

THE TRIBUNAL RESUMED AS FOLLOWS ON TUESDAY, 30TH MAY 2000,

AT 10:30AM:

MR. COUGHLAN: Mr. Emmet O'Connell.

EMMET O'CONNELL, HAVING BEEN SWORN, WAS EXAMINED AS FOLLOWS

BY MR. COUGHLAN:

MR. COUGHLAN: Tab 21, Sir. I think you furnished the Tribunal with a memorandum of proposed evidence, isn't that correct?

A. That's correct.

Q. Do you have that with you in the witness-box?

A. No, I don't.

Q. Well, we'll hand you a copy and what I intend doing, Mr. O'Connell, is to lead you through this, and then perhaps to come back and ask a few questions, if needs be, to clarify anything that might arise.

A. That's fine.

Q. I think you have informed the Tribunal that you were told by Mr. Jim Stafford that Conor Haughey originally approached Jim Stafford with the idea of a mining company, is that correct?

A. That's correct.

Q. And you have told the Tribunal that Mr. Stafford brought the idea to Davy Stockbrokers initially, is that correct?

A. That is correct.

Q. I think you have informed the Tribunal that at that time,

Davys turned it down as they felt there were too many mining companies around at the time, is that correct?

A. That's correct.

Q. And that Mr. Stafford then approached you in Texas Continental Securities PLC which specialised in advising small companies about the stock market in the resource sector, is that correct?

A. That's correct.

Q. Texas Continental Securities PLC was a public liability company whose shares were dealt in on the Dublin and London Stock Exchange under rule 535.2 and rule 4.2, is that correct?

A. That's correct.

Q. Now, I think you have informed the Tribunal that you reviewed the proposal this is initially but came to the same conclusion as Davys, is that correct?

A. That's correct.

Q. You suggested however, as there was no company in the diamond exploration area, a change of emphasis to diamond exploration might lead to the company having some prospects, is that correct?

A. That's correct.

Q. And over the course of the following three or four weeks, you and Texas Continental Securities PLC worked on a business plan which would reflect this new emphasis for the company, is that right?

A. That's correct.

Q. Now, I think you have informed the Tribunal that within three or four weeks, you were again contacted by Mr. Stafford who advised you that Davys had reconsidered the proposal and were now agreeable to taking it on, is that correct?

A. That's correct.

Q. You informed the Tribunal that you and Texas Continental Securities PLC were no longer required to render their services, that's the professional services of the company, is that correct?

A. That's correct.

Q. You recall that you attended one further meeting where you handed over any documents in your possession relating to the company, is that correct?

A. That's correct.

Q. Texas Continental Securities PLC did however retain the registration work for the new company through its subsidiary, National Share Registration Services Limited, and received an underwriting fee of £8,000 for placing 500,000 shares of the issue at 40 pence per share, is that correct?

A. That's correct.

Q. Now, I think you have informed the Tribunal that you believe that as part of the underwriting, you agreed to invest something in the region of £10,000 in the company from your personal funds and that Texas Continental Securities PLC may also have subscribed in the region of

€15,000, is that correct?

A. That's correct.

Q. I think you informed the Tribunal that you were not a director of the company but in fact you believed that you disposed of your shareholding within a period of about six months from the flotation of the company, is that correct?

A. That's correct.

Q. Now, I think we can leave the next sentence out because we come back to deal with a query that was subsequently raised with you and you have clarified matters to the solicitor to the Tribunal, isn't that correct?

A. Yes, fine.

Q. Now, I think you have informed the Tribunal that the subsequent dealings with Conor Haughey were in early 1990 when the company required Collery I beg your pardon, acquired Conary and it's Conary Mineral PLC in reverse take-over at which time you were chairman of Eglinton Exploration PLC which held approximately 31 percent of the Conary Mineral PLC, is that correct?

A. That is correct, that should be Conary.

Q. Of course, yes. Now, I think the Tribunal furnished you I think with a portion of the account, the statement for Feltrim PLC for the period June/August of 1990, isn't that correct?

A. That's correct.

Q. And there are two, I think, credits to the account, one for 26 two for 26,333. In fact there is a television in

front of you might be easier to see it.

A. The sun is coming.

Q. We can give you a hard copy.

A. No, I can see it.

Q. I think you will see that somebody has written NCB after one and EOC after the other, is that correct?

A. Yes, that's correct.

Q. I think the Tribunal asked you about that and you were able to you were able to furnish some information about that?

A. Yes.

Q. And what is that, to the best of your recollection?

A. As you see there, one lodgment there says from Eglinton

Export. At the time of the acquisition by Feltrim of

Conary, which in effect was a reversed take-over, there was

a simultaneous placing done raising approximately

œ400,000. It subsequently happened that two of the

subscribers to the placing, who were resident in England,

failed to make timely payment for their subscription.

Conary was then faced with either chasing them through the

courts in England and they decided instead to place the

shares that weren't paid for with alternative

subscribers. The amount in question was, to the best of

my memory, œ80,000. There were three there should be

three payments of 26,333 and the three alternative

subscribers were NCB, to the best of my memory and

knowledge, Davys, and Eglinton Exploration.

Q. And is that again, if you can assist the Tribunal in this

regard Mr. O'Connell, you can identify Eglinton Exploration and you can see that somebody has written EOC, you can confirm that particular

A. Yes, absolutely.

Q. payment or taking up or subscribing

A. Yes, I was the chairman

Q. You were the chairman?

A. I was the chairman of Eglinton Exploration at the time.

Q. And when you say that Davys and Davys to the best of your knowledge

A. Yes.

Q. And you can confirm NCB from documentation, you can actually see?

A. Well, I am going by the NCB that's on there and my memory at the time was that it was NCB, Davys and Eglinton.

Q. And when you say Davys and NCB, the stockbroking firms were taking up the shortfall?

A. I couldn't say that, I don't know.

Q. You don't know?

A. I'd be speculating on that.

Q. Now, I think you know Mr. Trevor Watkins?

A. I do indeed.

Q. And I think in the course of his evidence, I think it might have been suggested that you had invested  $\text{€}100,000$  in the company.

A. Yes, I read that in the papers.

Q. Just to afford you an opportunity of dealing with that.

A. All right. Once the work programme for the development of the idea of Feltrim was taken from us at Texas Continental Securities PLC and given to Davys, at Texas Continental PLC, we felt we weren't obliged to take a major position in the company. However, because we were placing shares with other members of the shareholders' list and friends and whatever, clients of the company, it would be my normal practice to take up some shares, right? And to the best of my memory, it would have been definitely in the region of something like £10,000 and then it was also our custom that if we received a fee for the work that we did, we invested the fee as shares in the subscription, so therefore, I feel that the figure of £100,000 is probably often confused with what the company itself underwrites and subscribes for and we in person

Q. Yes, and your own best recollection is that you probably personally subscribed for about £10,000 worth?

A. That would be

Q. And the company perhaps £15,000, perhaps?

A. The company would probably re-invest its fee, you see, and then maybe a bit more.

Q. And I was just wondering, when Mr. Stafford initially approached you about this particular company or mooted the idea with you, I think you or Texas Continental had a look at the matter.

A. Yes.

Q. And you agreed with the view which Davys had previously

expressed that there were probably too many of these exploration companies around at that time to be able to raise capital by way of flotation.

A. That's right, there was a movement on actually at the time and there were numerous meetings held between the various exploration companies and of which Davys played a very constructive part to try and consolidate the industry because it was felt that they in 1990, after you had the crash in 1987, then you had a wave of liquidity coming into the market and then when they started tightening up the liquidity, you had a minor crash in '89 and going into 1990, it was very, very difficult for small companies to raise capital. So you had a very scarce capital, you had a surfeit of management, of overheads, you had it was felt it was better to try and concentrate and go along with the available management talent. So the move was towards consolidation in the exploration end of it, rather than adding additional exploration companies to it.

Q. And when you say that the move was on to consolidate, there was a limited supply of capital and a surfeit of management, would that have been how you would have viewed the market at that time?

A. Yeah, yes.

Q. When you say a surfeit of management, this was management with experience, I take it?

A. Of course everybody each company had their own overheads. They have separate offices, separate staffs,

geological staffs and so forth.

Q. And could we take it so that Feltrim was changing sorry, I shouldn't say changing the trend, but as a small company without previous experience coming onto the market looking for capital, it was contrary to what the market was or what the brokers were attempt to achieve in the market, would that be fair to say?

A. Well,, the exploration sector is a bit of an animal of its own and I do believe and it was my understanding at the time that Conor Haughey did drill the discovery well on the Galmoy prospect, so I am not sure they were completely without experience, and Dr. Niall Haughey was quite well studied in geology and he was on the board. But when you are financing the exploration company at the beginning, the modus operandi, as it were, is that you use your initial seed money to try and develop your prospects that you have in the expectation, in the hope that you will come up with a discovery strike and then having made that discovery strike, you are then able to go back to the market with, as it were, the proof of the pudding, you see, but that this is best accomplished with a, an area of drilling at that time was all chasing lead and zinc if you remember because the excitement over Galmoy and Tynagh and Tara, that was the pattern, and I felt that if it was more focused on an area in which there wasn't a market participant, that that would attract more attention from the public.

Q. And that's why you suggested that they'd shift their

emphasis

A. To diamonds and there was some quite interesting work being done on new diamond discoveries in Australia, in Canada, and as we now know possibly in Ireland.

Q. I didn't.

A. Yes, yes, it's a prospect.

Q. Now, in 1990 sorry, we should perhaps take this company from the flotation, you are correct that the million-odd pounds that was raised on that occasion, most of it was expended in seeking prospects, isn't that correct?

A. Yes, that's correct.

Q. And the company was not showing any return as one might expect, I suppose, in an exploration company in its early life?

A. Mmmh.

Q. But there didn't seem to be any hits discovered in respect of the prospects either, isn't that right?

A. Yes.

Q. And the company went back to the market in 1990 and, as you say, raised somewhere in the region of £400,000 or thereabouts, on the

A. Well, when you say now the company went back to the market in 1990, it was on foot of and in conjunction with the reverse take-over

Q. That's what I really wanted to I suppose, yes, it was the fact that Conary became involved in the matter, effectively becoming a new company?

A. Yes, that's correct.

Q. And in fact with a different emphasis, this new leaching process was the one that one hoped would bring the company on and in fact did, as it transpired.

A. Yes. Well you had tremendous resources in the slack heaps that were down in Avoca to try the leaching process out on. That's what was unique, that was that combination.

Q. So in real terms, the company was definitely in dire enough straits, wasn't it, by the time the reverse take-over took place?

A. I think that's a term that's been used.

Q. It would be fair to say, and I think, I have just furnished you with a hard copy, it's just a summary of the Deloitte & Touche financial evidence which was given before the Tribunal and you can see the losses in each year on the top, in the top column and you can see under that the development expenditures, but Feltrim, if we can Feltrim in its original form

A. Yes.

Q. came to the market, raised a million pounds and ended up in dire straits and what turned matters around was a reverse take-over of that particular company. Would that be a fair summary of that early phase of it?

A. That would be a fair summary, yes.

Q. Now the company didn't, in fact, improve until '93 I think, isn't that correct?

A. That's correct, I think, it doesn't go over '93 but yes.

Q. When it was effectively a complete restructuring of the company then and Mr. Conor Haughey effectively had no role at all in the company?

A. I don't believe so, but

Q. From the time it took over, if I could describe it in those untechnical terms?

A. My association with the company would have ended quite considerably before that, but that's correct. I think the name change amendment was actually 1993, if I remember.

Q. March of '93?

A. March of '93, yes.

Q. And notwithstanding that the company was in fairly dire straits, you felt the necessity to invest or to take up the slack on the lack of investment to the sum of €26,333?

A. Yes, that's correct.

Q. And was that because you had faith in the future of this company or was it, could I ask you this, as you were approached in the first instance by Mr. Jim Stafford on behalf of the son of a prime minister, it was really in that context or was it a combination?

A. When you say you, you mean Eglinton Exploration?

Q. Eglinton.

A. Of course Eglinton Exploration was in the exploration game itself so it was an allied field to it and Eglinton held, I believe, even in the enlarged company, it held a 20 percent stake in it. In addition, Eglinton had carried out mining in America, it had a subsidiary, Eglinton Mining, which

operated a gold mine in Nevada and in Nevada you had something similar akin to the situation in Avoca where you had great, great heaps of slack over the last one hundred years. Now, because of the new concern for the environment, they were no longer permitting cyanide leaching of those leach heaps. If we could have perfected a method for leaching with thyrea, that would have been quite a substantial breakthrough and if we were able to apply it, it had been tried before, but the specialist that was in Conary, Colm Burton, was a renowned specialist in it. We felt that he had the key to unlocking this, so it was very much in Eglinton Exploration's interest to try and see to it that this leaching process was perfected.

Q. Well yes, I can understand, Mr. O'Connell, but that was on the Conary side of things, isn't that right?

A. Yes.

Q. And the reverse take-over by Conary

A. Yes.

Q. effectively gave rise to the success that became Minmet, isn't that right?

A. I think that would be placing too much credit on Conary, because there were later developments which enhanced the quite considerable

Q. In the first instance when Mr. Jim Stafford approached you on behalf of Mr. Conor Haughey, you were in the exploration business yourself at the time?

A. Yes.

Q. Apart from having a company which advised on bringing companies like this to the market?

A. That's correct.

Q. And your initial view was there isn't much hope of going to the market with this because of the number of exploration companies that there were around the place at the moment?

A. That's correct.

Q. Now, did you take a look at it and you offered advice that maybe you should look at this particular area, diamond exploration, which might afford an opportunity of going to the market and raising funds?

A. Yes.

Q. And I appreciate that you were paid or your company were paid, was paid some fees on the bringing of the company to the market?

A. Yes, that's correct.

Q. But would it be fair to say that if it hadn't been the son of the prime minister that the approach had been made on behalf of, that you mightn't have taken a closer look at this particular company from a commercial point of view?

A. Speaking from my own point of view, this was a business proposition similar to many others that we had handled.

Eglinton, Hauto Ola, Blysson, Avoca Gold Exploration, Dana Explorations, this was the area of work that we did and it might have added some lustre to the company that it was the prime minister's son but that wouldn't have been a motivating factor from our point of view.

Q. Thank you very much, Mr. O'Connell.

CHAIRMAN: Anybody anything to raise? Thank you very much for your assistance, Sir.

THE WITNESS THEN WITHDREW.

MR. COUGHLAN: Mr. Conor Haughey.

CONOR HAUGHEY, PREVIOUSLY SWORN, WAS EXAMINED AS FOLLOWS BY

MR. COUGHLAN:

CHAIRMAN: Thank you again, Mr. Haughey.

Q. MR. COUGHLAN: Now, Mr. Haughey, I think you have furnished a number of memoranda but the memorandum dated 29th May 2000 probably brings together all of the matters in relation to Minmet, isn't that correct?

A. That's correct.

Q. I will deal with that in the first instance, if I may. I think you have informed the Tribunal that you were qualified as a mining engineer in 1979, is that correct?

A. That's correct.

Q. And prior to qualifying, you trained in Canada and in the United States. You worked in the mining industry in Ireland for nine years prior to the launch of Feltrim Mining PLC and during this time, you personally drilled a discovery hole at the Galmoy deposit, this is now a producing mine employing 300 people, is that correct?

A. That's correct.

Q. You informed the Tribunal that in the two years prior to the launch of Feltrim, you had spent a lot of time doing reserve work and prospected throughout Ireland, is that correct?

A. That's correct.

Q. You had identified a number of prospects and applied for a number of exploration licences, one licence in Connemara which was held by you in partnership with Mr. John Barnacle, had shown gold to be present in stream sediment samples, is that correct?

A. That's correct.

Q. You informed the Tribunal that at this period in Ireland, there was enthusiasm for mineral exploration, promoters and investors were seeking companies to invest in and it was against this background you thought of establishing a mining exploration company, is that correct?

A. That's correct.

Q. I think you informed the Tribunal that you went to Mr. James Stafford because you knew he had knowledge of public companies and the floating of them on the stock market, is that correct?

A. That's right.

Q. He had been involved in Atlantic Resources and he arranged that he and you should meet Mr. Emmet O'Connell who was involved with publicly quoted exploration companies, is that correct?

A. Yes.

Q. I think at this meeting, you explained your plans for the company. Mr. Stafford and Mr. O'Connell liked the idea and decided to help you with the launch and also agreed to invest €100,000 each in the company, is that correct?

A. Yes.

Q. I think your recollection is that the initial expenses of promotion flotation was funded by Mr. Stafford which you think was in the region of €40,000, is that correct?

A. Yes.

Q. I think the company repaid Mr. Stafford after the flotation, is that correct?

A. That's correct.

Q. Mr. Stafford had no involvement in the running of the company, though for the first year he took a great interest in it. He also gave advice and gave opinions on how the company should proceed, is that correct?

