

ing this I shall go on and show, in the first instance, why I impugn the balance-sheet; and, in the second instance, the action of the directors in the purchase of the steamer "Lawrence." I say the balance-sheet of 1890 was a false balance-sheet. This is a copy of the amended articles of association in which the original articles were not embodied, but which should have been, as they are supposed to be under the heading. And under "The Companies Act, 1882," clauses 26 and 89, there is a penalty involved upon the company for not supplying them; but there is a reference to page 1. [Reference not supplied by Mr. O'Connor.] I now read from the Companies Act, clauses 79, 80, 82. Now, I produce the balance-sheet of 1890. I produce two different balance-sheets of 1890. With regard to this balance-sheet I first wish to point out to you that on Friday, 30th January, 1890, a meeting of directors was convened for the purpose of considering the draft balance-sheet. [Minute-book, 30th January, 1890, pages 276, 278, 286.] I wish to call attention to the balance-sheet of 1890 itself, and to the statement of assets and liabilities of the gross income and expenditure of the company, distinguishing the sources of the amounts received and expended. There is really no statement such as that unless it be in the statement of transactions for the year. I wish to call your attention to the way in which the different items are entered, and therein I say the accounts are falsified. There is a fictitious balance which is placed to show the account of certain steamers which are working for the company in the distribution of coal; and I shall call your attention to the way in which the items debited and credited are arrived at, and you will see that, while on one side the credit has been magnified, on the other the debits have not been fairly put, that there have been items put to the credit of this account—even supposing that it is a proper balance-sheet account—which are not honestly chargeable to the year's proceedings; and that other items which should appear are suppressed. In this also you will find several material misstatements. But one brick does not make a building, and if there were only one misstatement I should put it down to accident; but after I have shown what took place at our meetings I think you will agree with me that the directors were honestly bound to look into the accounts and see particularly whether what I had stated was right or not. There is not a single statement in which the company's property was involved where a misstatement has not been made to cover misstatements made with regard to profit and loss account. I do not think I should be warranted in making the statements I have made if there was only one misstatement, but there are many, and I have to call attention to the false certificate appended by the auditors of the company at the foot of the balance-sheet, for the statement there made and signed is not true. If these errors were solely errors of account, and there was no object in making them, I would pass them by. I would have refused to give my assent, but I should have passed them by. But at the time the balance-sheets were passed there was an active disagreement between myself and the directors. That disagreement amounted to the extent that they were endeavouring at the time to prejudice the shareholders against me, and to replace me on the directory by one of themselves. It was my contention that there was great mismanagement taking place with regard to the working of the steamer "Lawrence," and loss. The first item I find in the assets from the profit and loss account, £3,284 15s. 1d. It is entered there as if it were a *bona fide* transaction in which the company gained the amount, whereas it is nothing of the kind. It is an item falsely arrived at on certain fictitious accounts, in which only steamers were concerned and in which the steamers get credit for moneys not earned. The first false entry in the statement of transactions is "Receipts for coal sales f.o.b. Mokihinui, £2,190 8s. 9d., less £150 13s. 6d. allowances to Union Steamship Company outstanding last year." One lie begets another. The allowance given to the Union Steamship Company was an allowance wrongfully given to them on coal delivered in 1889, not f.o.b. at Mokihinui, but Wellington. The item £2,039 15s. 3d., after deducting that allowance, is arrived at in this way. I cannot say that I am absolutely correct to the shilling in these items copied from the books. I give the value in every case, and if there is an error in any of the figures it can be corrected. I had very little time to prepare the list from the books, and was consequently very much hurried, but I will place the figures at the disposal of the shorthand writer. [Figures not supplied by Mr. O'Connor.] That is the only coal which seems to be charged to the "Lawrence" in this account. What became of that coal I do not know. That is how the sum £2,039 15s. 3d. was arrived at. No such sales f.o.b. Mokihinui took place at 10s., and no such vouchers could be shown to the auditors with regard to them. These items were transferred from the accounts of the "Terranora" and the "Lawrence" at a fancy price not sufficient to pay the working-expenses at Mokihinui. At the time when the company sold the coal at Napier, Lyttelton, Foxton, Wanganui, and Wellington, coals were at 47s. 6d. to 37s. 6d. That is the first lie in the endeavour to show that there was a profit on these steamers—the first deliberate attempt to mislead. There are many other errors to be met with, but I do not wish to encumber this inquiry with more than is necessary. The next item with regard to the steamer "Lawrence" is receipts, freights, £6,977 4s. 6d., less wages, insurance, &c., £4,254 16s. 4d., leaving a supposed balance to profit of £2,722 8s. 2d. This is what I call the cooked account of the "Lawrence." In folio 48 of the ledger. These items are the gross price paid by the Railway Commissioners and other wholesale buyers of coal which the company delivered by means of the "Lawrence" in the different places named within the time stated by the balance-sheet of 1890, except one of coal at Napier on 5th January, 1891. There is an item for delivery which should not appear in the balance-sheet. The coal was not delivered at Napier until the 5th January, 1891, but it is included in the receipts of the steamer "Lawrence" for 1890. I say that that money was not due until delivery, and that it was put into that account for the purpose of magnifying the receipts. All the items of coal delivery I have read are of the same effect, but this is in a different way, as it is going outside the year. I say none of these items are available for ordinary fair calculations as to what the boat was doing. I have shown you how the sum of £6,977 4s. 6d. has been arrived at, less wages, insurance, &c., £4,254 16s. 4d., making it appear that a debit account is opened for the "Lawrence." That £4,254 16s. 4d. is made up as follows: