

f.o.b. at Mokihinui at 10s. took place. The practice of the company was to sell the coal at an agreed price per ton deliverable at various ports. In order, however, to show a true statement of the respective earnings of both mine and steamer, it was necessary to separate the value of the coal and freight. In 1889, when Mr. O'Connor was chairman, the company sold for delivery at certain ports 1,970½ tons coal at prices varying from 15s. 6d. to 18s. 6d. per ton, delivered. In making up the balance-sheet for that year the mine was credited with 10s. per ton on such coal, making a sum of £985 5s., which, with sundry other receipts amounting to £46 17s. 1d., made up of an amount of £1,032 2s. 1d., which appears in the balance-sheet of 1889 as "Coal sales, £1,032 2s. 1d." In 1890, it appears from the minute-book of the 26th November that the question of the price to be credited to the mine from the gross proceeds of sales of coal was considered by the directors, and a resolution was then passed *nem. dis.* (Mr. O'Connor being present) that 12s. 6d. per ton, less a discount not exceeding 25 per cent., be the price for coal f.o.b. Mokihinui, thus fixing the net price at 9s. 4½d. per ton. During the year 1890 the company sold for delivery at certain ports 3,991 tons 5 cwt. 3 qr., at prices varying from 23s. to 50s. per ton delivered, which coal was carried by the steamers "Lawrence" and "Terranora." In making up the balance-sheet for 1890 the mine was credited with 10s. per ton on the 3,991 tons 5 cwt. 3 qr., £1,995 12s. 11d., which, with net proceeds of sundry other sales amounting to £194 15s. 10d., made up an amount of £2,190 8s. 9d., which appears in the balance-sheet of 1890 as "Receipts for coal sales, f.o.b. Mokihinui, £2,190 8s. 9d." It appears to the committee that the directors in 1890, in following the example set them by Mr. O'Connor, chairman in 1889, in crediting the mine with 10s. per ton on the coal output, and placing the balance to the credit of the steamers, were acting quite within the discretion always allowed to directors. That the steamers were entitled to the large sum credited to them as freight is clearly proved by the fact brought before the Committee that the "Lawrence" was one of the few steamers running at the time of the labour troubles in 1890, and that the directors were thereby enabled to make sales of coal at as high a price as £2 10s. per ton. With respect to Mr. O'Connor's statement that the price of 10s. per ton was a fancy one, not sufficient to pay the working-expenses at Mokihinui, the books of the company show that the wages account at Mokihinui for the year 1890 — and which wages included all the expenses incidental to prospecting, opening up the mine, coal-getting, working the railway, wharf, &c. — amounted to £2,067 2s. 8d., as against £2,190 8s. 9d. actual receipts credited to the mine for coal. It therefore follows that Mr. O'Connor's statement is inaccurate. In dealing with the accounts of the steamer "Lawrence" in the balance-sheet for that year Mr. O'Connor has alleged that the account was "cooked," because payment for coal which was put on board the steamer "Lawrence" at Mokihinui in the month of December, 1890, but not delivered at Napier until the 5th January, 1891, and that payment for coal on the "Terranora" not delivered till the 9th January, 1891, was included in the receipts of the steamers for 1890. The evidence on this point clearly shows that the directors were desirous of having as far as possible a true statement of the earnings of both mine and steamers during the year 1890 put before the shareholders. With that view they instructed the secretary of the company to credit the mine with the price of coal delivered at the wharf to steamers at Mokihinui up to the 31st December, 1890; to credit the steamers with the freight on all such coal in course of transit at the close of the year; and to debit both mine and steamers with all wages and expenditure in connection with such coal. It is in evidence that the expenditure at the mine and of the steamers "Lawrence" and "Terranora" in reference to such coal was included in the charges for the year 1890. As an absolutely strict matter of account it is not usual to credit a vessel with its freight until its voyage is completed and the freight earned; still, in the particular cases under review, and bearing in mind the fact that the voyages were respectively ended within five days and nine days of the closing of the year's transactions, that the voyages were delayed by accident in both cases, and that it was well known prior to the making up of the balance-sheet the freight had been earned and belonged to the profits of the year 1890, the committee consider that the directors were quite warranted in placing the amount to the credit of the operations for that year.

We find that the allegation of Mr. O'Connor that the coal consumed by the "Lawrence" was not charged against her and credited to the mine is correct. It also appears, however, that freight on goods for the mine taken by the "Lawrence," and cost of passengers travelling on the company's business, were not credited to the steamer. While all this shows a want of clear and accurate analysis in connection with the company's book-keeping, it in no way affects the net result of the profit and loss account.

With reference to the £150 13s. 6d. allowed to the Union Steamship Company, it appears from the evidence that at a meeting of the board of directors held on the 12th December, 1889, Mr. O'Connor being present, Messrs. Johnston and Co., the agents of the company, were authorised by resolution to settle a claim made by the Union Steamship Company in connection with coal delivered to them in 1889 which had not come up to the sample supplied to them by Mr. O'Connor. In accordance with that resolution a compromise was effected after considerable negotiation by which an allowance was made of this sum of £150 13s. 6d.

Although Mr. O'Connor complains of the action of the directors in taking credit in the accounts for the year ending the 31st December, 1890, for coal only delivered at Napier on the 5th January, 1891, he also makes it a charge against them that they did not bring to account as expenditure for the year 1890 the cost of placing the steamer "Lawrence" upon the slip in the month of January, 1891, after her return to Wellington from Napier, and the necessary expenditure in repairing her on that occasion. In the opinion of the committee the cost of such repairs was fairly chargeable to the year 1891, especially as the balance to the credit of the profit and loss account was carried forward to the next year's account.

In the opinion of the committee, Mr. O'Connor's statement that the account of the "Lawrence" was in any sense a "cooked" account is not justified by the evidence and books of the company.