A. That's correct.

Q. I think you have informed the Tribunal that the other people involved in the promotion flotation were the directors, Davy Stockbrokers, Arthur Cox & Co., solicitors, Trevor Watkins, Texas Continental Securities, a company involving Trevor Watkins and Emmet O'Connell, Mr. George Emo, geological consultant, Mr. Christian Schaffalitzkey, a geological consultant, Deloitte Haskins Sells, accountants as they then were, Secretarial Trust, Wilson Hartnell, GEO Engineering Limited was a company formed by you in 1982, that is correct?

A. That's correct.

Q. It was paid the sum of €50,000 to provide a report to Feltrim Mining PLC on the exploration and research activities. All of the work of exploration and research carried out by GEO Engineering Limited had been carried out by you and you had prepared the report. The sum of €50,000 was applied to the purchase of 125,000 shares acquired by you in Feltrim at the placing price of 40 pence per share, is that correct?

A. That's correct.

Q. Now, I think the company was floated on the Irish and London Stock Exchange. The issue was hugely over-subscribed and the share doubled on day one, is that correct?

A. That's correct.

Q. €1 million was raised. The money was raised to be spent on exploration. There is never a guarantee that any programme of exploration will result in a commercial discovery but your job was to use the shareholders' monies for exploration, is that correct?

A. That's correct.

Q. I think you informed the Tribunal that you collectively did this and tried to keep administration costs to a minimum. All exploration companies lost money in the early years, many continue on for 15 to 20 years before they show a profit and some never do, I think you have informed the Tribunal of that?

A. That's correct.

Q. Now some €600,000 was used to acquire prospecting rights on a platinum prospect in New Mexico and to carry out geological investigation and a drilling programme on this property but the project was unsuccessful, is that correct?

A. That's correct.

Q. Now, I think you have informed the Tribunal that you deal with the circumstances in which Mr. Desmond made the purchase of 83,333 shares in the company in July 1990, that from recollection, you believe that the company needed funds and was seeking investors, isn't that correct?

A. That's correct.

Q. You were the contact between Feltrim and Dermot Desmond, is that correct?

A. Yeah.

Q. And you approached him seeking that investment. You cannot speculate as to his motives in making the share purchase for sale, that you assumed he considered it a sound investment, is that correct?

A. That's correct.

Q. You have informed the Tribunal as to circumstances in which loans of €40,000 and €15,000 were made by Mr. Desmond to the company. You do not remember a loan broken in two parts. Your recollection is that there was one loan which you expect was or which you accept was in the sum of €55,000, is that correct?

A. That is correct.

Q. You recall that at around this time, the company was attempting major reconstruction or restructuring which would involve a share issue, is that right? And I think we have seen even on the screen this morning and Mr. O'Connell has discussed in 1990, this question of returning to the market, isn't that right?

A. That's right.

Q. I think you have informed the Tribunal however, we had cashflow problems with a number of creditors threatening to take legal action to wind up the company. That you approached Mr. Desmond for a loan. You do not recall the exact terms of the loan other than that it was understood that the loan would not be repaid but rather converted into shares on the proposed restructuring of the company which was envisaged in the shorter term, is that correct?

A. That's correct.

Q. And your recollection is that there were no other substantial loans to the company but there was monies owed to the creditors, some of which was subsequently converted into shares. The only other significant loan that you can recall is one in the sum of €15,000 from Mr. Jack Stakelum. You contacted Mr. Stakelum about the loan and you think Mr. Watkins dealt with the formalities about that, is that correct?

A. That's correct.

Q. Now, I think you have informed the Tribunal that you were not at a meeting of the company on the 21st August 1991,

but you were at the following meeting on the 26th September 1991. I think this was a reference the Tribunal referred you to the minute of the meeting.

A. That's right.

Q. Now, with regard to the minutes of those meetings, you accept that the loans are not referred to but you are satisfied they were dealt with in the proper way in the books of company and there was certainly no decision to keep the matter out of the minutes. I think we have been over this with Mr. Cahill on Friday. The loans from Mr. Desmond to Mr. Stakelum are recorded in the company's bank statements, isn't that correct?

A. That's right.

Q. They are not there is no reference to them in the minutes?

A. No.

Q. And there was no formal papers drawn up in relation to the particular loans, although they are clearly identified in the bank statements, isn't that correct?

A. That's right.

Q. And there can be little doubt that they were subsequently converted into shares, isn't that right?

A. That's right.

Q. Now, I will come back just to that in a moment, if I may, but that's just to get it clear what did happen there.

A. Yeah.

Q. Now, I think you were referred to the company's minutes of

the 23rd January 1991. You do not recall the proposal referred to but accept that it must be a true reflection of what occurred. If we just put up that minute. You can say, however, that you did not go to Mr. Desmond to seek any such guarantee. In relation to the minute this is a minute which records and Mr. Cahill I think dealt with it on Friday again, that the company was trying to raise some money from Allied Irish Banks, isn't that correct? Sorry, this is a different one, this is the 23rd January well sorry, I will just put it on sorry, this is a different minute relating to a different approach, if we just look at this one first. If we go to, it's the meeting you were present I think at the meeting you were not present at that meeting. Sorry, you, Mr. Cahill, Mr. Watkins were present at the meeting and Mr. Darby kept the note of the meeting, isn't that correct? And then if we go over the page, "The meeting agreed that C Haughey contact D Desmond in relation to a guarantee for the financing of the operation on the basis that the guarantee would be repaid from the disposal of the US machinery. It was agreed that T Watkins would make representations also to Anglo Irish Bank and Industrial Credit Corporation and if subsequently Guinness & Mahon were to be approached, it would be through the chairman's contact."

Now, the reason we brought that to your attention it was the reference that you might approach Mr. Desmond, isn't

that correct? And you have informed the Tribunal in relation to that that you do not recall the proposal referred to but accept that it must be a true reflection of what occurred.

A. That's right.

Q. You can say however that you did not go to Mr. Desmond to seek any such guarantee and then the one I am talking about is in relation to the minute of the 27th February 1991, you do not recall any loan for €45,000 from AIB or any guarantee provided by Mr. Desmond. You do recall a similar amount from the Bank of Ireland guaranteed by Mr. Trevor Watkins and yourself and not Mr. Desmond.

Now, I think certain documents were brought to your attention only yesterday in relation to this and if I can just, as I did with Mr. Cahill, the company were interested in approaching AIB to raise some funds by way of a loan, isn't that correct, I think you now know?

A. Yeah, the documents that you sent to me yesterday I realised that there was a loan from AIB and that it was guaranteed by Mr. Desmond, but I have no recollection of approaching Mr. Desmond in regard to such a guarantee.

Q. Well, I will just come back to it and you can take it that Mr. Dermot Desmond has confirmed to the Tribunal that he provided the guarantee.

A. That's right. I now accept that he did.

Q. Yes. I'll just come back to that and go through it in a

moment.

Now, dealing with the minute of the 31st October 1991.

Now, this if we have the minute of the 31st October 1991 if we just put it up for the moment. I think this particular minute was brought to your attention as well and there is just, you can see there, that there is a reference to €55,000 NCB.

A. Mm-hmm. Did that minute not have HD Conroy on it?

Q. Yes.

A. Right, sorry, yes.

Q. We were just wondering, can you assist the Tribunal why there is a reference to NCB and 55,000 on it?

A. As I say, I think that was a fundraising proposal, I presume by Trevor Watkins, and I'd say it was a wish list more than actual confirmation that anybody was going to invest those amounts.

Q. Very good. Now, I think Mr. Cahill gave evidence on Friday and informed the Tribunal or confirmed that he made a loan in the sum of 6,421 and he explained it was for the purpose of preventing the lapse of a patent licence for the leaching process, isn't that correct?

A. That's correct.

Q. And I think you have informed the Tribunal that you cannot recollect the circumstances of the loan made by Mr. Bernie Cahill in 1992 to assist the company in maintaining its interest in the patent on a gold extraction process, that you do recollect is that the company had a patent for the

non-toxic extraction of gold. I think you informed the Tribunal that we were always concerned to keep the patent alive that and that you remember the company being under pressure to pay the patent agent in respect of this and you can remember that Mr. Cahill made a loan to the company.

You were quite satisfied that Mr. Cahill's recollection that a sum of 6,421 was paid towards maintaining an interest in the patent, that you have no doubt that this is the case. I think there is no doubt about that.

Q. You think you have informed the Tribunal that extra shares allotted to you, excluding the one for three conversion, were in lieu of salary due to you and in respect of certain expenses that you had paid on behalf of the company, is that correct?

A. That's correct.

Q. You do not have specific details of the amounts and dates of the funds provided by you to the company. They can be obtained from the company's records. Your recollection is that your father would have been the source of most of these funds to you and the remainder was your own, is that correct?

A. That's correct.

Q. I think you have informed the Tribunal that you, and not your father, provided the funds to the company, is that correct?

A. That's correct.

Q. The total amount of these funds was converted into shares

when you left the company and you think this would be apparent from the company's accounts. In respect of the funds provided by your father to you, these were not very large amounts and were provided usually when the bank was calling on personal guarantees, is that correct?

A. That's correct.

Q. I think you have informed the Tribunal that you had no dealings whatsoever with Mr. Desmond in relation to anything to do with Feltrim Mining PLC?

A. Mr. Des Traynor.

Q. Sorry, I beg your pardon, of course Mr. Des Traynor. Now, when you formed the view, Mr. Haughey, that you might like to form this company and go to the market to raise funds, I think you have informed the Tribunal, it seems to be so, that you approached Mr. Stafford in the first instance because Mr. Stafford knew about floating companies and had some involvement with an exploration company previously.

A. That's right. But prior to approaching Mr. Stafford, I had been it was my concept, I had been working on it for two years previously. I had climbed the mountains in Connemara, I had done on the preliminary work, I had done a certain amount of prospecting, geological research, I had applied for the licences, I had the whole concept worked out. It was very much my idea and I approached Mr. Stafford with it.

Q. Yes. Mr. Stafford wasn't a geologist?

A. No, he was a businessman.

Q. And I think in the before Mr. O'Connell was approached, were Davys approached?

A. I heard Emmet O'Connell saying that. It's not my recollection. My recollection is that myself and Jim Stafford approached Mr. O'Connell first. Maybe Mr. Stafford had approached Davys in the meantime, I don't know.

Q. Were you aware that when the approach was made to Mr. O'Connell, that as he recollects, Davys thought at that stage that it wasn't such a great idea, that there were perhaps too many exploration companies seeking money from the market?

A. I wasn't aware of that when I approached Mr. O'Connell, no. When I had first contacted Davys, they were quite enthusiastic about the whole thing.

Q. Do you remember Mr. O'Connell saying that there were too many exploration companies around at the time and that the thrust was to consolidate rather than to bring new companies into the market?

A. Yes, I heard him saying that. I think he is just, his timing is a bit out on that. I think it was actually a year later, as a matter of fact I am sure it was a year later when that thrust came from Davys Stockbrokers to consolidate all the companies and Conary was one of the companies involved in that proposal, I think there was about seven or eight companies involved that they wanted to merge together but my recollection was that that was at

least a year after the flotation of Feltrim.

Q. Which was '88, isn't that right?

A. Yeah.

Q. And you think a year later and then within a year, the reverse

A. Yeah, after the after the discussions between the seven or eight companies promoted by Davys, after those discussions fell through, we went off then and we started negotiations with Conary who were one of the eight.

Q. Now, do you remember Mr. O'Connell suggesting that the company might change its emphasis in terms of its exploration activities towards diamond exploration?

A. No, I don't remember that. My recollection is at the time that gold was the hot thing at the time. It was the dot.com of the day and that's why we went for gold exploration company.

Q. Now, Mr. Bernie Cahill informed us on Friday that first of all, there must have been some discussions which took place between you, Davys, perhaps other advisers about bringing this particular company to the market then, is that correct?

A. Very many discussions.

Q. And I think Mr. Stakelum told us that he was approached by Deloitte, what is now Deloitte Touche, where he had been a partner previously, to see if he'd join the board because the stock market would like somebody with a bit of experience or weight on the financial side perhaps to be on

the board, do you remember that?

A. That's correct. At some of the meetings which Deloitte & Touche would have been present, we knew we needed a financial controller and I believe, yes, it was Deloitte's that suggested Mr. Stakelum.

Q. And Mr. Cahill told us that he received a phone call from your father to ask him would he become chairman of the company.

A. Well, that's not my recollection. I certainly never asked him to phone him. I knew I had worked in west Cork for three years and Bernie Cahill had a very fine reputation down there as a businessman. At the time he wasn't very well known in Dublin business circles, he is now, but it was my suggestion that Bernie Cahill be approached as chairman and I recall driving down to Cork to have a meeting with him to put the proposal to him and he agreed to become chairman.

Q. I see. Could you have mentioned it to your father and asked him would he give him a ring?

A. I certainly didn't ask him to call Mr. Cahill, no. I am sure I mentioned it to him in passing that I was proposing to ask Mr. Cahill.

Q. Now, Mr. Cahill has informed the Tribunal, and as you say, he was perhaps not as well-known as a businessman in those days as he is now, but he had a reputation of being a responsible and serious businessman in those days as well I think, would that be fair?

A. In Cork business circles, he was very highly regarded.

Q. And he has informed the Tribunal that he attend at a meeting or maybe a number of meetings and he was presented with a report, an expert report which he read and he felt that there was some merit in this company and that this report had an effect of convincing him that yes, it was worthwhile going with this company and agreeing to be chairman.

A. That, along with the draft prospectus.

Q. Yes. The report furnished was the report furnished by your company GEO Engineering, isn't that correct?

A. No, I believe he is referring to the report of Christian Schaffalitzkey, who was an independent geological

Q. Was there another one other than the GEO?

A. There was, it was a Stock Exchange requirement at the time that we have an independent geological consultant to do a report on the licence, on the prospects.

Q. And you believed that it was perhaps that report that Mr. Cahill would have seen?

A. I think, I heard his evidence, I think that's the report he was referring to.

Q. Now, you have informed the Tribunal that when you had your initial meeting or meetings with Mr. Stafford and Mr. O'Connell, that they both, at that time, agreed to put up €100,000?

A. That's my recollection, yes.

Q. That didn't come to be, isn't that correct? They didn't

each put up œ100,000, to the best of your knowledge?

A. I understand Mr. Stafford had a substantial investment. I couldn't say if the figure was œ100,000.

Q. Oh I see. Apart from providing the money which he was repaid to fund the flotation, he may have had an investment himself personally?

A. Yes, he did.

Q. Do you accept that Mr. O'Connell didn't, he gave evidence here this morning of perhaps œ10,000 personally and perhaps his company about œ15,000?

A. Yes, well I also accept his evidence that his company placed œ200,000 worth of shares for the company.

Q. Yes, and they were paid a fee which was converted back into shares.

A. That's right.

Q. Mr. Barnacle was necessary to be part, to form part of the company because he himself held some exploration licences, isn't that correct?

A. That's correct.

Q. And it was a Stock Exchange requirement that there would be somebody in the company who would hold licences?

A. No, that the company would hold licences.

Q. That the company would hold licences and it was Mr. Barnacle's licences which were brought into the company?

A. One of the licences was his, yes.

Q. I suppose it wouldn't be unreasonable to ask you do you

know how Mr. Barnacle came to hold a licence? Had he an interest in geology or mining?

A. He had an amateur interest in geology and mining, yes, and the particular licence was an area in Connemara where his ancestors came from.

Q. I see. Now, some £1 million was raised in the flotation, is that correct?

A. That's correct.

Q. I think you were the managing director of the company?

A. That's correct.

Q. And you were paid a salary in that respect. I think we have had figures at the time, it was around £25,000 or there or thereabouts?

A. There or thereabouts.

Q. And that £600,000 was initially allocated for prospects, isn't that correct?

A. No. £600,000 for the prospects in the United States.

Q. Yes.

A. Yeah.

Q. And they were in

A. There was also money spent on the Irish prospecting licences as well.

Q. The United States prospecting was for platinum, is that correct?

A. That's correct.

Q. And the Irish prospecting was for?

A. Gold and lead and zinc.

Q. Unfortunately nothing resulted from the particular explorations, is that correct?

A. As is often the case.

Q. Yes, yes.

A. Yes.

Q. Of course. And the company was certainly getting into a difficult financial state, wasn't it?

A. Yes, but at the time the original philosophy of the company was that we would raise a million pounds and build up a portfolio of prospects and return to the market after a year and raise more money. But unfortunately, there was a downturn in the market for gold exploration companies, mainly due to environmental problems in the west of Ireland, and we weren't able to return to the market to raise more money after we had spent the first tranche.

Q. I think the company did return to the market in 1990, isn't that correct?

A. That's right.

Q. And raised €427,000-odd or, say €428,000 or thereabouts?

A. That's right. At that stage we had changed our tack and had become environmentally friendly and we were developing this non-toxic gold leaching.

Q. This was the this was brought into Feltrim effectively by Conary, isn't it?

A. Yes, that's right.

Q. The company continued to have a poor trading results, isn't that correct, for the next two years or three years after

that.

