

Marine Department in Sydney was employed. Upon the vessel's arrival in Wellington she was inspected by the Marine Underwriters' surveyor, who reported most favourably respecting her. The committee are of opinion that the responsibility attending the purchase of the "Lawrence" rests with Mr. O'Connor alike with the other directors, and, further, that on her arrival in New Zealand all parties concerned appear to have agreed that she was a good purchase and a suitable vessel for the trade.

Mr. O'Connor charges the directors with shameful negligence, and with causing the loss of the "Lawrence," which was wrecked on the Mokihinui bar on the 28th April, 1891. There is no evidence to support such a charge. An official inquiry was held at Westport, and the captain's certificate was returned to him. Mr. O'Connor makes severe strictures upon the directors with reference to their dealing with the wreck. The committee are, however, of opinion that such strictures are undeserved, and that the directors acted throughout with considerable prudence.

Honorarium.

Mr. O'Connor has charged Mr. Macarthy with improperly drawing the sum of £105 for directors' honorarium. This sum was voted to the directors by the shareholders at the annual general meeting held on the 9th March, 1891. It is admitted that Mr. Macarthy, as chairman of the board of directors, has drawn the amount and signed the voucher. Mr. Macarthy states that the amount is held in trust by two directors, Mr. Barton and himself, pending a meeting of the directors amongst whom it is to be apportioned.

Articles of Association.

Mr. O'Connor, in his statement, dealt at great length with the alterations made in the articles of association. These alterations having, however, been made and duly confirmed by the shareholders, it does not appear necessary to express any opinion regarding them.

Johnston and Co.'s Commission.

Mr. O'Connor has charged the directors with allowing Messrs. Johnston and Co., the agents of the company, to charge $2\frac{1}{2}$ per cent. commission upon sales of coal delivered at Napier and Lyttelton, those ports not being specified in the agreement with that firm. He states "that the money given to them for those places was a pure gift." Mr. O'Connor further charges the directors with allowing Messrs. Johnston and Co. to charge $2\frac{1}{2}$ per cent. upon coal sold to the Railway Commissioners. If appears from the evidence and accounts submitted that the directors, after discussion, in some cases allowed Messrs. Johnston and Co. $2\frac{1}{2}$ per cent. commission where a strict reading of the agreement might have limited the commission to 1 per cent. It is, however, in evidence that the total amount due to Messrs. Johnston and Co. on a statement of account under the strict letter of agreement during the three years amounted to the sum of £502 8s. 4d. The amount paid to Messrs. Johnston and Co. in settlement of their claims was £402, the directors thereby benefiting the company to that extent. In several cases outside of the agreement it appears that Messrs. Johnston and Co. charged $2\frac{1}{2}$ per cent. commission, when they would by ordinary usage have been justified in charging a higher rate.

Railway and Plant.

Reference has been made by Mr. O'Connor in his circulars to shareholders, and before the committee, to the question of the cost of opening the railway to the mine, which work, he states, will not entail a heavy outlay. It appears, however, clear from the evidence brought before the committee that the line does not at present comply either with the conditions laid down by the Government, or with the agreement with the Railway Commissioners, to enable it to be used for goods and passenger traffic. A large expenditure is undoubtedly necessary to complete the line and to bring it up to the Government standard for both goods and passenger traffic, but no evidence has been brought before the committee to show what sum will be required. The amount will depend upon the manner in which the directors go to work. They appear to be fully alive to the importance of the position.

The question of the purchase of certain wheels, axles, and pedestals from the Manawatu Railway Company was severely criticized by Mr. O'Connor. He stated that they had been tried on the trucks and abandoned, being useless. The evidence of the mine-manager directly contradicts this statement. The total cost of these wheels, axles, and pedestals was £26.

Office Expenditure.

In the opinion of the committee, there is no foundation for Mr. O'Connor's complaint regarding the amount of office expenditure in Wellington. There is no evidence to show that any office expenditure has been incurred at Mokihinui under the present management.

County Road.

The committee have carefully considered Mr. O'Connor's statements in reference to this matter. It appears clear from the evidence that the company could not obtain a title to the two miles of railway first constructed without coming to an arrangement with the Buller County Council respecting the making of a county road in lieu of the roadway taken for the railway. This work is rendered compulsory by the provisions of "The Westland and Nelson Coalfields Administration Act 1877 Amendment Act, 1892," and has yet to be completed by the company. In the opinion of the committee no other course was open to the directors under the circumstances.

Directors' Counter-charges.

Mr. Macarthy, chairman of the board of directors, in his statement and evidence, has, in addition to replying to Mr. O'Connor's charges, dealt at some length with the early history of the