

leaving the net trading loss to 1st May, 1920, at £13,014 6s. 11d. This net trading loss is after providing for income-tax (£9,362) in respect of years in which there are profits. Although the company has to the 1st May, 1920, made a net loss only as described, the New Zealand income-tax law does not permit of the loss of one year being deducted from the profit of another year—hence the company pays income-tax on the full profits of any year of profit and receives no allowance for any year of loss. This explains the payment of income-tax by the company although its transactions to 1st May, 1920, have resulted in a net trading loss.”

*Mr. Lysnar* : What are the years you made a profit and paid income-tax?—We have not paid any income-tax yet at all. The income-tax has not been paid because no income-tax has been due.

It has to be payable each year?—If you remember, sir, the income-tax each year is charged on the income of the previous year.

Up to the present Messrs. Armour and Co. have paid no income-tax whatever?—They have been assessed for income-tax, and it will be payable next January. We have received our income-tax assessments now from the Income-tax Department.

What profit has Messrs. Armour and Co. made this year?—We do not know what profit has been made this year, because we only know every six months. In the first thirteen months of our operations we made a loss of £16,372 18s. 1d.

There was no income-tax due that year?—That was a pure trading loss.

*Mr. Field* : That was for the year 1917?—The company was formed on the 3rd October, 1916, and this loss was made during the first thirteen months, from the 3rd October, 1916, to the 31st October, 1917. The next period was from the 1st November, 1917, to the 31st October, 1918, and the loss shown in the profit and loss account for that year was £16,522 2s. 2d. Included in that amount, however, were two capital assets which were written off—namely, £592 7s. 11d. for preliminary expenses, and £5,000 for the goodwill paid for A. L. Joseph and Co.'s business. So that the net trading loss for that year was £10,929 14s. 3d. The next period was from the 1st November, 1918, to the 1st November, 1919.

*Mr. Lysnar* : What was the result?—The result was a trading profit of £14,274 0s. 1d. But out of that trading profit it was necessary for the company to set aside £5,759 15s. for income-tax. So that all they got out of that £14,274 0s. 1d. was £8,514 5s. 1d. There has not been a complete year since, but we take out a six-monthly balance-sheet, and I have the figures up to the 1st May, 1920. During that period there was a trading profit of £9,376 5s. 4d., but out of that we had to provide £3,602 5s. for income-tax, leaving a net profit to the company for that period of £5,774 0s. 4d. Now as to the real result : The Committee must remember that during the first two periods Armour and Co. made a net trading loss of £27,302 12s. 4d., and in the two subsequent periods (eighteen months) they made a net profit of £14,288 5s. 5d. If you take the one from the other you will see that the company made a net trading loss, up to the 1st May last, of £13,014 6s. 11d. I will hand this statement in to the Committee. [Statement “Armour and Co. of Australasia (Limited), Statement of Profits and Losses from Commencement to 1st May, 1920,” handed in.]

When making out that statement you took local prices did you not?—Up to the 1st May all the meat was commandeered.

What about your pelts and hides : are they included?—I am not quite certain if all were sold. I know the pelts and hides were sold locally.

Can you inform the Committee how you propose to act in the future, now that the commandeering is ended? How are you going to base your values?—I will answer that question by way of an explanation in regard to income-tax. A company such as this might, of course, make a sale which is not a *bona fide* sale, at less than a fair selling-price in London or Chicago, but there is a provision, so far as income-tax is concerned, in our own Income-tax Act to the effect that when the Commissioner of Taxes is of the opinion that a company in New Zealand is substantially the agent of a trader outside of New Zealand, he can treat the New Zealand business as part of the outside business.

We are aware of that?—So that there would be no fear of a loss of income-tax.

The Income-tax Commissioner has not exercised those powers in regard to your company?—No, he has had no reason to do so.

My question was this : On what basis do you propose, now that the commandeering is ended, to make up your returns when passing your meat over to Armour and Co. in London : are you taking the local prices?—You will have to ask Mr. Carney about that. I only know what the Income-tax Department does. They get the meat valued by an independent valuer to see that fair selling-prices are entered up in the returns.

Mr. N. L. MACBETH examined. (No. 10.)

*The Chairman* : Your full name, Mr. Macbeth?—Norman Lindsay Macbeth.

Your occupation?—I am the general manager, and also a director, of Armour and Co. of Australasia (Limited).

And your address?—Christchurch.

Will you make a statement?—Yes, sir. I would like to point out that I have been engaged in the meat trade in New Zealand for a number of years. I was for a number of years in the meat trade here before I joined Armour and Co. of Australasia. I am not an American. I was born in Canterbury, and so far as the operations of Armour and Co. or any other company is concerned I am just as anxious for the prosperity of my own country as anybody else in it. I have been for thirty-six years in the frozen-meat business. I was for thirty-five years with the Canterbury Frozen Meat Company, which is one of the best and most businesslike of any of the frozen-meat companies in New Zealand. It is the most businesslike and successful frozen-meat company in New Zealand up to date. When I left that company in March, 1919, I was secretary and manager, and during all the years I was with that company I gained an expert knowledge of every detail of the frozen-meat trade in all its bearings, right through the whole of the company's ramifications down to the details of works-management. Since I left the Canterbury Frozen Meat Company I have been to Chicago and London. I spent a considerable time in Chicago, but not because I was taking any particular