A. I'd like to point out something that you said in evidence to Mr. Emmet O'Connell. You said it was losing money up to 1993 and then it turned around. Well, the company is continuing losing money up to the very day. It still hasn't turned in a profit. It's if you continued that graph on, it would show continuing losses to the present date.

Q. We have just been furnished with this information by Deloitte & Touche. This is an extract

A. The impression was giving that the company was turned around and became profitable in 1993, which is not the case.

Q. I see. The company was turned around to the extent that the share price flourished subsequently?

A. It did, yes.

Q. The share price had collapsed over this period?

A. That's right.

Q. In fact it had collapsed down to a penny or thereabouts, isn't that right?

A. That's right.

Q. And it was in 1993 on that the share price was turned around, isn't that correct?

A. Yes, but the reason that it was turned around was that we managed, struggled through the dire straits as everybody says it would have been much easier for us to walk away from the company and go off and do something else but we

stuck with it, we tried every means possibly to keep the company alive, to clean it up, to make it so that it was a clean shell, that somebody would be interested in reversing assets into it and thereby maintaining the shareholders, some value for the shareholders.

Q. I am not suggesting otherwise, Mr. Haughey. What happened though was that the company had, for all intents and purposes, collapsed, but maintained in a clean state, wouldn't that be a fair way to describe it?

A. It wasn't in a clean state. It was myself and Trevor Watkins and Bernie Cahill who got it back to a clean state which made it possibly for the share price to rise again.

Q. What do you mean by a clean state in that sort of creditors were

A. Creditors were

Q. Sorted out

A. Sorted out, yeah.

Q. But the most creditors were sorted out by the converting of share debt to shares, isn't that correct?

A. That's correct.

Q. I think with the exception of some small ones like we had Mr. Murphy, he wanted he wanted to be paid once new people came into the company in 1993, isn't that correct?

A. That's right.

Q. And in fact that debt was converted into shares by most or most people allowed it to be converted into shares after the, if I might describe it, the post '93 situation?

A. If myself and Trevor Watkins hadn't persuaded all of these creditors to do that, I doubt if somebody would have done it

Q. Been prepared to approach what looked like a clean shell, would that be a fair way to describe it?

A. Yeah, they wouldn't have been prepared to get involved in the company if there was a number of creditors demanding money from the company. The fact

Q. They wouldn't have been prepared to invest in it?

A. No.

Q. Now, when the company was originally floated, it would appear that Mr. Dermot Desmond didn't take up any shares in the company on the original offer, would that be

A. That's correct, yes.

Q. Would it also be fair to say that Mr. Desmond didn't take up the offer of any shares on the return to the market in 1990? Just judging from what Mr. O'Connell has said there?

A. That's correct, yes, he didn't.

Q. But it was only when Mr. Desmond was approached effectively for a loan there were 83,333 shares, you believe, purchased by Mr. Desmond, is that right, in July of 1990?

A. That's right. Mr. O'Connell has reminded me by his evidence this morning of what took place at the time. And it is as he described it, that some English investors who subscribed for shares dropped out and we were left with this shortfall and we all used our best endeavours to make

up this shortfall and I approached Dermot Desmond on that basis.

Q. And that would be the reference then perhaps to the 26,333 in the bank statement?

A. I would imagine so, yes.

Q. And you think, so having been reminded and I accept that from Mr. O'Connell's evidence this morning and this was only brought to Mr. O'Connell's attention quite late in the day as well, that that is what represents the share purchase by Mr. Desmond after somebody has dropped out, an approach was made to him?

A. That would seem to me to be the case.

Q. Very good. I think if I could just, in time, ask you if this was around the same time as the loan was being made for the repair work to Celtic Mist, around the same time?

A. I really couldn't answer that, I'd have to check up.

Q. Very good. We can check that.

And Mr. Dermot Desmond, this was his first participation or NCB's first participation in the business of Feltrim, isn't that correct?

A. As far as I know, but I am sure NCB as a stockbroking firm had traded in shares in the Feltrim in the normal course of business.

Q. As in the normal course of business, of course, but that's the first time that you can recollect that Mr. Desmond became involved in the company by way of an injection of money in some form of other, isn't that correct?

A. That's right.

Q. And it was as a result of an approach?

A. That's correct.

Q. And then a year later, an approach was made for a loan, isn't that correct, the £55,000?

A. That's correct.

Q. Now, if the company hadn't been able to use its best endeavours, or the people involved in the company like yourself and Mr. O'Connell, in persuading Eglinton to take up the slack that had risen and he believes that there was one other person, he believes Davys, but unsure about that, but Davys, on behalf of somebody else at least, took up a similar amount, what would the consequences have been for the company if this particular monies had not been raised in that way?

A. I recall at the time, if we hadn't raised the full amounts we would have had to give all the money back that was raised in the issue.

Q. I see. So about £80,000-odd had to be, had to be raised, otherwise the balance of £350,000-odd would have to have been paid back to the investors, is that right?

A. That's right.

Q. And that would have been disastrous for the company?

A. Disastrous.

Q. And I know it's very hard to speculate, but would it not appear likely that the company would not have survived at all in those circumstances?

A. It probably would not have, no.

Q. So in real terms, the company was effectively saved, and I suggest to you, by Mr. O'Connell, Mr. Desmond and whoever the third person, Davys, on behalf of somebody or Davys themselves?

A. I suppose that would be fair to say, yeah.

Q. Now, when you approached I take it Mr. O'Connell was able to deal with the people in Eglinton Exploration, did you explain this to Mr. Desmond when you approached him?

A. I did, yes.

Q. And can we take it that did he agree immediately or did he have to consider the matter or anything like that, can you remember?

A. As far as I remember, I phoned him initially and told him what the situation was and then I either met him or phoned him subsequently when he agreed to.

Q. But would that have been in a reasonably short period of time?

A. Within 24 hours I would say.

Q. 24 hours. Okay. Do you yourself know who the third party was? I don't want you to name them if you do at the moment?

A. I can't recall them.

Q. You don't recall. You would have approached Mr. Desmond, Mr. O'Connell dealt with Eglinton, do you know who might have approached, if it was Davys, do you know?

A. I would imagine, if it was Davys, I would imagine it would

have been Trevor Watkins.

Q. Now, about a year later, Mr. Desmond was approached again by you, I think, and the loan of €55,000 was made, isn't that correct?

A. That's correct.

Q. And I think Mr. Watkins has told us that, again, the company was in difficulties with lorry drivers down in Wicklow?

A. That's correct.

Q. Particularly, would that be fair to say?

A. Particularly, yeah, among other creditors.

Q. Among other creditors, but there was particular difficulties, his own house was being picketed by them at one stage?

A. We had received legal correspondence they were going to get a petition to wind up the company.

Q. Again the company was in danger of being liquidated, isn't that right?

A. That's right.

Q. Was that explained to Mr. Desmond when you approached him?

A. Yes.

Q. Can I take it he readily agreed to make the funds available to you?

A. He did.

Q. And, in fairness, I suppose the company's current account was completely overdrawn during this period. And if the loan hadn't been paid, the company was, I suppose,

Mr. Watkins used the expression, dire straits would be a fair way of describing it?

A. Dire straits, yeah.

Q. So on two occasions on which Mr. Desmond was approached, the company was in danger of collapse if he didn't make the contribution, isn't that correct?

A. On the first occasion, I imagine we would have got the investor somewhere else if Mr. Desmond hadn't invested, but on the second occasion, yes, that would be the case.

Q. And whilst there is no doubt that the €55,000 is recorded going into the company, there is no doubt, it certainly did go into the company, there are no other documentation there is no other documentation even in the form of a letter or anything like that indicating what the terms may be or...

A. Unless there was with Mr. Watkins, but I think Mr. Watkins' evidence was that there wasn't.

Q. That it was informal. I think that was Mr. Cahill's

A. That would be my recollection.

Q. And can you remember, and I know you mightn't remember the exact words and you are not a lawyer, do you remember the words that you used when you asked him, did you ask him to help out? Did you ask him for a loan? Did you

A. I recall that I we were proposing a share issue and that we had this short term crisis and that we needed the money to stave this off and that we would convert the shares convert the debt into shares in the forthcoming

placing. And in the midst just in hindsight, that might be where the 55,000 on that minute that you showed me earlier on, I think that may be.

Q. It could be, yes, could be. During all this time, of course the share price was fairly low, isn't that right?

A. Yeah.

Q. It had collapsed down to about a penny or there or thereabouts.

A. Yeah.

Q. In fact Ms. O'Brien just brings to my attention, when the subscription, the 1990 subscription took place, I think the shares were at 7 pence at that time and at the time that the loan was made a year later, the share price was down to about 4 pence. I think it went on down to about one and a half pence eventually or a penny, isn't that correct?

A. That's correct.

Q. Now I think it was Mr. Watkins who or Mr. Watkins believed that he was the one who may have approached Mr. Stakelum, is that correct?

A. That's not my recollection. My recollection is that it was me that approached him and that the initial approach and that Trevor Watkins then handled it after that.

Q. I see. Now Mr. Stakelum gave evidence that he was under the impression that quite a few people were going to be asked and he was surprised to see that only Mr. Desmond, himself and Mr. Mr. Cahill's loan is in a different category, isn't that correct, it was for a specific

purpose. There was a danger of losing the patent, isn't

that correct?

A. That's correct.

Q. And that money was injected to save that?

A. That's correct.

Q. But you recollect that you may have initially approached

Mr. Stakelum and Mr. Watkins dealt with the matter

thereafter?

A. That would be my recollection

CHAIRMAN: Just in the first statement, Mr. Coughlan, it's

not of great importance, there is some reference to the

latter share issues and placements in 1993 and 1996.

MR. COUGHLAN: Yes, perhaps this was the initial

memorandum, I think

A. That's right, I think I have a copy of that here.

Q. If you go to the final page, I think the final two paragraphs. I think you have informed the Tribunal that

in relation to the rights issue in June 1993, you had very

little involvement with this as Mr. Paul Bristol, who is

taking control of the company, largely arranged it, is that

correct?

A. That's correct.

Q. You were due to resign as director as soon as this was

completed which you did subsequently in June 1993?

A. That's correct.

Q. You do not recall having any dealings with Mr. Desmond on

this matter and you believe that all his dealings were with Mr. Bristol and a copy of the offer document is enclosed.

I think that is correct?

A. That is correct.

Q. And in relation to the share placement in January 1996, you had no involvement in this although you do recall documentation being sent to you as a shareholder at the time, did you not retain the documentation?

A. That's correct.

Q. Now, if I might just return to the minute of the 27th February 1991. I will just put it up on the screen.

This is the one dealing with the borrowing from AIB and the guarantee being sought from Mr. Desmond. I think you were at the meeting.

A. I was.

Q. And I think "The meeting noted that the five-year term loan of €45,000 had been offered to the company subject to obtaining an independent guarantee which guarantee was to be given by Mr. Desmond. It was therefore resolved:

That the facility letter from AIB dated 14th February 1990 as submitted to the meeting in respect of the aforementioned term loan be and is hereby accepted and that T Watkins be and is hereby authorised to sign acceptance on behalf of company.

T Watkins further reported that the overdraft in the Bank of Ireland..." Well we needn't deal with that.

But a resolution had to be passed in relation to the

accepting of that particular facility, isn't that right?

A. That's right.

Q. And the obtaining and obtaining the guarantee from Mr. Desmond, isn't that right?

A. That's right.

Q. There does not appear to have ever been a resolution accepting the loan or accepting the loan from Mr. Desmond, isn't that correct?

A. Yes.

Q. Of €55,000?

A. I think the explanation for that is that the matter arose between board meetings and the three directors at the time, Trevor Watkins, myself and Bernie Cahill, would have been fully aware of the situation and by the time the meeting came, the crisis had passed, so to speak, and it just never came up at the meeting. Probably in a perfect world, it should have.

Q. I can understand that. Perhaps it should have. In any event, this is a public company, I am just perhaps I should pursue here a little bit about this. Perhaps nothing turns on it because there can be no doubt it's recorded going into the company's bank account and that loan was subsequently converted into shares. So everything was above board in how it was dealt with but it was not recorded in the minutes of a public company. Why was that?

A. Well, I would say it was an oversight and again, as I say,

it probably should have been recorded in the company minutes, but there was definitely no decision to keep it out of the company minutes and if we wanted to somehow hide this loan, I mean, the way to hide is it not by leaving it out of the company minutes. The fact that it was recorded, the auditors knew about it, it was accounted for in the accounts, it wasn't hidden in any way, and I think

Q. I just want to afford you an opportunity because it is a public company. I think you recognise it should have been recorded in the minutes?

A. Probably, but there was no deliberate decision to cover it up or not to record it in the minutes.

Q. Now I think you, the guarantee that was being sought here, do you have any recollection of discussing that with Mr. Desmond?

A. I actually don't, but I accept from the documentation provided

Q. And Mr. Desmond has confirmed that he was asked and was prepared to furnish it?

A. Yes, I don't recollect that myself.

Q. Was there anybody else who could have, other than you, or did you always deal with Mr. Desmond?

A. Perhaps Trevor Watkins, but I don't know.

Q. Perhaps.

Now, I think you furnished a further memorandum dealing with the purchase of Celtic Mist, isn't that correct,

Mr. Haughey?

A. That is correct. I don't think I have a copy of that with me.

Q. I will get you a copy of that now. (Document handed to witness.)

Now, I think you have informed the Tribunal that the Celtic Mist and then called La Tina of Hamble was purchased, you believe, in around January of 1988, is that correct?

A. That's correct.

Q. And that you want to say that you relying largely on your own memory for recollection of dates and that there may be some inaccuracies in that regard, is that correct?

A. That's correct.

Q. I think you have informed the Tribunal that a family friend, the late Liam McGonigal, solicitor, first saw the boat at Palma in Majorca, is that correct?

A. That's correct.

Q. Either he or your father or both of them suggested that you would have a look at it, is that right?

A. That's right.

Q. You travelled out to look at the boat and thought it was suitable for your purposes. Is that your own personal or the family's purposes?

A. The family's purposes.

Q. You were not involved in the negotiations for the purchase of the boat, is that correct?

A. That's correct.

Q. But you think that these negotiations were conducted by Mr. McGonigal in his professional capacity with the then owner of the boat, a Mr. Rudd, is that correct?

A. That's my recollection, yes.

Q. Those negotiations fell through, is that correct?

A. Yes.

Q. What then happened, as you understood from your father or Liam McGonigal or both of them, was that Louise Shand, who is a yacht broker working at Estapona in Spain, negotiated the purchase of the boat with either Mr. Rud or some other party but that you must stress that you are unsure as to with whom she conducted negotiations, is that correct?

A. That's true.

Q. You have informed the Tribunal that the next thing you do recollect is that you were asked by either your father or by Liam McGonigal or both of them to go to Gibraltar to meet Louise Shand and take possession of the boat, is that correct?

A. That's correct.

Q. You travelled out with your brothers Ciaran and Sean and Brian Stafford to take possession of the boat in Gibraltar and did you that in the spring of 1988, is that correct?

A. That's correct.

Q. Having taken formal possession of the boat, you then returned to Ireland and then later in that year, in the summer of 1988, you returned with Brian Stafford, who was a friend and had been the amateur skipper of the family boat

for a number of years and a crew of a friend's to sail the

boat back to Ireland, is that correct?

A. That's correct.

Q. You sailed the boat back to Ireland in the summer of 1988

and brought it to Kinsale, is that correct?

A. That's correct.

Q. It then spent the winter laid up in Arklow and was sailed

again in the summer of 1989, is that correct?

A. That's correct.

Q. At the end of the summer in 1989, it was brought to the

boatyard in Crosshaven, is that correct?

A. That's correct.

Q. You have informed the Tribunal as for the original purchase

monies of the boat, you believed the money to purchase the

boat was arranged by your father and you know nothing at

all about the source of those monies beyond that you know

now that it was purchased for the sum of £120,000 sterling,

is that correct?

A. That's correct.

Q. I think the boat was imported in the name of Brian Stafford

to facilitate customs entry, the payment of VAT etc, is

that correct?

A. That's correct.

Q. The boat was transferred from his name into the name of

Larchfield Securities Limited by bill of sale dated 19th

May 1989, is that correct?

A. That's correct.

Q. And then the boat required to be refurbished and refurbishment was discussed amongst members of the family, including your father.

A. Correct.

Q. And we have dealt with evidence about the refurbishment, isn't that correct?

Now, I think you informed the Tribunal, I'll just give you (document handed to witness) I think you informed the Tribunal that in relation to the payment of VAT on the Celtic Mist, is it Celtic Mist or The Celtic Mist Celtic Mist. You was always aware that VAT had been paid and always assumed it was your father that had paid it and this was confirmed for you by the Larchfield accounts. You believed that the payment was made through Deloitte & Touche, is that correct?

A. Correct.

Q. That's your belief?

A. (Witness nods.)

Q. Now, as far as you know, your father or your father and Mr. Liam McGonigal were the ones who came up with the concept of Celtic Mist in the first instance, it was seen down in Majorca by the late Mr. McGonigal?

