

following the form of previous balance-sheets. I have called the attention of the auditors to this matter, and here is their explanation:—

“DEAR SIR,—

Wellington, 18th November, 1892.

“In reply to your request for an explanation of the following item of assets in 1890 balance-sheet, viz., ‘Steamer “Lawrence,” plus expenditure, less freights, &c., £10,772 19s. 3d.,’ we find that in the year 1889 a separate account was not kept for ‘Lawrence’ working; it was therefore necessary to deduct freights from her capital account, and this was so expressed in the balance-sheet for that year. The following year a “Lawrence” working account’ was opened, in which her freights were separately dealt with. It, however, appears that the form of the 1889 balance-sheet was observed in the 1890 balance-sheet—the words ‘less freights’ should have had the additional words ‘for 1889,’ or should not have appeared in the 1890 balance-sheet. The question that you have drawn our attention to, although not strictly speaking incorrect in consequence of 1889 freights being deducted, may be designated as a literal error, but in no way affects the correctness of the figures in the balance-sheet or books of the company..

“Yours faithfully;”

“JOS. TOWNSEND, }
“A. S. CHAPMAN, } Auditors in 1890.

“T. G. Macarthy, Esq., Chairman Mokihinui Coal Company (Limited), Wellington.”

You will notice in the balance-sheet the item “Steamer ‘Lawrence,’ plus expenditure, less freights.” He attached considerable importance to this. Those were the words he used previously, with the exception of “less freights.” Had the words “less freights” been used for the year previous his objection would have fallen to the ground; so that had “less freights” not been added Mr. O’Conor would have been unable to take any objection to the balance-sheet. The auditors followed the previous wording. I think the auditors’ letter is a better explanation than I could give you of the words “less freights,” and you will see that the addition does not make the balance-sheet wilfully false and misleading. Another question to which Mr. O’Conor has directed your attention and spent considerable time over is in reference to the two cargoes—one to the “Lawrence” and one to the “Terranora.” Both these cargoes were delivered in the month of January, but the coal of which these cargoes consisted was mined and ready for delivery in December, and was charged in the accounts of the year. It is true they were not paid for, but in preparing our balance-sheet we considered that as directors it was competent for us to exercise discretion in that matter, and although we had not been actually paid for the coal in the year previous we had a right to include in the receipts for that year the value of the coal. That, as I have already submitted to you, is a matter wholly in the discretion of the directors, and I maintain that that discretion was exercised in the interests of the company. Had it been the intention of the directors to pay a dividend, possibly they would have had to look at the matter from a different aspect; but with the principle laid down before us that there was to be no dividend, and that the profits derived from the transactions of the year were to be applied to reducing the amounts standing against the mine, railway, plant, &c., I think we were quite justified in adopting that mode of procedure. The intention originally was to write the whole of the profit off, but that was afterwards altered because it was brought to our notice that there was a contingent liability on account of the “Hapuka.” Mr. O’Conor further says that the “Lawrence” has not been charged for her bunker-coal. I think that was explained this morning; but I may say again that there was no separate account kept for the “Lawrence’s” bunker-coal, but in the preparation of the balance-sheet we found that the amount allowed to the credit of the mine was more than the whole expenditure on mining account at Mokihinui for the year. The mine account, we considered, gave the mine full justice, and even more, and no ledger account was therefore kept of the coal consumed by the “Lawrence.” This objection was only raised since the issue of the circular. It was not advanced by Mr. O’Conor at the meeting of the shareholders; neither was it advanced by him at the directors’ meeting. I would submit to you, generally, that there is nothing either in the books or balance-sheet to support Mr. O’Conor’s charge that the balance-sheet is false or fraudulent. The utmost he can say from his point of view is that the wording of the entries is not technically accurate. I am speaking of the balance-sheet as a whole. The figures cannot be challenged. They are a summary, as they should be, of the balances shown by the ledger, and for every ledger account Mr. O’Conor is equally responsible with us. It might be as well that you regard the minute appropriating the £2,500 of profit and loss to the credit of railway, mine, and equipment. It surely will satisfy more than ordinary scruples as to the arrangement of the figures forming the balance-sheet—whether the steamers received too much profit or the mine too much. This is a resolution passed by a meeting of shareholders held on the 9th March, 1891: “The Chairman moved, and Mr. Brandon seconded, that the sum of £2,500 now standing to the credit of profit and loss account in the books of the company be transferred to the credit of railway and equipment, &c., with a view of writing down the mine, plant, account, &c.”

Mr. Macdonald: Was Mr. O’Conor present at that meeting?

Mr. Macarthy: He was present.

Mr. Macdonald: Did he object?

Mr. Macarthy: He did not object; there was no objection. Mr. Miles was present. The resolution I have just read was next following Mr. O’Conor’s amendment that the balance-sheet be referred back to the directors for correction. I may add that, as a further reason for that £2,500 being written off mine, plant, railway, equipment, &c., that from the incorporation of the company the whole of the expenses were carried forward from year to year as capital—that is, Mr. O’Conor’s salary and expenses of every description. Each year they swelled the amount of the balance-sheet, and, of course, on those property-tax had to be paid.

Mr. Miles: Do you specify any particular years with reference to the capitalisation of the expenditure?