

Another dissatisfied shareholder, who at Gisborne gave evidence without being called by any counsel, stated, as reported at page 1115—

During Mr. Elliot's management everything was very satisfactory, but then he left and Mr. Lysnar appointed another manager, or the directors did, I suppose, who had had no experience whatever in connection with freezing-works;

and he went on to detail particulars of mismanagement. Among other complaints that he made was that some of his beef was held over for eleven or twelve months in the cool store, and that

Mr. Lysnar and the manager, notwithstanding that I did not want my meat shipped to Manchester, shipped it there, and after selling it they brought me in £114 in debt.

At page 1118A he said—

Perhaps Mr. Lysnar will explain why the manager was discharged at five minutes' notice without inquiry. The shareholders never knew the reason. There were applications called for another one, and Mr. McLellan got the position, but he seemed to take no interest in the management of the works, because he told me himself that it was no use, and that Mr. Lysnar simply ruled everything.

This witness was not seriously cross-examined on the majority of these matters.

WANT OF PROVISION RELATIVE TO DEPRECIATION, AND IMPRUDENT PAYMENT OF DIVIDENDS.

In addition to the unfortunate venture in shipping and the consequent loss of capital, we think that the other main causes of the company's downfall were—

- (a.) Failure to make reasonable provision in respect of depreciation, as is disclosed by the evidence of Mr. Clarke.
- (b.) Paying to the shareholders in the form of dividends moneys which should have been conserved for and used in the reasonable financial requirements of the business.

The directors were apparently either unduly optimistic, imprudent, or had not sufficient business experience.

In short, we report relative to question 1 (a) as follows:—

Before and at the time of sale the company was insolvent. This state was brought about by various circumstances, including—

- (1.) The company being from its inception under-capitalized, and in consequence leaning too much upon the National Bank of New Zealand (Limited):
- (2.) Buying the ship "Admiral Codrington" and expending a large sum of money on insulating her at a period when shipping was abnormally high in price:
- (3.) Embarking in a financial venture of that sort without adequate financial resources:
- (4.) The advent of stringent financial conditions:
- (5.) Fall in the value of the ship:
- (6.) Adverse effect on general business of the works through efforts of the management to hold back meat to provide cargo for "Codrington":
- (7.) Circumstances in Poverty Bay becoming such that two freezing-works became sufficient for the district:
- (8.) Mismanagement by the directors, who as a body appear either to have left matters too much in the hands of the chairman of directors, or to have been influenced or dominated by him. Included in the mismanagement were—not observing ordinary reasonable business rules regarding proper provision relative to depreciation of assets; paying out dividends which, if proper provision relative to depreciation had been made, would not have been paid out.

RE³NEGOTIATIONS WITH ARMOURS.

In the month of March, 1923, Mr. W. D. Lysnar approached Mr. W. I. Carney, Armours' representative in New Zealand, and discussed with Mr. Carney a proposition whereby Armour and Co. were to find £340,000 on loan secured by mortgage over the plant and machinery of Mr. Lysnar's works, valued at £161,000, the buildings at £213,000, the land at £27,000, and the "Codrington" at £150,000, making a total value of some £550,000. The provisions of the