A. That's right.

Q. And he carried out initial negotiations which proved to be unsuccessful?

A. That's right.

Q. But subsequent negotiations with the same, on behalf of the same owner at least or the same vendor, proved to be successful when they took place through Louise Shand, the broker?

A. Yes, I presume it was the same vendor, I don't know for sure.

Q. You don't know for sure, but you presumed that?

A. Yeah.

Q. And the boat was imported in the name of Brian Stafford, isn't that correct?

A. That's correct.

Q. And it was transferred into the name of Larchfield Securities by bill of sale dated 19th May 1989, is that correct?

A. That's correct.

Q. So it was in Mr. Stafford's name for approximately a year or thereabouts?

A. Yes.

Q. In his name?

A. That's right.

Q. And do you know whether Mr. Stafford transferred or conveyed any of the purchase monies in relation to the boat?

A. I don't know.

Q. What about the payment of VAT? That was made through Deloitte & Touche I believe, is that correct?

A. That is correct.

Q. Just from inquiries we are making initially, it would appear that Deloitte & Touche don't have a record but our inquiries are continuing. Do you know why it was imported in the name of Brian Stafford?

A. I think on the advice of Mr. McGonigal, he figured that that was the simplest way of doing it. The fact that he was on board and he was the owner would make it a lot easier when he would go into ports like taking possession of the boat in Spain and in bringing the boat back, when you stop in various ports, the fact that the person skippering the boat was actually the registered owner of the boat would make the procedures a lot simpler.

Q. I see. But you were on that trip as well, weren't you, or that passage?

A. I was.

Q. And it could have been in your name, I suppose, as easily?

A. Well, it would have been in the name of Larchfield Securities which might have been more difficult.

Q. I see. But I suppose to the best of your knowledge, it was just a practical reason for having it in the name of, going in and out of various ports and easing up on the paperwork or explanations that might be sought, is that right?

A. Correct.

Q. So it could have been either in Mr. Stafford's name or it could have been in your name for that period as easily?

A. As easily, yes, but the fact is that Mr. Stafford was the

skipper at the time, so...

Q. Now, when you went to take delivery of the vessel, were there any formalities concluded at that time? Like were there any documents handed over or signed or was there any money paid or?

A. No, there was no money paid. Louise Shand, who had taken care of all the payment work, just gave us the ship's papers and that's all we needed to bring the boat back.

Q. Well, do you know whether the boat had already been paid for at that stage?

A. I don't.

Q. Do you think it might be reasonable to assume that Ms. Shand would hardly have handed over the vessel if she hadn't at least got some sort of payment or guarantee or something of that nature?

A. I would assume so, yes.

Q. Now, I think you had a previous boat, is that correct?

A. Yes.

Q. Mr. Stafford had been the amateur skipper?

A. That's right.

Q. Of that boat.

A. Mmmh.

Q. And was that boat sold or was it

A. Yes, that boat was sold.

Q. Around the same time?

A. Around the same time, yeah, it was definitely around the same time. Whether it was actually before or after, I am

not sure, but it was around the same time.

Q. Was that sold in Ireland or was it sold through a broker abroad, do you know?

A. It was sold in Ireland.

Q. What type of a boat was that?

A. It was a converted trawler.

Q. Do you have any idea roughly what might have been obtained for it or again was that outside your sphere of influence or control?

A. Yes, it was outside my sphere of influence, but I don't know.

Q. Was that being dealt with by your father or

A. Probably, yes.

Q. Thanks very much, Mr. Haughey.

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. QUINN:

Q. MR. QUINN: If I could ask you two questions on behalf of Revenue Commissioners in relation to the boat. On the payment of the VAT, the accompanying document shows Mr. Stafford as the consignee, isn't that right?

A. That's right.

Q. There is nothing on that document that shows either Larchfield or a Haughey as the owner or the purchaser of the boat, isn't that right?

A. From my recollection, no.

Q. And just in relation to Feltrim, I think you have explained how in, I think it was August 1990, because of the failure

to take up the €80,000 by the people who had subscribed for those shares, you had to go, together with some of your other directors, to three parties at least to get the €26,000 in the case of Mr. Desmond to take up and subscribe for those shares, otherwise the €300,000-odd you had received would have to be given back, isn't that right?

A. That's correct.

Q. I think you have accepted that that would have meant that the company would have probably gone into liquidation at that time?

A. Probably.

Q. Can I just ask you, obviously having been involved in the set up of the company at that time, you would have been very disappointed, but would you in addition or did you have at that time any personal exposure by way of guarantees for any of the company's debts?

A. I did have personal exposure, whether it was at that time my recollection would be that it would have been at a later stage when I had a personal exposure.

Q. What that have been around August of '91 when Mr. Desmond put in the €55,000 to pay off the creditors?

A. Yes, it would have been before that. Actually it would have been before that.

Q. Before August '91, but after August '90?

A. Yes.

Q. Thank you very much.

CHAIRMAN: Thank you very much, Mr. Haughey.

THE WITNESS THEN WITHDREW.

MS. O'BRIEN: Mr. Graham O'Brien please.

GRAHAM O'BRIEN, HAVING BEEN SWORN, WAS EXAMINED AS FOLLOWS

BY MS. O'BRIEN:

Q. MS. O'BRIEN: Thank you, Mr. O'Brien. The documents for this, Sir, are the at flag 16. I think you are the financial director of NCB?

A. That's correct.

Q. I think, in fact, this is the first occasion on which you have given evidence to the Tribunal in relation to the Aurum Nominees No. 6 account?

A. That's right.

Q. I think the Tribunal has previously heard evidence from Mr. John Keilthy who is a colleague of yours and also a director of NCB?

A. That's correct.

Q. In connection with this account and this was I think you have indicated to the Tribunal and indeed this conforms with the previous evidence that this was an account held on behalf of Overseas Nominees Limited?

A. That's correct.

Q. Now, you provided the Tribunal with a memorandum of the evidence which you are in a position to give regarding further inquiries that NCB has made as to the ultimate source of these funds.

A. Correct.

Q. I wonder do you have a copy of that with you?

A. I do.

Q. Perhaps I will just take you through that and deal with one or two matters that may arise.

A. Okay.

Q. You state on the previous occasions the Tribunal heard evidence that the source of the monies credited to the Ulster Bank No. 6 account was a transfer of funds from NCB's Bank of Ireland Irish pounds settlement account. You further state that evidence was also given that the source of the relevant credits to the Bank of Ireland settlement account was a transfer of funds from NCB sterling account maintained with Bank of Ireland International Division.

A. Correct.

Q. I think that evidence was given both by Mr. Keilthy and also by witnesses from Bank of Ireland. You state further that since then, NCB has undertaken an exhaustive search of its records, has been able to retrieve further documentation which appears to be able to identify the ultimate source of the funds credited to the Aurum Nominees No. 6 account in Ulster Bank College Green?

A. Correct.

Q. You stated it appears that the funds were initially received into an NCB sterling account number 15224832 with Royal Bank of Scotland, Threadneedle Street, London and

that they were received in two tranches of sterling  
€175,000 received on the 7th June of 1988. And I think we  
can see that now on the document number 1 which is the  
first page of the relevant account statement and you can  
see there credit €175,000, it's dated 7th June and the  
description is well, just above that is balance forward  
but below that is PMT, which I presume is payment, there is  
then a series of letters and numbers and below that is G&M  
Dublin?

A. That's right.

Q. And I think the second tranche which you referred to was  
credited to the account on the 18th August of 1988 which  
was €125,000 and again I think the description there in the  
particulars column of the bank statement is G&M Dublin.

A. Correct.

Q. And you state that as appears from the relevant bank  
statements, the credits were described on the face of  
statements as payments from Guinness & Mahon Dublin. I  
think you have informed the Tribunal that at that time NCB  
kept records of management information on cash balances  
within the firm.

A. That's correct.

Q. I take it that that was in order to record what cash was  
held within the firm and it was a form of control of cash?

A. Correct.

Q. You informed the Tribunal that the spreadsheet for the 9th  
July of 1988 under the heading "Creditors" records a

liability as of the 13th June 1988 to Aurum Overseas of sterling £175,000. I think we can see that now on the overhead monitor, it was there is a smaller monitor beside where you can probably see it more clearly.

A. That's right.

Q. Can I just ask you there, the heading dealing with the £175,000 just on the left refers to discretionary client creditors. What does that term signify?

A. A discretionary client is a type of client whereby investment decisions would be made by the firm and you will recall from the previous evidence that was given to the Tribunal that Aurum was a new product that we had set up at that stage as a vehicle for these types of account and you can only presume that the spreadsheet showing that the money was to the Aurum account, presumed it was a discretionary client but in actual fact this client was not a discretionary client.

Q. It was not a discretionary?

A. It was not a discretionary account.

Q. The manner of investment was not solely a matter for an NCB decision?

A. My understanding is the investment decisions on it were made by Mr. Traynor.

Q. That's why you would have used the term discretionary client creditor?

A. Yeah.

Q. Just as a matter of background in relation to the Aurum

account, it was the Aurum No. 6 account?

A. That's correct.

Q. I think you were saying this was a relatively new product, it was being offered by NCB so was the use of number six, signify that it was just the sixth of these types of accounts?

A. It signifies it was one of the first of those accounts.

Q. So it would have been one of the very first of those accounts?

A. Yes.

Q. I think you have also informed the Tribunal that this entry was included, that's the entry for discretionary client creditors €175,000 on each of the spreadsheets up to the 25th July of 1988, is that correct?

A. That's correct, yes.

Q. I think you state further that NCB's records include a memorandum dated 25th July of 1988 and we have a copy of that now on the monitor, which records that NCB received from Aurum the sum of sterling €175,000 on behalf of Overseas Nominees Limited, that the sterling sum of €175,000 was converted into Irish punts yielding €202,195.26 and that IR €96,609 was required on the 25th July 1988 for apportions?

A. That's correct.

Q. And does that mean that that amount of €96,000 was required to pay for stocks or shares that had been purchased?

A. It was required to settle the purchase transactions that

had been made on that account.

Q. So it would signify that purchases had been made of stocks or shares prior to that date?

A. Yes.

Q. The memorandum also includes an instruction to transfer the balance amounting to €105,586.26 to Ulster Bank Limited account Aurum Nominees account number 08390866. We can see all of those instructions there on the copy memorandum which is on the monitor. I think you have stated further that this is a number, the dedicated account which was opened in Ulster Bank College Green for the Aurum Nominees No. 6 account and the credit of €105,586.26 can be seen on the account statement for the 26th July of 1988. We see it there 26th July 1988, NAT City, DW, €105,586.26?

A. Correct.

Q. And I think in the previous evidence, it will be confirmed that Mr. Keilthy gave I think the immediate source of that money was the Bank of Ireland settlement account, it was in turn from the sterling account in Bank of Ireland per International Division and now it's been tracked all the way back to ultimately to the current account maintained with Royal Bank of Scotland.

A. That's correct, yes.

Q. I think you say that the other figures on the memorandum also corresponds with the handwritten entries on the account statement and we can see there, it's quite small, but we can see that certainly the hard copy, the figures

€202,195.26 which was the amount for which the €175,000 was converted into?

A. That's correct, yes.

Q. And €96,609 was deducted and that was required for apportionments based on the consents of the memo of the 26th July, is that correct?

A. That's correct.

Q. I take it those handwritten notations, manuscript notations on the account statement, would they have been made in the course of a reconciliation of the account?

A. I presume so, yes.

Q. Now, the second receipt of sterling €125,000, you have informed the Tribunal, came into the same NCB Royal Bank of Scotland account on the 18th August of 1988. Perhaps if we just put it back up, document number 2, we can just look more closely at that transaction. There is the €125,000 shown on the account statement. You have informed the Tribunal that the spreadsheet for the 19th August 1988 includes a notation in relation to this credit to the effect that the sum was received into the Royal Bank of Scotland from Guinness & Mahon and was not due in respect of equity settlement and was probably a bank error. You can see that there on the spreadsheet and this is the same spreadsheet that you were referring to earlier.

A. That's correct, yes.

Q. Which are control records kept in relation to cash held by NCB.

A. Yes.

Q. You informed the Tribunal that this indicates, that's the particulars on the bank statement, indicates that NCB were not expecting the funds to settle purchases made on behalf of a customer?

A. That's correct, yes.

Q. So am I correct in thinking then that in the ordinary course, you wouldn't expect funds like this and you would only expect funds if a purchase had been made?

A. That's correct, yes.

Q. You informed the Tribunal further that it appears that this sum was then converted into Irish pounds yielding  $\text{€}149,432.16$  and was credited to the Aurum No. 6 account on the 23rd of August of 1988.

A. That's correct.

Q. And we can see then document number 7, the crediting of that amount to the No. 6 Ulster Bank account on the 23rd August, I think it is, of 1988. You informed the Tribunal that the NCB daily spreadsheet for the 26th August recorded non NCB money of  $\text{€}255,392.61$  held by NCB on behalf of Aurum Overseas and lodged to Ulster Bank Limited. We can see there the entry on that spreadsheet on the left, there is a reference to Ulster Bank Limited. The next figure I think is the amount  $\text{€}255,392.61$  and then the next entry is presumably the client to whom that amount is credited?

A. That's correct, yes.

Q. And it's Aurum Overseas?

A. That's right.

Q. Is there any distinction between Aurum Nominees or Aurum Overseas?

A. I think it was just the term that the people who were preparing the spreadsheet chose to use. There would be no differentiation between that term and Aurum Nominees No. 6 account.

Q. Does it signify in any way that the money had come in from the account in Royal Bank of Scotland or is that not significant?

A. No, I think it only signifies that the fact that the record shows that was owned by Overseas Nominees.

Q. That's why the term Aurum Overseas may have been use in this instance?

A. Correct, yes.

Q. You stated that this accords with the balance of €255,000 on the Ulster Bank No. 6 statement as of the 23rd August 1988?

A. That's correct.

Q. You can see there that the balance was €255,292.61.

A. That's correct, yes.

Q. And at that stage, of course, there had also been the €96,000-odd that had been applied at the end of July in paying for stocks or equities that had been purchased?

A. That's correct, yes.

Q. But at that stage, that would have been held in equities so it wouldn't be reflected in the bank account, is that

correct?

A. That's correct.

Q. You have informed the Tribunal that the Royal Bank of Scotland current account into which these funds were received was not used by NCB for the settlement of purchases made on behalf of clients, is that correct?

A. That's correct, yes.

Q. You informed the Tribunal that the account was used for the payment of sterling expenses incurred by NCB as members of the London Stock Exchange and was funded from commissions received into NCB's Bank of Ireland sterling account.

A. Correct, yes.

Q. So this was more like an ordinary operating account that any business might have?

A. That's correct, yes.

Q. It wasn't an account into which client monies would be received or in which client monies were held?

A. That's correct, yes.

Q. You informed the Tribunal that the receipt from Guinness & Mahon of these funds into the account was highly unusual as such monies would notably have been received by NCB into its sterling account with Bank of Ireland International Division?

A. That's correct, yes.

Q. So I think in fact from previous evidence we know that these funds ultimately ended up in the Bank of Ireland International Division account but it appears that they

started up initially by being lodged to this NCB current account in Royal Bank of Scotland?

A. That's correct, yes.

Q. Finally, you have informed the Tribunal that the records which NCB have been able to retrieve do not enable the exact movements of the funds to be traced from Royal Bank of Scotland to Bank of Ireland International Division; however, the records clearly show that the monies came into NCB Royal Bank of Scotland account and the spreadsheets detail the money was being held on behalf of the Aurum account, is that correct?

A. That's correct, yes.

Q. You state that it is possible that the monies were moved between various accounts during this holding period and may, for example, have been invested in an overnight deposit?

A. Correct.

Q. And that would simply have been to maximise the return on the money while it was being held by you pending investment or application to the purchase of equities?

A. That's correct.

Q. Finally, you state that nonetheless, it appears from the records available that Guinness & Mahon Dublin was the source of the funds received by NCB and ultimately credited to the Aurum Nominees No. 6 account with Ulster Bank?

A. That is correct, yes.

Q. Thank you.

CHAIRMAN: It's just on half twelve, unless there is a very short witness which I don't think there is, we will resume at a quarter to two.

THE TRIBUNAL THEN ADJOURNED FOR LUNCH.

THE TRIBUNAL RESUMED AS FOLLOWS AT 1:45PM:

MR. HEALY: Ms. Sandra Kells please.

SANDRA KELLS, PREVIOUSLY SWORN, WAS EXAMINED AS FOLLOWS BY

MR. HEALY:

Q. MR. HEALY: Thank you, Ms. Kells. Now, you have provided the Tribunal with two Memoranda dealing with quite a number of matters some of which have already been touched on and some of which will be touched on at a later point in the course of these sittings. You have provided information to the Tribunal and this is the way they have been mentioned in the Tribunal's books in the form of two Memoranda described as the '14th and 15th Memoranda' that you have already provided.

