379. Hancock and Co., Ltd., of Auckland was formed in 1923 to take over the hotels and the wine and spirit business of Hancock and Co. (N.Z.), Ltd., after that English company had sold its brewery business in New Zealand to New Zealand Breweries. Hancock and Co., Ltd., had a capital of £250,000. In 1937, bonus shares of £150,000 were issued to members fully paid out of profits (R. 7708), and in the same year the company issued 250,000 preference shares which were called up to 10s. per share. In 1937 the company earned, before taxation, £75,000. The company also earned the following profits before taxation in succeeding years: in 1938 a profit of £77,000, in 1939 a profit of £79,096, and in 1944 a profit of £118,634. The difference between the profits earned and the amounts paid in dividends, less the tax, was, of course, used to increase the reserves.

380. The profit and loss accounts of the principal managed hotels of Hancock and Co.—the Grand Hotel, Auckland, and Hotel Cargen, Auckland—for the period of ten years from 1931 to 1940 showed that there was a total loss during that period on the Grand Hotel of £14,498 and on Hotel Cargen of £26,587 (R. 3788). On the other hand, the total profit on all the company's managed hotels after setting off the losses was, for the years for which the accounts were presented, as follows :—

	£
For 1937	34,085
For 1938	35,456
For 1939	19,504
For 1944	78,281

381. Of Hancock and Co.'s remaining hotels, some provided large accommodation. The six largest net profits for the year ended 30th September, 1944, were as follows :—

	£
Waverley Hotel, Auckland	41,366
Grand Hotel, Rotorua	8,974
Palace Hotel, Rotorua	8,150
Whangarei Hotel	4,695
Star Hotel, Newton	4,490
Station Hotel, Auckland	3,992

(R. 3792.)

(This statement omits the Hotel Auckland, which is carried on by a separate company controlled by Hancock and Co., Ltd.)

Taking its business all over, Hancock and Co. made very large profits.

382. Hancock and Co. have ample reserves, and the extent to which they were increased even during the war years may be seen by a comparison of the balance-sheets for 30th September, 1937, and 30th September, 1944. In September, 1937, the company distributed to its shareholders bonus shares of £150,000 fully paid. In October, 1937, the company issued 250,000 preference shares of £1 each to New Zealand Breweries, on which 10s. per share was called up (Exhibit A. 64). This payment increased the cash capital by £125,000. The shareholders' funds in 1937, including " reserve and investment fluctation account," amounted to £596,251. By 1944 these had increased to £755,261, an increase of £159,010, which included the £125,000 paid up on the 250,000 preference shares issued to New Zealand Breweries. The accumulated profits at 1944, including " reserve and investment fluctation account " (£181,797), amounted to £230,261. The company's balance-sheet for 1944 shows the following reserve funds, omitting shillings and pence :—

	£
Reserve for contingent liabilities to subsidiary companies	47,879
Hotel renovations reserve	815
Hotel pre-paid bonuses reserve	3,419
Reserve and investment fluctation account	181,797
Deferred maintenance reserve	23,488
Leasehold redemption reserve	30,200
Taxation reserve fund	93,333