

Mr. Macdonald: It is quite clear that the directors, in asking that they should be furnished with a copy of the shorthand-writer's notes, after they have been examined and passed by Mr. O'Connor as a correct report of the statement made by him before the committee, are quite within their rights. The only point to which I draw your attention, and upon which there may be a difference, is this: the report was to be from day to day. That has been found to be impossible. We are practically in this position: that we can only hand to you a portion of the report so far as it has gone—of course, it is not a complete story—for Monday. We could hand this to you and ask you, as it deals with the balance-sheet, that you give a reply to that portion, at any rate, of the charges as early as possible. There is something in what Mr. Miles says, that if the graver charge is true the whole of the charges practically disappear, because if the directors are guilty of deliberately falsifying the balance-sheet they are unworthy of confidence of any kind. I think the sooner that point is settled the better. There should be no great difficulty in the way. The matter could be narrowed down to the particular items on the balance-sheet referred to. The only point for your consideration, as the chief of the directors of the company—and you are, I presume, as anxious as Mr. O'Connor and the committee are that the matter should be brought to a conclusion—is whether it is not desirable to embark as early as possible into the question of the balance-sheet.

Mr. Macarthy: In taking that position you are right. But we have a right to consult those gentlemen who are reflected upon in the statements concerning the balance-sheet. In any case that is the chief ground against the directors. If that one charge is sustained, practically the whole thing goes by the board. Therefore we must approach that part of the subject with the utmost caution.

Mr. Greenland: I wish to ask whether you could answer the questions concerning the balance-sheet on Friday morning?

Mr. Macarthy: Now you are talking reasonably. That is another thing altogether.

Mr. Macdonald: Mr. O'Connor, there is a very serious point mentioned by Mr. Macarthy—one worthy of consideration. The charge of falsification reflects quite as much upon the auditors as upon the directors, and I think the fact of such a charge being made ought to be conveyed to the auditors as early as possible, in order that they should have an opportunity of being present here when the question is gone into by the committee, because their own honour is involved in the point; and I think the chairman should convey to those officers that reflections have been made upon them, and they should be asked to be prepared to explain or defend their position at the next meeting.

Mr. Macarthy: I accept that suggestion of yours, sir, and will give it consideration. When we present our answer to you on the charge of falsifying the balance-sheet we must ask you to decide upon that point at once. It is so serious a charge that I must ask that when our defence is presented you shall decide on it at once, and eliminate all further reference to the balance-sheet from our proceedings.

Mr. O'Connor: The proposition made was that as soon as they have answered that you have finished.

Mr. Macdonald: As soon as the committee have made up their mind as to whether the falsification of the balance-sheet is proved or not, if the committee find that the charge is proved they need not go any further in reference to your charges. It does seem to me that Mr. Miles's contention is complete and unanswerable, that if the directors had falsified the balance-sheet it is useless for the committee to go any further. That will sufficiently condemn the directors without going into any smaller business. If, on the contrary, the committee find that the balance-sheet has not been deliberately falsified, all references to the balance-sheet will be done with, because the committee will decide the point and go on with the other questions.

Mr. Macarthy: I could not agree to that proposition: that if you find the balance-sheet has been wilfully falsified no further inquiry should be made. I could not agree to that: too many names have been mentioned.

Mr. Macdonald: As far as the directors are concerned, if they have been guilty of deliberately falsifying the statement of accounts to the shareholders they are totally unworthy of confidence. It may be that the charges against other persons will require consideration and report; but, as far as that part of the business goes, the directors must stand or fall by it.

Mr. O'Connor: Mr. Macdonald, it appears from your statement that you would go on if the directors were prepared to answer the charge upon the balance-sheet. Now, I ask you to stick to what you said in the first instance: that at the next meeting the directors, if able, were to go completely into their answer—not to go into the matter piecemeal. I am willing, if this is done, to agree to an adjournment.

Mr. Miles: Are you willing that the inquiry shall stand adjourned until the directors are able to enter upon a defence of the whole charges?

Mr. O'Connor: If they will fix a time when they will be able to do so.

Mr. Macdonald [to Mr. Macarthy]: You will have the shorthand-writer's notes by Friday. Will you now fix a time when the directors will go into their defence?

Mr. Macarthy: On Monday morning at 10 o'clock, with the liberty of notifying you if we are not ready to meet you.

The inquiry was then adjourned.

*Monday, 21st November, 1892.*

The inquiry began at 10 a.m. *Present:* The full committee. In attendance, Messrs. Macarthy, Allen, and Gale (directors), and Mr. Eugene O'Connor.

Mr. Macdonald, having read a minute of the arrangement entered into on Wednesday night,