A. Yes.

Q. The 15th Memoranda is at leaf 19. Do you have a copy of that?

A. I do, yes.

Q. Now this 15th Memorandum deals with a payment which has come to be known as the Wytrex payment and was already dealt with in the course of evidence given to Tribunal by

Mr. Bernard Dunne.

A. That's right.

Q. And it relates to the routing of or the accounts through which a payment in the sum of €220,000 made its way from an account of Wytrex in some other jurisdiction to the 602 account in Guinness & Mahon or the Ansbacher principal account as we have called it on numerous occasions.

A. Yes.

Q. Now, what I propose to do is go through your statement, consisting of a commentary and number of a documents and as we come to each of the documents, we will just deal with the narrative part of your statement that deals with that document so that hopefully people can follow what is a fairly involved set of transactions.

You say you are a certified public accountant and commenced appointment with Guinness & Mahon on the 16th January 1989 as management accountant. That you were appointed financial controller in 1992 and that you became company secretary in 1995.

A. Yes.

Q. You are now a financial director of the bank having been so appointed in January of 1997. You say that you are fully conversant with all of the books and records of the bank and you refer to the earlier evidence that you have given at Tribunal sittings. And you mention that on this occasion you have been asked to give evidence in relation

to an account of Ansbacher Cayman Limited with Guinness & Mahon account number 13154602 which for convenience sake we refer to as the 602 account.

A. That's correct, yes.

Q. And you say that the 602 account, as it was known in Guinness & Mahon, was the principal sterling call deposit account held by Ansbacher Cayman with the bank?

A. Yes.

Q. That the bulk of the funds deposited by Ansbacher with Guinness & Mahon were held on this account?

A. Yes.

Q. And from an examination of the account from the mid eighties, I beg your pardon, from an examination of the account, you can say that it operated in the mid eighties when the credit balance stood at approximately €7 million sterling, isn't that right?

A. That's right, yes.

Q. It grew to a high point of approximately €23 million sterling in late 1988 and that after that date, it ranged between €15 million sterling and €18 million sterling until January of 1991 when the credit balance was gradually drawn down as Ansbacher funds were moved from Guinness & Mahon to Irish Intercontinental Bank?

A. Yes.

Q. And as I am sure you are aware, Ms. Kells, evidence has already been given concerning this transfer of the Ansbacher funds from Guinness & Mahon to Irish

Intercontinental Bank?

A. Yes.

Q. I think that was maybe given in evidence to the Tribunal some months ago.

You go on to say that from evidence heard by the Tribunal and from the contents of the Internal Audit Report prepared by Guinness & Mahon in March of 1989, it appears that the funds in the 602 account were aggregated funds held for the benefit of a number of customers of Ansbacher or beneficiaries of trusts controlled by or certainly associated with Ansbacher?

A. Yes, that's correct.

Q. And you say that it appears that the individual balances held in these aggregated funds were recorded in coded accounts or in coded records maintained on a computerised system which we have called the bureau system.

A. Yes.

Q. Kept in Guinness & Mahon initially in manual form and ultimately in fact in bureau form and the people involved in keeping that were Mr. Ru Leonard and Mr. Padraig Collery.

A. Yes.

Q. Again we have heard evidence of how that system operated.

A. Yes.

Q. You go on to the that the proceeds of three of the payments found by the Tribunal to have been made, found by the Tribunal of Inquiry Dunnes Payments, in other words, the

McCracken Tribunal

A. Yes.

Q. to have been made for the benefit of Mr. Charles Haughey

were paid in the 602 account and these were sterling

œ470,964 credited to the account on the 10th August 1988;

œ149,996 sterling credited on the 10th May of 1989; and

œ200,000 credited to the account on the 14th March of

1990.

A. Yes.

Q. And you referred to three documents showing those credits

to that account?

A. Yes.

Q. Now, just so that we can put all this in context. Looking

at the document on the overhead projector, you can see the

payment of 470,000 has been pointed out near the bottom of

the far right-hand column. It's the second last entry in

the credit column.

A. Yes, that's correct.

Q. On the next document, again the same account, the 602

account, the number of the account is near the top

left-hand side, if that can be pointed can out and the

credit of œ149,996 is the second last entry on the

left-hand side.

A. Yes.

Q. This is a slightly differently configured document to the

document we looked at, it doesn't have a debit and credit

side. You have debits and credits on the same column

showing the posted amount and the balance whether it's a credit or debit balance on the other side, is that right?

A. It's just a screen print; the other one is the statement released.

Q. And the next document which is a similarly configured document shows on the 14th March 1990 a credit once again of £200,000?

A. Yes.

Q. Now you go on to the report found that the payments in May of 1989 and March of 1990 were routed through an account of Ansbacher Cayman with Henry Ansbacher & Company Limited of London?

A. Yes.

Q. Now lest there be any doubt about it, that payment credited on the 14th March 1990 has been referred to, I am not sure that you can recall all of the evidence, has been referred to in other evidence as the February of 1990 payment because I think it was initiated as a result of instructions given in or around February of 1990, so that's the payment that is being referred to by reference to that March of 1990?

A. Yes.

Q. You say that the Tribunal has drawn the attention of the bank to a lodgment to the 602 account of £200,000 sterling later on in 1990 on the 20th November.

A. Yes.

Q. You say this was one of the last substantial lodgments to

that account prior to the commencement of the movement of the funds out of Guinness & Mahon?

A. That's correct.

Q. It's the first credit shown on that record on the overhead projector. The next document you refer to is the bank's daily input log which is an internal or backing document in the bank and that document shows that the source of the funds credited to this account was a transfer from Guinness & Mahon London & Company?

A. That's right, yes.

Q. It shows the lodgment or the credit entry of 200,200 to the credit of Ansbacher Cayman lodged and the debit is from Guinness & Mahon nostro meaning your account with your London associate branch or bank, is that right?

A. Yes, that's correct.

Q. You go on to say that as Guinness & Mahon London is the bank's correspondent bank, all sterling funds intended for Guinness & Mahon are routed through Guinness & Mahon London or Guinness Mahon & Company London. You go on to say the Tribunal has provided Guinness & Mahon with copy correspondence between Ansbacher Cayman Limited and Henry Ansbacher & Company Limited London from which it appears the source of the monies credited to the 602 account on November 1990 was a debit to Ansbacher Cayman sterling account with Henry Ansbacher & Company and we will see those documents and I will just quickly put them on the overhead projector and maybe you can tell me what they mean

to you. We have already had them mentioned in evidence.

A. That's an instruction to Henry Ansbacher & Company, and you can see it's debit sterling account with 200,200 and transferred to Dublin, Guinness & Mahon Dublin for the credit of the 602 account and mark it for the attention of Mr. Traynor. That's basic instruction to transfer the funds.

Q. And that's an instruction from?

A. Ansbacher Limited to Henry Ansbacher.

Q. Bearing in mind that from in or about I think it was May of 1986, Mr. Traynor had ceased to be an executive or a director of Guinness & Mahon in Dublin. Can you explain to me why instructions would have been received and if so, how they would have been dealt with in the form of an instruction marking something for the attention of Mr. J.D. Traynor?

A. On this occasion I can only speculate that if something came in, even though it was for the attention of Mr. Traynor, that could be a reference on the transaction when it was processed to be processed in the bank's records but knowing from that time anything that was for Ansbacher attention was immediately given to Mr. Collery and at that stage, later on, I mean this is 1990, it would have been to Mr. Humphries who had taken over, either Mr. Humphries or Mr. Lannigan O'Keefe. Mr. Humphries was head of operation and Mr. Lannigan O'Keefe had taken an active role in the Ansbacher at that stage.

Q. If something came to the bank marked for attention of J.D.

Traynor at that time, do you mean to say whoever was dealing with Ansbacher in Dublin would simply get on to Mr. Collery or Mr. Traynor for instructions about it, is that what you mean?

A. They could have done or I mean they might have disregarded the fact it was for the attention of Mr. Traynor and simply put it in the Ansbacher account because we have a clear instruction it's credited to the 602 account and waited for Mr. Traynor to give instruction. We did have an account to credit it to so there was no requirement to consult with somebody to know where the transaction was to go.

Q. I understand that but at the same time, would it indicate that Mr. Traynor, at least through Mr. Collery or in some other way, would be alerted to the fact that the money had come in without needing to contact the bank himself?

A. Yes, presumably.

Q. And Mr. Traynor continued to have, how shall I put it, an external relationship with the bank even after he left the bank which was more, how shall I put it, cordial or intimate than that of any other person who have severed association the bank?

A. Yes, very much so. We were receiving correspondence frequently in relation to transactions to be processed across the Ansbacher accounts. It's also worth noting, this document we would not have seen. This is a document between Ansbacher and its parents. Guinness & Mahon would

not have seen this document.

Q. And you don't have, am I right in saying, certainly the inquiries which you have made haven't turned up any document in Guinness & Mahon Dublin which would correspond with that instruction sent to London, isn't that right?

A. No, I mean we can trace the transaction which we have identified on the statement but we don't have any other document like this is the money coming through Henry Ansbacher or whoever or we have no instruction from Mr. Traynor what to do with the monies that we can find.

Q. And it is likely in fact that as this was an instruction from Ansbacher Cayman to London, that London in the first instance would in any case have contacted Mr. Traynor, isn't that right?

A. Guinness Mahon & Company?

Q. This is an instruction to Guinness & Mahon in London, okay?

A. Yes, it's an instruction to Henry Ansbacher.

Q. I beg your pardon and it's marked for the attention, it's to credit a particular Guinness & Mahon account in Dublin?

A. That's correct, yes.

Q. And marked for the attention of J.D. Traynor. Whether or not you got instruction marked for attention of J.D. Traynor, it could have contacted J.D. Traynor from London, isn't that right?

A. Somebody could have, somebody also had to tell Henry Ansbacher who to pay the sterling money to, to give it to

Dublin. Whilst the money was in Henry Ansbacher, somebody had to make contact to say please pay the money into Guinness & Mahon & Co. in London and we had to be on notice that the money was coming in and had to be credited to the 602 account so whilst this document here is between the two Ansbachers, somebody had to give us instruction to say 200,000 was coming in and please credit to the 602 account.

Q. But no documents exist in Guinness & Mahon, Guinness & Mahon in Dublin of this kind recording any such instruction although we know the transaction did occur, we know the credit went to the Ansbacher account. What I am simply trying to get at is notwithstanding very diligent inquiries carried out by Guinness & Mahon, no such document of this kind has ever come to light, isn't that right?

A. No, we can't find a document certainly at this stage.

Q. I think you are aware that these documents were made available to the Tribunal on foot of an Order of the High Court in proceedings concerning an application to appoint an inspector to Ansbacher and it was only as a result of those documents having been brought to the Tribunal's attention in that way that you were alerted to this transaction, isn't that right?

A. That's correct, yes.

Q. And if there were, as you say there must have been, some instruction in Guinness & Mahon Dublin unless they were completely oral instructions but that would be unlikely,

wouldn't it?

A. It would be unlikely. I would expect somebody, I would very much expect something in writing, we had to have an instruction from Ansbacher even.

Q. I think you mentioned a moment ago that by 1990 Mr. Humphries was handling a lot of the day-to-day dealings with the Ansbacher account, isn't that correct?

A. That's correct.

Q. And am I correct in saying that he has left a very careful trail of documentary material dealing with all of the instructions he would have received and all of the transactions as he would have carried through on those?

A. Yes, he requested the instructions in writing for everything, literally everything so one would expect certainly a hand written

Q. Could I go further and suggest from the time that Mr. Humphries took over the handling of that account, dealings on the account became much more accurately, if I can put it that way, or much more intensively documented, if I can put it that way?

A. They became more formalised, yes.

Q. And yet there is no document dealing with this transaction?

A. You would expect to find "You will receive today, please credit to our account..." but we can't find anything of that nature.

Q. Just going on to the next document which is document number 7, this is a document again that's already been mentioned

in evidence and it's from Henry Ansbacher in London to Ansbacher in Cayman and correct me if I am wrong but I think it simply records that Henry Ansbacher & Company in London had carried through the transaction they were instructed to carry through?

A. It's transaction confirmation saying we have applied to your account the payment, sundry debit payment to Guinness & Mahon Dublin €200,200 and the value date so it's confirmation of the transaction requested by Ansbacher Cayman.

Q. Now the next document is document number 8, again one of the documents made available on foot of the High Court Order and it seems to be a document explaining how the money in question first came into Henry Ansbacher & Company in London and maybe you could just take the Tribunal through the document.

It says it's an advice of payment received from CHAPS, I think, is that right?

A. That's right, that's the UK clearance system.

Q. Could you repeat that?

A. Sorry, UK clearing system.

Q. On the right-hand side there's a reference RBS, reference SJY and a number of other letters and numbers I think. Is RBS probably a reference to Royal Bank of Scotland?

A. Could be, could be.

Q. Then you have underneath that a reference to an account

number which has been credited. Could you take me through the rest of the document, from what you understand it to mean?

A. Well it's basically, as you say, the account number has been credited with funds, it's saying that the monies have come from the settlement bank being the Midland Bank, it looks to be, I mean from my knowledge, it looks to be like a SWIFT instruction. SWIFT was a form of communication used by banks on international prospective. It's payment type 10; obviously that's a category type for having codes, shorthand codes for payment types; the amount œ200,000, the payee bank i.e. the recipient is Ansbacher, Henry Ansbacher & Co., London and the payee customer, the paying-in party Ansbacher Limited, the payee customer account number 19001722.

Q. We in fact noted from evidence ultimately the account credited was 101 as opposed to 202?

A. Payor bank is the bank paying in is the Bank of America and the customer giving instruction for payment of the funds, Wytrex Far East Limited, the payor's customer reference and the payor detail, who it is for the attention of, which is Mr. Traynor.

Q. Do you see the first two sets of entries, payee bank and payee customer, meaning Ansbacher Limited account in Henry Ansbacher & Company Limited?

A. That's correct.

Q. Would I be correct if you go down to payor bank and payor

customer, that a correspondence narrative would be

appropriate that it's Wytrex's account in Bank of America?

A. I would assume it's the money, looking at that, I would say the money came from Wytrex account with Bank of America and was repaid, was to be paid to Ansbacher Limited whose account was with Henry Ansbacher.

Q. The next document is document number 9 and I don't think we need to trouble you with that document, Ms. Kells, it simply confirms that the account to which the money should be credited is 101 and not 202?

A. 202, yes.

Q. Now, Ms. Kells, I want to leave that aspect of your evidence dealing with the Wytrex payment and to go back to your earlier Memorandum which I think is in leaf number 8, Sir. Do you have that Memorandum?

A. Yes.

Q. That Memorandum deals with quite a number of matters under different headings and what it contains, just like your 15th Memorandum, is a commentary or a number of commentaries on a large number of banking and related documents, isn't that right?

A. Yes.

Q. And once again, what I'd hoped to do is deal with firstly each of the separate matters separately and then as we deal with each matter, to concentrate on the part of the narrative which relates to the documents mentioned in the set of exhibits attached to your Memorandum.

A. Yes, okay.

Q. Now the first matter concerns something which was mentioned

I think in evidence already today and that is the source of funds in the Aurum Nominees No. 6 account in NCB?

A. Yes.

Q. You may recall, Sir, that on an earlier occasion, evidence

was given that the money in the Aurum Nominees No. 6

account in NCB after that account was closed, was

transferred to an Ansbacher account or, sorry, I beg your

pardon, was transferred to Irish Intercontinental Bank and

that it went into what we know as an Ansbacher account

although it had a different name in that bank but that at

the same time, the amount of the transfer to Irish

Intercontinental Bank was credited in the memorandum

accounts to the credit of the S8 Account and one of the

questions the Tribunal was anxious to pursue was whether

there was any evidence to show that that money firstly had

come out of the S8 Account and as I think evidence this

morning showed, so far all the Tribunal has been able to do

is to show that the money came out of an Ansbacher account,

perhaps not the S8 Account but certainly an Ansbacher

account.

Now in your statement, you refer to the fact that from

documents and information provided to Guinness & Mahon by

the Tribunal, it appears that on the 7th June 1988, a sum

of £175,000 sterling was credited to an NCB sterling

account with the Royal Bank of Scotland, Threadneedle

Street, London and on the 18th August 1988, a sum of  
€125,000 was credited to the same account and I'll just put  
those two accounts on the overhead projector. I'll put  
them up in a moment but you, in any case, have copies of  
the two documents.

A. I do, yes.

Q. The first of those documents is a page from the National  
City Dillon and Waldron Limited external business current  
account with the Royal Bank of Scotland and it shows on the  
10th June a debit, sorry on the 7th June a credit to that  
account of €175,000 and the second document shows on the  
18th August a credit of €125,000 to the same account?

A. Yes, that's correct.

Q. Now, again, it may be recalled from evidence given this  
morning that on those bank statements, each of those  
entries is accompanied by a legend indicating that the  
monies in question or the credits in question came from  
Guinness & Mahon in Dublin?

