being entered in the cash-book as "Purchase from V. R. Meredith of 2,892 debentures in Wynsel Timber Co., Ltd." In this matter Mr. Meredith was acting on behalf of various Government Departments which had instituted proceedings for the recovery of debts due by the Selwyn Timber Co., Ltd. (in liquidation). These Departments, in common with other creditors of that company, had agreed to accept, in satisfaction of their claim, debentures to be issued by the Wynsel Timber Co., Ltd., a company formed to take over certain of the assets of the Selwyn Timber Co., Ltd. (in liquidation). An undertaking was given by Wynwood Investments, Ltd., to Mr. Meredith that if he, on behalf of the Departments concerned, would apply for the debentures which they were expected to take under the compromise, Wynwood Investments, Ltd., would purchase the debentures for £750. The payment recorded in the cash-book is in fulfilment of this undertaking.

12. TRANSFER OF CERTAIN ASSETS FROM STERLING INVESTMENTS CO. (N.Z.), LTD., TO WYNWOOD INVESTMENTS, LTD., AT 28TH FEBRUARY, 1934, REFERRED TO AS THE STERLING-WYNWOOD TRANSACTION.

(a) GENERAL DESCRIPTION OF THE TRANSACTION.

In the report of the Inspectors appointed under the provisions of the Companies (Special Investigations) Act, 1934, in respect to the affairs of the Sterling Investments Co. (N.Z.), Ltd., the transfer of assets from that company to Wynwood Investments, Ltd., at 28th February, 1934, is discussed at some length. By this transaction J. W. S. McArthur, who controlled the Sterling Investments Co. (N.Z.), Ltd., and who held 9,900 shares out of a total capital of 10,000 shares issued, and also all the debentures (£40,000) in Wynwood Investments, Ltd., arranged that certain assets owned by the former company should be transferred to the latter company. The consideration was nominally £60,000, which was paid by the transfer of fifty-nine debentures in the British National Trust, Ltd., having a nominal value of £59,000. No explanation has been given of the discrepancy of £1,000 between the two figures. These debentures had been acquired in the following manner:—

In March, 1933, J. W. S. McArthur, by the sale of his shares in the British National Investment Trust, Ltd. (the company which had purchased the trust building at the corner of King and Castlereagh