

being the proceeds of 1,970½ tons of coal at 10s. a ton, which coal was delivered to the Union Steamship Company. Any difference between the price per ton realised on the sale of the coal and the 10s. a ton allowed to the mine account, as in this item, went to the credit of the steamers' account for freight, less, of course, the ordinary commission and other charges shown in the account-sales. The whole of these items which I have given you amount to £2,193 9s. 6d., from which has to be deducted the sum of £3 0s. 9d., being 2½ per cent. commission on £121 10s. proceeds of the sale of bunker coal, leaving a balance of £2,190 8s. 9d., being the amount shown in the balance-sheet as receipts for coal sales f.o.b. Mokihinui.

Mr. Macdonald: Mr. Macarthy, can you give us an explanation of Mr. O'Connor's statement that the allowance given the Union Steamship Company, and shown in the balance-sheet as £150 13s. 6d. outstanding last year, was an allowance given to them for coal delivered in 1889, not f.o.b. Mokihinui, but in Wellington?

Mr. Macarthy: You will notice in the balance-sheet of 1889 that the Union Company appears indebted in the sum of £776 13s. 5d. It was then a disputed account, and they refused to pay it. They had agreed with the previous chairman of directors, Mr. O'Connor, to take coal at a certain price per ton, according to sample shown by Mr. O'Connor, whereas the coal as delivered they claimed to be no better than Westport slack, and they refused to pay the amount agreed upon. Messrs. Johnston and Co. were authorised to settle the amount by resolution of the board dated 12th December, 1889, folio 176 of the minute-book, and in accordance with that resolution the allowance of £150 13s. 6d. was made to the Union Company, which properly was chargeable against the mine account, and therefore appears in the balance-sheet in that form. As a matter of fact I may mention that the amount shown on the balance-sheet for 1890 as receipts for coal amounted to more than the total sum (£2,067 2s. 8d.) expended upon the mine during the whole year, and is a sufficient answer to Mr. O'Connor's statement that the items are transferred from the accounts of the "Terranora" and "Lawrence" at a fancy price not sufficient to pay expenses at Mokihinui. The figures £2,067 2s. 8d. do not include expenditure on capital account. The proof of that will be found in these figures prepared from an inspection of the books, and which show that the total expenditure for wages account at Mokihinui in coal-getting, opening the mine, railway and wharves, the salaries account amounting to £2,067 2s. 8d., as against £2,190 8s. 9d. receipts for coal. The following is the statement referred to: Wages account, Mokihinui, 1889-92, including expenses prospecting, opening up, coal-getting, working railway, wharf, &c.—1889, £1,187 1s. 2d.; 1890, £2,067 2s. 8d.; 1891, £3,877 2s. 9d.; 1892, £2,524 8s. 9d.

Mr. Macdonald: Mr. Deacon, the next item challenged by Mr. O'Connor is that referring to the steamer "Lawrence"—receipts, freights, &c., £6,977 4s. 6d., less wages, insurance, &c., £4,254 16s. 4d., leaving a supposed balance to profit of £2,722 8s. 2d. He says, "This is what I call the cooked account of the 'Lawrence'"—folio 48 of the ledger.

Mr. Deacon: Mr. O'Connor is incorrect as to the folio; 48 is a blank. The "Lawrence" working account is on folio 211 of the ledger, which I produce. With respect to the statement made by Mr. O'Connor as to the items on the credit side of the account being the gross price paid by the Railway Commissioners and other wholesale buyers of coal, that is of course correct. With respect to the item for delivery, which he says should not appear in the balance-sheet for 1890 because the coal was not delivered in Napier until the 5th January, 1891, I have to say that the coal left the mine by the steamer "Lawrence" in December. In crossing the Mokihinui bar the steamer struck, and the captain cruised about Blind Bay until he had succeeded in stopping the leak. He then proceeded on his voyage, and delivered his cargo in Napier on the 5th January. Had he adopted the usual course of going into Wellington for repairs, he would have required to discharge his cargo at a considerable loss to the company. It is usual for the accounts of coastal steamers to be made up at the termination of the voyage, and in the ordinary course the voyage would only be concluded when the vessel arrived at Napier; but as the vessel had been detained through the accident, and the books of the company closed on the 31st December, the directors wished to bring all matters of account for the year to a close, and therefore included the receipts in the year's transactions. In confirmation of this I may say that the pay-sheet of the "Lawrence" for the month, which would not have been payable until the completion of the voyage in Napier, was, with all the Napier charges, brought into the accounts for the year ending the 31st December, so that the true balance of profit and loss might be made up.

Mr. Miles: This account shows that the "Lawrence" has been debited with wages to the 31st December, 1890?

Mr. Deacon: Yes, and all the Napier disbursements for that last voyage. The steamer "Lawrence" has not been debited with coal used by herself. There was no object in debiting her. We did not credit her with freight earned by the carriage of material and plant taken to Mokihinui for the use of the mine. In point of fact, as regards the "Lawrence" and the mine account there has been a good deal of give-and-take, and no strict analytical account has been kept. This was always understood by the directors when Mr. O'Connor was on the board, and no objection was taken to it by him.

Mr. Miles: The balance-sheet for 1890 was prepared by you?

Mr. Deacon: Yes.

Mr. Miles: Did you prepare any previous balance-sheets for the company?

Mr. Deacon: I prepared those for 1889, 1890, and since.

Mr. Miles: During 1889 Mr. O'Connor was chairman?

Mr. Deacon: Yes.

Mr. Miles: In preparing the balance-sheet for 1890 did you adopt the same plan in dealing with the accounts for the mine as shown in the balance-sheet for 1889?

Mr. Deacon: Yes, identically the same.

(At this stage the committee adjourned till 3 p.m.)