A. That's correct, yes.

Q. And in your statement, you say that you understand that it  
appears from evidence heard by the Tribunal that these  
funds were transferred through a number of NCB accounts and  
were ultimately credited to an account of Aurum Nominees  
No. 6 with the Ulster Bank Limited, College Green?

A. That's correct, yes.

Q. Now you have examined the Guinness & Mahon records and it  
appears from those records that each of the credits to the

NCB account with Royal Bank of Scotland was funded by debits to an Ansbacher account sterling account with Guinness & Mahon & Company, sorry was funded by debits through Ansbacher account through Guinness & Mahon account number 13154642 and as you say this is the principal Ansbacher account with Guinness & Mahon?

A. Yes.

Q. And you say that you then go on to deal with the documents that have become available which show the mechanics of these transactions and dealing firstly with the £175,000 transaction, document no. 3, document no. 3 has an entry about the middle of the document recording a debit of £175,000 sterling to Guinness & Mahon's sterling nostro account with Guinness & Mahon in London.

A. The debit from the sterling nostro account with Guinness & Mahon.

Q. Sorry, I beg your pardon. The description of the account statement was paid Royal Bank of Scotland, signifying that the entry related to a payment to the Royal Bank of Scotland, is that correct?

A. That's correct, yes.

Q. The next document which was a Guinness & Mahon internal or backing document showing the debit and the credit posted on the bank's own books, on Guinness & Mahon's own books on the 17th June of 1988, that's the value date being pointed out but I think the posting date is the number at the top of the page, 1988, 06 for the month.

A. And the 17th.

Q. And 17 for the day?

A. And the remainder is the deal number. Yes, 10 days later when the transaction was processed in London.

Q. Yes. And it shows the debit of €175,000?

A. To the 602 account.

Q. And a credit to Guinness & Mahon nostro account?

A. Which would keep our account in balance.

Q. Effectively repaying you for having carried out a transaction for the benefit of a customer in England?

A. Yes.

Q. So the €175,000 which went to fund the monies which went into NCB comes from the Ansbacher 602 account?

A. Yes, it would appear so, yes.

Q. Would you have any comment to make on the gap of 10 days?

A. Either somebody just hadn't processed the transaction or more than likely, the statement, the nostro statement which came in on a daily or weekly basis from London was being reconciled by somebody in Guinness & Mahon and identified the transaction of €175,000 not having been processed in G & M Dublin's books and they obviously tracked down who it was and got that person to post us the transaction.

Q. It's purely administrative, unlikely to have any other significance?

A. Absolutely not, no.

Q. The next document, document number 5, records the debit of €175,000 on Ansbacher's own account?

A. Correct.

Q. The last document we looked at was the bank's internal documentation showing how or where the money had come from and this is the account from which it came showing that €175,000 has been debited from it?

A. That's correct, yes.

Q. You go on to say that the routing of the second transaction was the same as the routing of the transaction we have just described and I don't think we need to go into the detail of all of the documents. If I put them on the overhead projector, the first document is document number 6 and that shows the entry on the Guinness & Mahon nostro account of €125,000 reflecting a payment to the Royal Bank of Scotland?

A. Yes.

Q. The next document, document number 7, is Guinness & Mahon Dublin's internal or backing documentation showing that for the 18th August 1988, a transaction took place or was posted to the effect of €125,000 being debited from a client's account, that client being 3154602, Ansbacher, and the credit being to Guinness & Mahon's nostro account?

A. Correct.

Q. And the next document will show that €125,000 debit on the accounts of Ansbacher?

A. Yes.

Q. So in total now, €300,000 sterling had by that date been debited to the Ansbacher accounts?

A. The 602 account, yes.

Q. And paid out to an account from which it ultimately went into Aurum Nominees?

A. Yes.

Q. Now I want to pass on to the second item or second matter dealt with in this memorandum and this concerns a number of transactions on Amiens Securities Limited No. 1 current account 10407014. Now that was an account controlled by the late Mr. Traynor, isn't that right?

A. Yes.

Q. And was operated by Mr. Traynor and on his instructions operated in part by Ms. Joan Williams who was also a signatory?

A. They were both signatories on the account.

Q. And it was an account into which substantial sums of money were paid in circumstances which appear to be connected to funds from which Mr. Haughey benefited, I am saying that for the benefit of the Tribunal and the public, this is simply putting the account in context. Mr. Haughey has in fact only confirmed in one or two cases he benefited from the money but you may be aware of those confirmations yourself. He has confirmed, I think in the case of sums of money described as the Dunnes Stores bearer cheques, that he had the benefit of them and in the case of the certainly in the case, I may have to check that reference to bearer cheques, in the case of the Triple Plan cheque, he has confirmed that he had the benefit of those

monies.

Now you refer to a number of these connections between this account and funds which appear to have been connected to benefits to or payments to Mr. Haughey and you mentioned firstly a transaction recorded in a statement on the account on the 26th January 1987, a lodgment of €27,000 to the account which represented the proceeds of five separate bank accounts and you say that you understand separate bank drafts, sorry and you say that you understand that Mr. David Doyle, in evidence to the Tribunal, has stated that he was the beneficiary of these drafts.

On the 26th January, 1987 a debit of €13,000 in respect of a transfer to the late Mr. P.V. Doyle's No. 2 Account, No. 6346014 which discharged accrued interest, isn't that right?

A. That's right, yes.

Q. Thirdly, a lodgment of €15,400 representing the proceeds of three separate Dunnes Stores cheques payable to bearer?

A. Yes.

Q. Related to another lodgment two days later of €16,800 representing the proceeds of another three Dunnes Stores bearer cheques?

A. Yes.

Q. Amounting in all to €32,200.

Next on the 14th May of 1987, a lodgment of €9,966.74 which

represented the proceeds of a cheque payable to Mr. Traynor drawn on an account of the late Mr. P.V. Doyle, Bank of Ireland, Pembroke branch which appeared to have been signed by the late Mr. Doyle.

A. Yes.

Q. Next, two items: On the 28th May 1987, two lodgments, one for €24,725.27 and another of €285,000 in all representing the balance, in all representing the proceeds of the Triple Plan cheque?

A. Yes.

Q. Because when that cheque came into Guinness & Mahon, it came in in two separate or split amounts, isn't that right?

A. The sterling amount was split into two separate Irish pounds amounts.

Q. And those two segregated amounts were then credited or separately lodged to the account, is that right?

A. That's correct, yes.

Q. The next item on the 29th May 1987 drawn to your attention by the Tribunal was a debit of €285,000 from that account which represented a transfer to Mr. Charles Haughey, Haughey's No. 1 Resident Current Account which in fact cleared the overdrawn balance on that account?

A. Yes.

Q. On the 9th July 1987, a lodgment of €2,119.27 which was a transfer of funds from Mr. Haughey's No. 1 Resident Current Account which represented a credit balance on that account after the transfer of €285,000 to the account so that after

the €285,000 was paid, if you like, out of this Amiens Account to discharge the overdrawn balance on Mr. Charles Haughey's No. 1 Account, there was a balance in that account of €2,000 odd and that was put back into the Amiens Account?

A. Correct.

Q. On the 9th June 1987, a further debit of €9,966.74 in respect of a transfer of funds to the late Mr. P.V. Doyle's No. 1 Loan Account which discharged interest which had accrued on that account?

A. Yes.

Q. That's again like a similar payment used to discharge interest on that account and the evidence to date has suggested, Sir, that that loan account was set up so as to make funds available to Mr. Haughey. On the 22nd July 1987, a lodgment of €32,700 which represents the proceeds of a cheque and a draft and I think you understand that Mr. David Doyle, in evidence, has confirmed he was the beneficiary of these two instruments.

Moving on to 1988, 26th January 1988, €126,312.14 which represented a transfer of funds to the late Mr. Doyle's No. 1 Loan Account which cleared a debit balance on that account?

A. Yes.

Q. On the 26th February 1988, the same day, another debit or another payment out of the Amiens Account of 48,182.27 which represented a transfer of funds to the late Mr.

Doyle's No. 2 Account, No. 2 Loan Account and which also cleared the debit balance on that account?

A. Yes, that's correct.

Q. On the 28th March 1988, a lodgment of the €150,230 which represented the proceeds of a cheque drawn on the Bank of Ireland account P.V. Doyle Holdings and signed by M.E. Doyle whom I understand that the Tribunal has heard evidence this cheque was the payment by the estate of the late Mr. Doyle to clear the two loan accounts in his name on the books of Guinness & Mahon?

A. Yes, that's correct.

Q. Now just to summarise those last three references, what you had initially was two debits of two large sums of money amounting in all to in or about €170,000 or €180,000, these were debits to the Amiens Account?

A. Yes.

Q. Payments out of that account to pay off the No. 2 Loan Account taken out in the name of Mr. P.V. Doyle?

A. The No. 2 and No. 1.

Q. And No. 1 Loan Account. So that the loans taken out in the name of Mr. Doyle, the late Mr. P.V. Doyle which appear to have been for the benefit of Mr. Haughey were, as we have heard in evidence, paid off out of this account, isn't that right?

A. It appears that way, yes.

Q. Then on the 28th March, we find a lodgment to that account of funds which, as the Tribunal has heard, came from the

estate of the late Mr. Doyle. You say there were also a number of other debits to the account on which you have already given evidence and you understand that these debits appear to match credits to the Haughey Boland No. 3 Account which you further understand was the account used by the firm of accountants Haughey Boland to make payments on behalf of Mr. Charles Haughey. I think that's what's been described as the bill-paying service operated by Haughey Boland?

A. Yes.

Q. The details of those debits are the 26th January, two debits of €7,000 and €3,000; the 14th April 1987, €10,000; the 29th April 1987, €20,000; the 29th April 1987, again €20,000 - sorry?

A. July.

Q. 29th July 1987, €20,000, sorry, both of those were the 29th July. During the period that this account operated, the total sum lodged to the account amounted to €1,927,749.50 and I think that your inquiries have shown that the bulk of the lodgments to that account represented the proceeds of cheques or instruments or represented funds transferred from Amiens Securities Limited No. 2 Current Account 10407006.

A. Yes.

Q. You say however that there was an exception to this pattern of lodgments in the period from the 13th February 1987 to the 4th May 1987 when there were in all eleven separate

cash lodgments to the account which totalled œ106,000?

A. Yes.

Q. And you go on to give details of these. Now, if I could just clarify one or two aspects of your memorandum here.

You say that the bulk of the lodgments to the Amiens Securities No. 1 Current Account came from the No. 2 Current Account?

A. And

Q. But most of the items that we have mentioned here in fact represent a departure from that pattern, isn't that right?

A. Well no, both the items would have been actually cheques or other instruments.

Q. Yes, but not cheques or

A. Into the No. 1 Account.

Q. Into the No. 1 Account and going from, being thereafter, I suppose, transferred over to the No. 2 Account?

A. Yes, and vice versa, they were transferred from the No. 2 Account to the No. 1 Account.

Q. Yes. Most of the items we have mentioned, the bearer cheques, the Triple Plan cheques, the lodgments mentioned by Mr. David Doyle, the lodgments to the account in connection with the loans or the debits to the accounts and the lodgments to the account in connection with the loans taken out by Mr. David Doyle, they are all different to that pattern in that they are direct dealings on that account, either direct lodgments to that account or direct transfers from that account that are not connected with the

No. 1 Account, isn't that right?

A. They are to the No. 1 Account.

Q. I think I may have confused you because I have certainly confused myself.

A. This is the No. 1 Account.

Q. This is the No. 1 Account?

A. 014 is the No. 1 Account and we are trying to establish the pattern of funding to this account and the majority of them would have been cash or banker's payments, lodgments to this account, they were also cash lodgments to this account but in addition, there were some transfers from the No. 2 Account to the No. 1 Account.

Q. I see. I understood you to say that the bulk of the lodgments represented funds transferred from the other account but I misunderstood that.

A. There's quite a substantial amount of cheques and banker's payments etc. and there was also substantial cash lodgments also.

Q. Well if I can just deal now with eleven separate cash lodgments totalling œ106,800 in February and March of 1987.

A. Okay.

Q. I am going to go through the documents from which the information contained in your statement appears to have been extracted rather than going through the statement?

A. Okay.

Q. And the first document is document number 9 and that shows

a credit to the account of €7,800 and that, I think, according to your analysis or your interpretation of the account, represents a cash lodgment, is that right?

A. Well I think that is according to the document which is our daily input log, document number 10, and yes, if you

Q. The entry is, if you can

A. Yes, the top entry there is, that shows the total cash lodgments put through in that batch, how I know it's cash lodgements is the account number 90039902 which the entry was debited to was Guinness & Mahon's Cash Account so the monies are credited to the Amiens No. 1 Account and debited to our Cash Account and

Q. In other words, when the monies go over the counter, they go into a cash account?

A. Physical cash account, yes, but we have to have, we have to reconcile our holding of cash to an account at the end of business every day so this is the account we reconcile our balances to and this account has debits and this occasion it has a debit to it, lodgment to a client account.

Q. And that explanation applies to each of the other nine lodgments to this account, is that right?

A. Making up the 106,800, yes.

Q. Just pass to the next one, which is document number 11, showing a €20,000 cash lodgment to the account and the next document is a backing document and it's very hard, if not indeed impossible to see on the overhead projector but on that backing document there is a reference to the cash

lodgment of €20,000 on the 27th February, isn't that right? I can certainly see it on my hard copy.

A. Yes, yes.

Q. Next document is document 13 showing €2,000 cash lodgment, represented by an entry on the internal document which is the next document number 14?

A. Of the €2,000.

Q. Of €2,000.

A. Yes.

Q. Document number 15 is a statement which records a €5,000 cash lodgment and document number 16 simply records the backing entry.

A. That's correct.

Q. Document number 17 records a €7,000 lodgment, it's very hard to make it out either on some of the photocopies on the overhead projector but it's the second credit entry

A. Yes.

Q. Under the €5,000 entry and on the backing document, it is definitively a €7,000 cash lodgment, isn't that right?

A. Yes, yes.

Q. Document number 19 shows a €1,000 cash lodgment and while that document is on the overhead projector, there's a €20,000 cash lodgment, or another €10,000 cash lodgment sorry, two entries underneath it.

A. Yes.

Q. And if we pass on to document number 20, we will see both of these entries reflected in the bank's internal

documentation I am not sure that's the correct document, it is, yes, underneath the if you push the document up a little. Yes.

A. Yes.

Q. Document No. 21 records a €22,500 credit represented by a lodgment of cash which is recorded on the bank's internal documentation, document number 22.

A. Yes.

Q. Yes. Document 23 records on the statement a €6,000 credit represented as document number 24 shows via €6,000 cash lodgment. If you go to document number 24, it's around the middle of the page.

A. Yes.

Q. Document number 25 is a statement recording a €12,500 credit which is the third credit on the credits column.

A. Yes.

Q. And that's again a cash lodgment as document 26 shows.

A. Yes.

Q. Yes. Document 27, the last one, deals with a €13,000 credit, it's the last item in the credit column. And document 28 shows that €13,000 cash lodgment.

A. Yes.

Q. Now the Tribunal has asked you to comment on four other lodgments to the account and to examine the documents or the records held by Guinness & Mahon to see what they show in relation to those other lodgments. The first of these is a lodgment of the 18th February 1987 of €50,000 to the

account and if we look at document 29 which is on the overhead projector, you can see that lodgment.

A. Yes.

Q. Now, document number 30 is the bank's, is a copy of the bank's daily input log for that day and it records the crediting to the 10407014 account of that sum of €50,000.

A. Yes.

Q. And I don't know if you can show us on the overhead projector that the entry on the left-hand side of the copy on the overhead projector shows that that lodgment or that credit is connected with a transaction involving another bank with a sort code 90-00-68, isn't that right?

A. We know it's a cheque because the correspondence file of the credit is a debit to the bank's clearing account 40090 and therefore we immediately look to see the sort code of when cheques are being lodged, as you state we can see the sort code.

Q. And that sort code tells you that this is drawn on a Bank of Ireland

A. Yes, it enables us to trace the cheque which are lodged to the account.

Q. And where did the cheque come from?

A. It came from Bank of Ireland, Rotunda branch of Bank of Ireland.

Q. And it's on the overhead projector.

A. That's correct, yes.

Q. And it's drawn, as it says, on the cheque on the account of

Skellig Investments at that branch of the Bank of Ireland?

A. Yes.

Q. And appears to be signed by Mr. John Byrne?

A. Yes.

Q. Now Mr. Byrne will be giving evidence and has already provided the Tribunal with some information in relation to this cheque which was lodged to this Amiens Account.

The next matter to which our attention is drawn is a credit to the account of €260,000 on the 23rd July 1987.

A. Yes.

Q. Now, once again you examined the bank's daily input log for that date and you were able to tell the bank that that lodgment represented the proceeds of a cheque or instrument with sort code 93-00-40?

