

question of the management of the company from its incorporation, and work right up to Mr. O'Connor's general charges.

Mr. Macarthy: By the mode of procedure originally laid down we were to be furnished with a copy of the corrected evidence and statement of Mr. O'Connor, and then to be furnished with a copy of the charges which you thought we should be required to answer. Of course, I do not object to reply in the way you suggest.

Mr. Macdonald: We are anxious to expedite the business as much as possible, and you will remember that outside the arrangement you refer to an opinion was expressed at an early stage of the proceedings that if the charge of deliberate falsification of the balance-sheet was proved against the directors, that charge being of so serious a character, a great many subsidiary matters might go. Therefore, it would be better to consider the graver charge before going on with the minor charges. The committee have supplied you with the *résumé* of the charges as furnished by Mr. O'Connor. They, of course, have been unable to give you that complete statement and accompanying evidence they had hoped to have done; but their inability to do so, as you are already aware, has arisen in consequence of Mr. O'Connor's conduct in taking away from this room the extracts from the records and documents of the committee which the committee had instructed their clerks to prepare, and the expense of procuring which will form part of the costs of the inquiry. However, what we want to get at is the whole truth respecting the company's operations, and I trust you and your fellow-directors will do your best to facilitate the work of the committee, and bring before us your evidence in as complete a manner as possible, in order to economize the time and save the expense attendant on this inquiry.

Mr. Macarthy: I gather from your words that you desire to deal, in considering the charges made by Mr. O'Connor, with the matters affecting the company from its incorporation up to the present time, and that you require a synopsis of the answers to the charges, dealing first with that referring to the deliberate falsification of the balance-sheet.

Mr. Macdonald: Quite so. Before you make any statement there are two or three preliminary points which require settlement in order that the committee, of inquiry may thoroughly understand the position, and Mr. Miles will put the queries which appear to the committee at this moment to require special attention.

Mr. Miles: We want you to place upon record the date when the company was incorporated, and the names of the original directors. We want to see the resolution which removed the directory from Westport to Wellington, and in connection with the list of shareholders agreeing to this we would like the resolution which appointed the original board of directors in Wellington. The two, probably, will be contemporaneous. It is necessary to have that information, because part of Mr. O'Connor's charges relate entirely to the management of the company since its removal to Wellington. That being so, we know where to start with Mr. O'Connor's charges.

Mr. Deacon: The company was incorporated on the 21st day of May, 1884.

Mr. Miles: I understand that on 13th February, 1889, a resolution was passed which removed the management of the company from Westport to Wellington.

Mr. Deacon: Yes; the following is the minute: "Proposed by Mr. Regan and seconded by Mr. O'Brien: 'That the registered office of the company be removed to such place at Wellington as the directors may determine.'"

Mr. Miles: Who were the directors at that time?

Mr. Deacon: The directors were, Messrs. E. J. O'Connor, Jacob Joseph, T. G. Macarthy, Charles Seagar, T. Roskrige, F. Allen, W. J. Rodgerson.

Mr. Macdonald: Now, as to the balance-sheet of 1889. You have in your hand, Mr. Deacon, a statement of accounts of the company from 21st January to 31st December, 1889. Who were the directors who issued that statement?

Mr. Deacon: The directors at that time were the gentlemen whose names I have just mentioned to you.

Mr. Macdonald: Who was the chairman of the board?

Mr. Deacon: Mr. Eugene O'Connor. I produce the minute-book, folio 109, 7th March, 1889: "The Chairman reported that he had been acting as chairman and managing director at a salary of £300 and travelling-expenses, as voted at the annual meeting, and desired the board to give expression to their opinion if they thought any change was desirable. Resolved: 'That consideration of the matter be postponed for one week, and that Messrs. Roskrige and Rodgerson be written to asking their views on the subject.' On the 15th March, at a board meeting, there is the following resolution: 'That Mr. O'Connor be managing director during the time the works are being constructed and the company put in working-order, at a salary of £300 per annum and travelling-expenses when travelling on the company's business, as authorised by the shareholders at the annual meeting.'"

Mr. Macdonald: Then, during the whole of that year and up to the time of issuing the balance-sheet for the year ending 31st December, 1889, was Mr. O'Connor chairman and managing director?

Mr. Deacon: Yes.

Mr. Macdonald: Messrs. Harcourt and Stuart appear to be auditors for the year 1889?

Mr. Deacon: Yes.

Mr. Macdonald: Was any question ever raised as to the correctness of the balance-sheet of 1889?

Mr. Deacon: No, sir; nothing beyond this: that the books, previous to coming up from Westport, were kept in a most peculiar manner, without any regard to system, and I therefore opened new books of accounts for the company. Until the board decided—which they never did—under what heading the general expenditure should be classified, the whole of the expenditure, which was practically on account of capital account, was placed to the debit of mine and plant.