

On resuming, Mr. J. R. Blair handed in a written statement to the committee, and said,—I was not a director when the steamer "Lawrence" was bought, nor was I a director when the balance-sheet challenged was produced; therefore I think it is necessary I should state something for myself. I think some of the other directors are in the same position.

Mr. Miles: I would point out that we are now investigating various charges. If we find any of the charges are substantiated we shall then have to individualise them and give those gentlemen to whom they attach an opportunity to reply.

Mr. Blair: I have taken my present course because I hold that I am entitled to take other proceedings, if I think fit. Assuming that some of the charges are correct, I am blamed for things that happened before I was on the directory, and I therefore consider that I am entitled to take what steps I think fit.

Mr. Miles: This is a voluntary inquiry between the shareholders and the committee, as was pointed out yesterday. Mr. O'Connor's statements may not be substantiated, but if they are, then would be the time to individualise them. Of course, while we are here we feel bound to consider any representations which may be made by those interested.

Mr. Allen: Mr. O'Connor has put in a few specific charges which I feel bound to answer by a statement, which I will put in before the close of the inquiry.

Mr. Macarthy: You addressed a question to me as to whether it was proposed that I should appear before you in defence of the whole of the directors, and I think I stated from the commencement that I did not intend to take up that position. I have appeared before you as chairman of the company, and not for the other directors. I feel justified in offering a general defence on behalf of the directors, leaving each individual director to take whatever steps he may think fit.

Mr. Macdonald: Is it your intention now to enter upon your statement and evidence? We have taken some evidence on the balance-sheets, and I think it would be more conducive to the proper handling of the inquiry if you were to take up such matters as are familiar to you, and give your explanations respecting Mr. O'Connor's statements and charges. The committee will leave you a perfectly free hand.

Mr. Macarthy: Before I commence I would like to know if you are satisfied by the evidence so far that we had sufficient authority under the directors' resolution, prior to these charges being made, to fix 10s. a ton as the price for coal at Mokihinui?

Mr. Macdonald: We cannot answer that offhand.

Mr. Macarthy: I am desirous of showing how the amounts were allocated.

Mr. Macdonald: We have it in evidence that in the year 1889 10s. a ton was credited to the mine in reference to nearly 2,000 tons of coal brought down by steamers, and that that price was regarded in the year 1889, when the accounts are not in dispute, as being a fair sum to credit the mine account for coal f.o.b. Mokihinui.

Mr. Macarthy: The price of coal at Mokihinui was fixed at a meeting of the directors of the company held on the 26th November, 1890, Mr. O'Connor being present, when it was resolved that 12s. 6d. be fixed as the price per ton for steam-coal delivered on board at Mokihinui, subject to a discount not to exceed 25 per cent. (See minute-book, folio 264.) I submit that that authoritatively fixes the price of coal during the time referred to in that balance-sheet. It is even less than 10s. a ton; it would be 9s. 4½d.

The Chairman: What I presume you contend for is this—that, the price of coal having been fixed by resolution of the board at practically 9s. 4½d. a ton, the directors, in giving the mine credit for 10s. a ton, were going a little beyond the price even that the board contemplated, and that they had a perfect right to take credit for any sum over and above 10s. a ton they might realise upon freight-charters and coal carried by the "Lawrence."

Mr. Macarthy: Certainly. We laid it down as principle that the steamers realised the profit, not the mine. I am under the impression that the charge made by Mr. O'Connor is that the balance-sheet is false and fraudulent, and calculated to mislead. It misleads no person. He has further said that it is cruel. It is cruel to him, because, no dividend having been paid, he was being prevented from realising on his shares, the principle having been laid down by the directors that no dividends should be paid, but that the profits should be devoted to writing off the liabilities on mine account. That is the principle which has been laid down in the balance-sheet, and which has been adopted and approved by the shareholders at the general meeting. In the preparation of a balance-sheet directors have to use a large amount of discretion, and so long as that discretion is used *bonâ fide* and in the interests of the company it is not open to a shareholder or director to challenge the mode of arranging the accounts, more particularly so if, as in this case, he was associated with the directors in arranging the accounts, had access to the accounts, and to whom it was open to suggest an improved system of book-keeping. There was nothing to show that Mr. O'Connor objected to the system of book-keeping, nor to the entries; he objected to the balance-sheet only as a whole, because he considered the mine, not the steamer, was entitled to the profit made. Mr. O'Connor directed particular attention to the requirements of Schedule A of the Companies Act. Section 81 says: "A balance-sheet shall be made out in every year and laid before the company in general meeting, and such balance-sheet shall contain a summary of the property and liabilities of the company, arranged under the heads appearing in the form annexed to this table, or as near thereto as circumstances admit." That clearly leaves the discretion in the hands of the directors. But the form given at the end of that schedule is not applicable to the circumstances of this company. I have not seen a balance-sheet in that form, and the several balance-sheets issued prior to this, for which Mr. O'Connor was responsible, are not in that form. They are similar to that challenged by Mr. O'Connor; therefore, it is not competent for Mr. O'Connor to object either to the balance-sheet or to the system of book-keeping. Had Mr. O'Connor consulted the auditors they would have explained to him that they were