A. That's correct, yes.

Q. And using that information you have been able to retrieve a copy of the cheques from your microfiche records?

A. That is correct, yes.

Q. And this cheque is in fact what is known as a banker's payment?

A. Yes.

Q. From Allied Irish Banks to Guinness & Mahon in the sum of €260,000?

A. That is correct, yes.

Q. And I think you say that a banker's payment is an instrument which is most frequently used where a bank is

seeking special clearance of a cheque or sometimes a client as well.

A. Yes.

Q. And I think you have been informed, the Tribunal understands, that Princes Investments Limited was the source of these funds?

A. I have been informed that that is the source of the funds.

Q. Just before I pass from those two documents, 33 and 34, the Tribunal has been informed in a statement or in a memorandum provided by to it by Mr. John Byrne that in or around this time, Prince's Investments drew a cheque in favour of Guinness & Mahon or at least for the purpose of paying Guinness & Mahon €260,000 representing what Prince's Investments assert was a debt it owed or the repayment of a loan it had with Guinness & Mahon?

A. Okay.

Q. And I think you have been informed of the nature of that, the general nature of that explanation of this transaction?

A. Yes, I have.

Q. Now we'll come to deal with some of this later when we come to the correspondence dealing with the Princes Investments loan with you at that particular time that sum of money representing the proceeds of that banker's payment which is connected with the cheque drawn by Princes Investments for the same amount and was intended to pay off a Princes Investments loan from Guinness & Mahon. Was there any loan from Guinness & Mahon to Princes Investments for the sum of

€260,000 outstanding?

A. Not in 1987, no.

Q. And that money did not go to Guinness & Mahon, it went into the bank but it didn't go to the credit of Guinness & Mahon?

A. It went to the client account.

Q. It went to the credit of a client or customer of Guinness & Mahon, Amiens Investments?

A. Yes.

Q. You go on to say that the lodgment of €260,000 to the Amiens Investments Account brought the credit balance on the account to €267,649.50 and that's shown on the statement for the 23rd July of 1987.

A. Yes.

Q. You go on to say that following that lodgement, there were six withdrawals from the account, one on the 28th July 1987 and five on the 29th July?

A. That's correct, yes.

Q. The withdrawal on the 28th was a cash withdrawal in the sum of €6,149.59?

A. Yes.

Q. And the other five withdrawals on the 29th July were as follows: Firstly, two debits in the sum of €28,000 and €20,000 amounting to €48,000 in all transferred to Amiens Securities Limited No. 2 Account?

A. That's correct.

Q. Now if we could just perhaps leave that for a moment and go

back to document 37. Document 37, just so the documents will be properly recorded in the transcript of the Tribunal's proceedings, deals with a cash withdrawal of €6,149.50?

A. Yes.

Q. And what enables you to say that was a cash withdrawal?

A. Because the credit is processed across the notes and coins account, bank's notes and coins account 90039092.

Q. Mm-hmm. The next five withdrawals then are dealt with on document number 38 and if we could just pass on to that document, just move it a little to the left for the moment. €48,000 representing a €20,000 debit and a €28,000 debit was transferred to Amiens Securities Limited No. 2 Account?

A. That's correct, yes.

Q. And I think that, am I right in saying that is the third, fourth entry, if you see the four brackets, sets of brackets, if you go down to the fourth bracket?

A. Yes.

Q. The last item is €28,000, the one above it is €20,000 and the one above that is €28,000 and the one above that is €20,000. Those are two sides of the €28,000 debit and credit transaction?

A. Precisely, from No. 1 to No. 2.

Q. Yes. Next we have two withdrawals of €20,000 each made by way of drafts payable to Haughey Boland No. 3 Account and they are I think the first set of brackets and the third

set of brackets, is that right?

A. Correct, yes.

Q. And this isn't of course any particular, it's actually written on the records themselves Haughey Boland No. 3 Account and the second entry in brackets represents a withdrawal of €20,000 by way of a draft made payable to cash, is that right?

A. That's correct, yes.

Q. You were also asked to comment on a lodgment to the account on the 28th February of 1988, if you go to document number 39 you can see it's €195,000 lodgment and it appears from your records and the daily input log for that date that this represented funds debited to account number 02107007, if we put that document on the overhead projector, and this indicates to you that the source of funds was an interbank transfer from the Bank of Ireland?

A. Yes, transferred through that account.

Q. On the 24th February 1988 there was a lodgment to the account of €49,700 and this is shown on document number 41. It's also shown, as it happens, on document number 39.

A. Yes.

Q. Because it's a photocopy of the same document but for the sake of the record, it's shown on document number 41 as the last item on the credit side and the daily input log for that date also shows that the account debited was the same account?

A. Bank of Ireland, yes.

Q. Bank of Ireland, signifying that the source of the monies was an interbank transfer from the Bank of Ireland?

A. Correct.

Q. Now the transfer of these funds from the Bank of Ireland brought the balance on the account to €302,950 credit, isn't that right?

A. Yes, that's right.

Q. The next entry was on the 26th February 1988 when there were two withdrawals in respect of the transfer of monies to clear the No. 1 and No. 2 Accounts on the bank's books in the name of the late Mr. Doyle and these transfers amounted to €174,494.67. They are shown on the overhead projector, 126,000 odd and 48,000 odd.

A. Yes, we discussed them earlier.

Q. Yes, exactly. But once again these transfers amounting to that sum of money was not the total amount of money that went to the credit, if you like, or was credited to that loan account, I think you may have given evidence earlier that the total amount of money credited to that account included all the interest which had been paid to the account over the years to deal with interest which had accrued on the loans taken out in the name of Mr. P.V. Doyle, isn't that right?

A. That's right, yes.

Q. Now the last item I want to deal with is the correspondence dealing with the Princes Investments loan, the €260,000

payment that I mentioned a moment ago.

A. Yes.

Q. This is a loan made by Guinness & Mahon to Prince's Investments trading as the Mount Brandon Hotel and I think, as we see, this loan is comparable in many respects to a Central Tourist Holdings loan which for some of the time that this loan had been taken out had also been taken out by associates of the people involved in the Mount Brandon Hotel, isn't that right?

A. That's correct, yes.

Q. Now if I could have document number 45, this shows that the bank, in 1975, agreed to provide a facility of £116,000 to Princes Investment and the document shows that in fact by the date the facility letter was written on the 10th April 1975, the funds had already been taken out?

A. That's correct, yes.

Q. If we can just scroll down the document a little we will see that the security is described as "A form of guarantee signed by Mr. JJ Byrne, Mr. William Clifford and Mr. Thomas Clifford, the relative form of guarantees enclosed for completion and return at your earliest convenience."

I think you understand Mr. Byrne and the two Messrs. Clifford were directors of Princes Investment, isn't that right?

A. That's correct.

Q. The facility letter was in fact signed by Mr. William Clifford and Mr. Thomas Clifford?

A. Yes.

Q. And you will see that at the bottom of the second page of the document on the overhead projector. Now there seems to be very little documentation concerning the loan available until we come to 1985 or 1986 and you have turned up a Credit Committee Loan Memorandum of the 3rd May 1985 which refers to the loan at the top left-hand side in the name of Princes Investments Limited with an address C/O Business Enterprises Limited, 17 Clyde Road, Ballsbridge.

Now I should say at this point, Sir, that you will be aware from other evidence that Business Enterprises Limited is a company controlled by Mr. Jack Stakelum and Mr. Stakelum has informed the Tribunal that he has no knowledge whatsoever of any dealings his company may have had with this particular matter. And we will come back to that later in the context of perhaps other evidence to be given by other witnesses.

The purpose of the loan is described as working capital, at this stage the loan stands at in or about €180,000; the facilities, the term rather is an extension for one further year to the 31st May of 1986; the source of repayment is described as being from cashflow; the security is described as guarantee of JJ Byrne and Thomas Clifford, and in a background note, there's the following reference:

"Guarantors are well-known to Guinness & Mahon and in this case the security is considered adequate. " And this seems

to be a reference to a new version of the formula that we are familiar with from other documents, "suitably secured," isn't that right?

A. That's correct, it was introduced in the 1980s.

Q. And whereas the formula "suitably secured" used in the 1970s indicated that a particular loan was backed by an Ansbacher deposit, that formula from about the early eighties had been changed to "security considered adequate" or some similar form of words and again indicated a backing with an Ansbacher deposit, is that right?

A. Yes, it was secured on deposit from GMCT held in Guinness & Mahon Dublin or could have been another offshore subsidiary also.

Q. I see. You say that the loan continued to be outstanding up to 1985 so far as the bank's records go. It was on a loan account number 05508002 and if we go to document number 47, we will see that as of the 31st December of 1985, the loan stood at œ172,138.16.

A. 31st December 1984.

Q. Sorry, if I didn't say 1984 I should have. What I did say was as of 1985, presumably by the 1st January 1985, Princes Investments owed that amount of money?

A. Correct.

Q. On the loan.

A. Yes.

Q. And by that date, if we go to the bottom of the bank statement, the address of the company was still given as

Business Enterprises Limited, 17 Clyde Road, Ballsbridge,

Dublin 4.

A. Yes.

Q. You say that it appears from the bank's records that the loan was paid off and cleared in full on the 4th September of 1985.

A. Yes.

Q. And the bank's daily input log for that day shows a sum of €186,986.82 was transferred from Guinness Mahon Cayman Trust/College Call Account number 06040454 and was credited to Princes Investment account 050508002. Now document number 48 is very hard to see on the overhead projector but if we could just point out again the debit to 06040454.

A. The second entry there and a credit is to Princes loan account.

Q. Right above it is a credit to Princes Investments?

A. Yes.

Q. And the account in other words used to pay Princes Investments, the amount of the loan was the Guinness Mahon Cayman Trust/College Call Account, I called it an Ansbacher account, it's an account under the Ansbacher umbrella as we understand.

A. It is, yes.

Q. And seems to be an account kept by Guinness Mahon Cayman Trust in Guinness & Mahon in Dublin with the special designation College Call Account?

A. Yes, there were a certain section of accounts which had,

they all had the client reference number 06040 and they were a section of accounts which had Guinness & Mahon Cayman Trust/College and later became Ansbacher/College.

Q. And that seems, am I right in thinking, to indicate that there was some connection between the funds put into that account and an account operated from the Channel Islands originally by College Trustees?

A. Yes, we believe so, that there is a connection between College Trustees and Ansbacher on these accounts.

Q. Well at least between those funds and the funds now represented in these accounts?

A. Yes.

Q. Yes. You say that this debit in the amount of œ186,000 is shown on the Guinness Mahon Cayman Trust/College Call Account for the 4th September 1985.

A. Correct.

Q. You say that Guinness & Mahon has not been able to retrieve a copy statement for the Princes Investments Loan Account for the 4th September 1985 but you say as you previously testified, all of Guinness & Mahon's statements were automatically microfiched and should now be available?

A. At this minute in time, yes.

Q. And what explanation can you give for the fact that this particular microfiche copy is not available?

A. The only reason I can give is that a Guinness & Mahon executive removed the statement from the automated microficheing process.

Q. So when these statements were going through the microfiche process, presumably they were done in big batches?

A. Yes and then fished, yes.

Q. Some individual removed?

A. Somebody had to physically go through the run and remove the statement from the run, otherwise it would have been microfiched.

Q. However, I think from other information which you have managed to pull together from other sources, you have been able to reconstruct or produce a picture of the account which shows how it got to that sum of £186,000?

A. We were able to prove the balance of £186,000, yes.

Q. As you say the last statement which you can retrieve for the Princes Investments loan account 05508045 shows a debit balance of sterling £172,138.16 as of the 31st December 1984?

A. Yes.

Q. Now just so it will be understood what you are trying to pull together or reconstruct, you know from the, you know from the Ansbacher account, we will call it that, that that amount of money was on that day debited to the Ansbacher account to pay off the Princes Investments loan?

A. Yes, we have seen in the previous transaction the daily input log showing the debit and the credit.

Q. You have some of the Princes Investments documents and we have the Princes Investments Loan Account up to the 4th September of 1985?

A. Sorry.

Q. Sorry, up to the 31st December of 1984.

A. Yes.

Q. We don't have the intervening documents.

A. No.

Q. Those are the ones we believe or we understand may have been removed manually from the microfiche run and what you have done is you have examined other documents to see how you get to £186,000 odd by the time you came to close the account?

A. Precisely.

Q. You say that your interest analysis report for the year ended 4th April 1985 which details all interest in a client in the year 5th April 1985 to 4th April 5th April 1984 to 4th April 1985 shows that interest of sterling £20,200.64 was applied to the Princes Investments Loan Account?

A. Yes.

Q. This is on document number 50 and is extremely hard to discern from the photocopy, if we go to document number 50. I don't know if it's possible for any member of the public to observe

A. I do know from the original that that is

Q. In any case from the original you can confirm that that amount was applied to the Princes Investments loan as of April 4th, 1985?

A. The 12 months ending April 4th 1985, yes.

CHAIRMAN: In other words, Ms. Kells, as with the Central Tourist Holdings situation, although the updated account is missing, the amount that was paid off to discharge the loan is exactly the right sum to totally pay out principal and interest?

A. Precisely, yes, Sir.

Q. MR. HEALY: If we can quickly go through the mechanics of it. You can only account for interest of 16,000 from statements which are available?

A. Yes, we have the statements up to 31st December which show interest of 16,000 but when that is taken away from the interest on the interest statement, it leaves a balancing figure of £4,864.62.

Q. Yes.

A. Which would represent interest applied between the period 1st January 1985 and the 4th April 1985.

Q. Yes.

A. And which later on when we move into the next tax year we can reconcile with the closing position.

Q. Ultimately you can account for all the interest which brings the clearing figure, as the Chairman has said, up to 186?

A. Yes, you see that interest was applied at £9,984 so adding all of those figures to the balance I have to the 31st December 1984, brings me to a balance as at the 4th September 1985 of £186,986.82 sterling.

Q. Now, as we mentioned earlier, The Central Tourist Holdings loan on which you have previously given evidence was also cleared on the 4th September 1985 with funds transferred from the same Guinness Mahon Cayman Trust/College Account or if you like the same Ansbacher account. Now, thereafter, both in the case of Central Tourist Holdings as appears from earlier evidence and in the case of Princes Investments, it seems that statements for a fictitious Princes Investments Loan Account with a new account number were generated in some way on the bank's computer system, is that right?

A. That appears to be the case, yes.

Q. Now the first document I want to look at in connection with this, the creation of this fictitious loan or the appearance of a fictitious loan is document 52. This is on Guinness & Mahon Limited notepaper, it's described as statement No. 2, Page No. 1, Account Number 05508045 in the name of Princes Investments Limited and if we go to the bottom of the page, the address of the company is again C/O Business Enterprise Limited, Clyde Road, Ballsbridge, Dublin 4.

A. Yes.

Q. Now the account that was paid off using the Ansbacher funds was a sterling account, isn't that right?

A. Yes, 055 sorry, 05508002.

Q. And that was the only loan account that Princes Investments had with Guinness & Mahon, isn't that right?

A. If I were to look at the computer system, I have access to it and I can do that and if I look up under Princes Investments, that is the only loan account I can see for Princes Investments Limited.

Q. Here now we have a new loan account in Irish pounds with a balance on the 4th November, well it's hard to say on what date the balance is but in any case, the date of the document is 30th April 1986, as of that date, it shows €241,176.17 debit, isn't that right?

A. Yes, it shows as at the 4th November 1985 there was nil balance

Q. Yes.

A. on the account. Yet then there is a transaction dated 5th November 1986 showing reverse entry putting a debit of 228,032.71 and then we have entry dated previous to November which appears out of order showing interest of 13,145.46, giving you the closing balance.

Q. Before we pass on to the other documents or the other inquiries you have made in connection with this particular query, the dating on the left-hand side of this document as you say is bizarre, isn't it?

A. It is, yes.

Q. It goes from November 1985 to November 1986 and then back to April 1986.

A. Yes, and yet it's printed as at April 1986.

Q. And purporting to refer to something occurring much, much later in time?

A. Yes.

Q. And in the ordinary way Guinness & Mahon account statements are produced by computer, isn't that right?

A. In an automated way, it's called 'end of day', you have to put on a computer process to generate the statements.

Q. And I take it that in the ordinary way the computer will not generate entries out of time sequence?

A. No, it doesn't have a forward looking if this is a statement of the 30th April, there's no reason why it has a transaction six months later.

Q. And I take it that that's why you believe this statement must have been, as you put it, generated manually in some way?

A. Yes, it just doesn't add up, our system just couldn't produce it.

Q. So if somebody was to produce a statement like that on your system and they inputted information intended to have this result, am I right in thinking that that information would have an impact on other entries and on other figures, if you like, on your computer system?

A. Yes. The computer system works on the system of double entry, so for every debit there's a credit and every credit there's a debit so in this case to process these debits, there would have to be a credit entry somewhere. You cannot put in a single-sided entry.

Q. If the bank is charging interest to a client so if there's a debit entry on a client account for interest, the bank

must be earning interest on its own interest account

elsewhere?

A. I would expect a credit and a profit and loss account for the entries received.

Q. And you have examined other entries on your records with a view to seeing whether any transactions were processed on your records which would indicate that there was an interest charge to this account, isn't that right?

A. Yes, yes, again our interest reports or our accrued reports, etc., we have examined those.

Q. And you have carried out an automated statement run for the 30th April 1986 which is the date on which interest was supposed to have been charged to this account, isn't that right?

A. That's correct, yes.

Q. And that shows no interest in the same of Princes Investments?

A. Yes, we go through them alphabetically and there's nothing.

Q. I am not sure the document on the overhead projector shows anything but this is an alphabetical print run and the bottom page shows an account beginning, an account name with the words PRO, we needn't concern ourselves with the account name but that should have been preceded somewhere by a P-R-I-N-C-E-S for Princes Investments and your inquiries have shown that there is no Ms. O'Brien reminds me if I look more carefully I will see there's a P-R-E.

A. Yes, between E and O there should be an I.

Q. It's impossible to see it on the overhead projector but on the photocopy you should have, Sir, is document number 53, between P-R-E and P-R-O, there should be Princes Investments.

A. Yes.

Q. And there isn't.

A. No.

Q. Now, I think, have you any opinion from your knowledge of how this system operates as to how somebody might have managed to cause the computer system to generate a once-off document like this which would show or give the appearance of the existence of a loan account which was not in fact representative of any indebtedness on the bank's books?

A. They either did it internally in the bank system and processed the entries across internal accounts but I can find no trace of that so I find that unlikely or they had another system that they processed it across which was not the bank system but yet used the bank's letterhead or they manually typed the statements.

Q. If the statements were manually typed, wouldn't they appear different to

A. You would expect the type font to be different, yes. But this type font is certainly consistent with that used by Guinness & Mahon for its statements.

Q. The Guinness & Mahon's computer generated type should be of the dot matrix variety or something similar to that?

A. Yes.

Q. Does this look like a dot matrix printed document?

A. Yes, so it's certainly consistent

Q. From evidence we have heard I think from Helen Keogh and perhaps also Mr. Pdraig Collery, reference was made to the production of information or computer generated information on the bureau system using notepaper which was purchased from stationers in Dublin which looked fairly similar to the Guinness & Mahon notepaper, isn't that right?

A. Yes, I believe so, yes.

Q. Could that computer system have been used to generate this type of information?

A. From what we know now, it seems probable or possible I should say, that certainly that computer system could have been used to generate this statement.

Q. But that would have required some specific and deliberate intervention by somebody?

A. Oh obviously somebody would have had to open up an account, process the entry into the account and then print it.

Q. And having printed it, if you like, issue it as if it were a Guinness & Mahon officially generated document?

A. Absolutely, yes.

Q. If I go to document number 54, this is a second statement to the, a second manually generated statement, Statement No. 3, Page No. 1, for the same fictitious account, this time showing a balance of œ253,336.19, isn't that right?

A. As of the 31st October 1986.

Q. And that's a direct carry over from the closing balance, if you like, on the previous statement, isn't that right?

A. Plus interest, yes.

Q. Plus interest of course. And I think again from your examination of the bank's records, no interest charge in the interest amount of £12,158.02 which is the amount shown on the statement we have on the overhead projector a moment ago or in any amount was made to a Princes Investments loan in that period, isn't that right?

A. Correct, oh it's the previous document.

Q. Yes, we will just get the previous document for a minute, number 54. The interest of 12,000 odd for the relevant period up to the 31st October 1986 ought to appear in the bank's records on a separate, if you like, account as having been charged to Princes Investments and therefore earned by the bank, isn't that right?

A. Yes, we have a Tax Year Interest Report which the bank retains for the purposes of producing interest certificates for clients so therefore if interest is debited to an account, we will automatically assume it will appear on our Tax Interest Report.

Q. I hadn't thought about that. Apart from wishing to record any interest you might earn yourself, knowing that clients would want their tax certificates for the year end, you have a system on your computer of generating tax reports to the year end in each case, in the case of each customer?

A. That is correct, yes.

Q. We will come to that in a moment in another context. And document number 55, which again is virtually impossible to read on the overhead project, shows that there was no interest entry for Princes Investments, notwithstanding what's shown on the statement?

A. That's an alphabetically induced report, as you can see it goes from P-R-I-C to F-C-I-I.

Q. Any statement to a party given purporting to show there was an interest charged inquired of the banks, the answer would have been "there is none on our records".

A. Precisely, yes.

Q. You go on to say it appears from your records therefore that these statements must have been forced in some way either from your computer system or from another computer system to which somebody might have had access using your notepaper.

A. Or typed.

Q. Typed seems the less probable of the two potential explanations, isn't that right?

A. Yes, because there is no change in the type font.

Q. The type font is the same as on this?

A. Yes.

Q. I beg your pardon, it's the type font on the statements are the same as on Guinness & Mahon statements?

A. Yes.

Q. Officially generated statements.

A. Yes.

Q. You go on to the loan file for Princes Investments includes copies of loan certificates which appear to have been issued by Guinness & Mahon in 1985 and in 1986 certifying as of the 31st October 1985 there was a debit balance on Guinness & Mahon's books in respect of Princes Investments of €228,032.71 and as of October 1986, a debit balance of €253,236.19.

A. Yes.

Q. And if we just look at these two documents. Number 56 is addressed to Princess, it looks like a typing error, Princess Investments Limited, Care Of Business Enterprises Limited, 17 Clyde Road, Dublin 4. Can I just inquire in the context of that typographical error, are these documents generated by computer or manually typed?

A. Manually typed but the source of the information is computer generated.

Q. So the person who types them is given the computer generated information or given the computer generated statement and then types this stuff?

A. Yes.

Q. And this document certifies that the under mentioned amounts are the balances in our books at the close of business on the dates mentioned and it's signed per pro Guinness & Mahon by a signature which appears from other evidence given to Tribunal to be that of Mr. Padraig Collery, isn't that right?

A. Yes.

Q. And what it says that in relation to account holder Princess Investments Limited, presumably meaning Princes Investments, dated the 31/10/1985, there was a Resident Loan Account with the debit balance at €228,000 odd we mentioned a moment ago.

A. That's correct.

Q. And the next document, document number 57 is in a similar form showing the debit or purported debit balance a year later in October of 1986. And there were no such debit balances at that time?

A. No.

Q. What the Tribunal understands from information made available to it by Mr. John Byrne, is that he paid €260,000 by way of the repayment of a Princes Investments loan in or around 1987?

A. Yes, July 1987, I saw the draft.

Q. But there was no loan at that date, either, isn't that right, as you confirmed a moment ago?

A. No, there was no loan.

Q. And indeed, between the date of the €186,000 odd payment, in September of 1985, there was no loan and the generation of these documents was utterly and completely false, isn't that right?

A. That would appear to be the case, yes.

CHAIRMAN: Whilst it's stating the obvious, Ms. Kells, had it been that there was some extraordinary type of computer

virus whereby the system was declining to acknowledge loans having been paid off and proceeding to levy considerable further sums of interest, had that happened in any of these incidents, you'd have had a crescendo of abuse and

A. Absolutely.

Q. MR. HEALY: Thank you very much, Ms. Kells.

CHAIRMAN: Mr. Shipsey?

MR. SHIPSEY: I appear on behalf of Mr. John Byrne and I have a few questions, Sir.

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. SHIPSEY:

Q. MR. SHIPSEY: In relation to the last evidence which you have given insofar as the Princes Investment account was concerned, the documents which you refer to which you say were generated either internally or externally, they were presumably however generated by somebody who knew something about banking?

A. Yes, I mean they were the bank's internal records so

Q. And presumably whether they were generated internally or externally, the probability is it was done by somebody who had access internally to the bank's records?

A. I should hope so, if the statements were being used, yes.

Q. And it's not suggested by you or couldn't be suggested by you that this was generated by other than somebody who had access to the bank and had access to the bank's records?

A. No, I am not suggesting otherwise.

Q. Is there anything in the internal records and from all the inquiries that you have made to suggest that Princes Investments Limited was ever informed that its loan had been repaid in late 1985?

A. I don't believe there's any direct confirmation to Princes in September '85 stating the loan was being repaid but having said that, statements would have been generated from the system, you know, there are automated statement runs at the end of quarters so it would not be unusual to expect a statement having been discharged to the client at the end of September 1985.

Q. Yes. And you have those statements or copies of those statements or are those the statements that you can't locate?

A. No, we can not locate the statements as at '85 because that was the exercise I had to do between 31st December 1984 and the 4th September 1985 to compute the balance as at September 1985.

Q. So in as far as the bank has any records of Princes Investments' statements, you don't have any statements printed showing that the loan is at zero or zero balance of the loan?

A. There currently is a facility in our computer system which shows the last statement date, i.e. when the last statement was sent to the client. Unfortunately because it's 1985, it's an old system, I can't confirm whether or not the client would have got a statement as at that date showing

the account had been repaid. It would not be unusual to certainly see if an account was repaid, it's the bank's practice to print a statement and send it to the client.

Q. Would it not be, however, unusual if the client was told that this loan had been repaid, that would be repaying a loan with interest accruing over about two years some two years later?

A. It would, if I understand you correctly, it would be unusual if a client received a statement that a loan was repaid, to repay it again, yes of course it would.

Q. Thank you.

CHAIRMAN: Mr. Seligman?

MR. SELIGMAN: No questions.

CHAIRMAN: Thank you very much indeed for your aspect of this work, Ms. Kells.

THE WITNESS THEN WITHDREW.

MS. O'BRIEN: Marie Wilson please.

MARIE WILSON, PREVIOUSLY SWORN, WAS EXAMINED AS FOLLOWS BY

MS. O'BRIEN:

Q. MS. O'BRIEN: Thank you, Miss Wilson, I want to confirm that you are attending at the Tribunal for a second time to give evidence on foot of a witness summons that was served by the Tribunal?

A. That's correct.

Q. Now on this occasion, the Tribunal has asked you to give evidence in connection with the investigation that was undertaken by Allied Irish Banks to try and track the source of the €260,000 banker's payment which has just been mentioned in evidence?

A. Yes.

Q. If we can put that banker's payment on the monitor again, it's the €260,000 banker's payment drawn on Allied Irish Banks Financial Accounting dated 23rd July 1987, payable to Guinness & Mahon.

A. That's correct.

Q. And as dealt with in the evidence of Ms. Sandra Kells, it appears that the proceeds of that banker's payment were lodged to an account of Amiens Securities Limited account number 10407014 and just to confirm also for you that Princes Investments has confirmed that Princes Investments was the source of those funds and has also indicated has stated that the payment was made to discharge a loan which Princes understood was outstanding to Guinness & Mahon. I think you have provided the Tribunal with a Memorandum of the Evidence that you are in a position to give regarding these matters and also some extract documents from the records of Allied Irish Banks?

A. Yes.

Q. And I wonder do you have a copy of that statement?

A. Yes, I do.

Q. And it's at Tab 10 in the book, Sir. You state that you

are an assistant manager employed by Allied Irish Banks Plc in Financial Accounting at Bank Centre?

A. That is correct.

Q. You state the following: Upon orders made by the Sole Member of the Tribunal relating to a banker's payment in the sum of €260,000 dated the 23rd July 1987 and drawn on Allied Irish Banks Plc Financial Accounting, Bank Centre Ballsbridge, Dublin 4, you conducted an examination of the books and records of the bank to ascertain the background to this instrument and in particular, as required by the Order of the Tribunal, the source or sources of the funds which met this instrument and as to whether there was any debit of €260,000 to any account held with the bank on or about the 23rd July 1987.

A. That's correct.

Q. And I think you have indicated in your statement just by way of background that a banker's payment is a means by which value is given directly by one bank to another and effectively mirrors an underlying transaction. You state that it is the usual means by which, for example, value is given for a cheque which is presented for special clearance.

A. Yes.

Q. I think in the ordinary course of an instrument passing through the clearance system, it will take upwards of four working days to receive value for the payee bank?

A. Yes, it would be three days before the debt would hit the

customer's account.

Q. I think you have indicated as regards the procedure for the processing of a banker's payment is that the bank presenting the underlying item for special clearance, that would be the underlying cheque presumably?

A. Yes.

Q. Would call to Bank Centre, that's Allied Irish Banks Bank Centre in Ballsbridge and in exchange for the cheque being presented for special clearance, would receive the banker's payment.

A. Yes.

Q. Now I think the transaction would be processed in Financial Accounting waste?

A. Yes.

Q. Now I take it that Financial Accounting waste, that expression means in Financial Accounting internal records?

A. Yes, our daily processing system.

Q. And the credit borne against the cheque would be posted to Financial Accounting's Banker's Payment Account?

A. Yes.

Q. So every time you issue a banker's payment, ultimately you credit your Banker's Payment Account with the equivalent of the banker's payment that's being issued?

A. There's two parts to a banker's payment, a debit and credit so the debit is exchanged for the cheque and the credit would be posted against the cheque.

Q. And ultimately the banker is paid, presumably that account

is debited?

A. Yes.

Q. You state further that Financial Accounting would remit the cheque to the clearing department and the presenting bank would also remit the banker's payment through the clearing system. You say that the conclusion of a processing of the banker's payment would be represented by a debit to the Banker's Payment Account?

A. That's correct.

Q. Now I think as regards this particular transaction, you have informed the Tribunal that in this instance, a representative of Guinness & Mahon would have called to Bank Centre on the 23rd July of 1987?

A. Yes.

Q. And in exchange for the underlying cheque would have received the banker's payment, this is the banker's payment to you?

A. Yes.

Q. That transaction was processed in Financial Accounting's waste on the 23rd July and the credit going against that cheque posted to the Financial Accounting Bankers Payments Account on that day. Now you have provided the Tribunal with a copy of both of these documents and perhaps we can just look at them in turn.

The first of the documents is an extract from the Financial Accounting Waste Print Report for the 23rd July of 1987 and

we can see that at the top of the document. Then you have marked the two transactions which relate to this particular banker's payment, the first of them is a credit for œ260,000?

A. Yes, that's correct.

Q. And that's being lodged to your records system. You then immediately have a debit of œ260,000 on the same day?

A. That's correct.

Q. Before we come to the debit, can I just ask you, there were numbers appearing after the credit entry, a series of numbers, 02200061, do they have particular significance?

A. It's the account number of the Bankers Payment Account in financial control and the code is the actual code number of the banker's payment.

Q. I see. That's to actually identify the particular

A. The account, yes.

Q. To which that credit is

A. Yes.

Q. And then the debit on the same day for œ260,000 and was a code there I think on the left which is 55?

A. Yes, that is a remittance code, the fact that there was no code on the right-hand side means it was not an internal docket so it had to be remitted to the clearing department.

Q. So that indicates to you it relates to another bank or another branch outside Bank Centre?

A. That's right.

Q. I think the second document you provided to the Tribunal

from your internal records is marked 'B' and it's the copy extract from Financial Accounting Banker's Payment Account and again you have marked with an X the two transactions across that account which are relevant to this payment. I think the first, if we can move the document slightly to the right, I think the first one is on the 23rd July, is that correct?

A. That's correct.

Q. And that's credited to the account and if you could just explain what that signifies?

A. That signifies the item we were looking at in our waste print which is the credit going to a Banker's Payment Account against the remittance code that went out in the clearing department.

Q. I see.

A. And the debit to the Banker's Payment Account, the €260,000 on the 27th is a third working day in which the debit to the Banker's Payment Account would be received into the Financial Control through the clearing system.

Q. I see. So the actual, the debit on that account actually signifies the date on which the banker's payment itself was cleared through the system and value was given for it to Guinness & Mahon?

A. Well Guinness & Mahon would have got value on the 23rd but by the time it came through the clearing system, it was the 27th before it came back in.

Q. Before it came to that account?

A. Yes.

Q. Now I think you said also that on that, the letter C beside the entry for the 27th July signifies also that this was not an in-branch transaction?

A. No, the C stands for clearing, it had come into Financial Control through the clearing system.

Q. So that indicated to you that the actual funds which were provided and on foot of which this banker's payment was issued were not provided within the branch but they were provided from another branch?

A. Exactly.

Q. I think you informed the Tribunal that every account in the state with the bank on which a transaction was recorded on the 27th July of 1987 was inspected for transactions of €260,000?

A. That's correct, yes.

Q. But the amount in question was a relatively large amount, it was a round sum but a comparatively unusual round figure?

A. Yes.

Q. As you say it was distinct from €200,000, 225, 250 or 275. You have informed the Tribunal that you identify three debits as a result of this inspection so you identified three debits of €260,000 on inspection of all the accounts with Allied Irish Banks within the state on the 27th July?

A. Yes.

Q. You informed the Tribunal that one of these was a clearing

transaction; the other two were in grant transactions and they would have had no connection with the issue of the banker's payment because of the letter C here on the debit on the Banker's Payment Account.

A. Yes.

Q. Before you have told the Tribunal the debit which was a clearing transaction was debit on the account at bank's branch on Castle Street, Tralee, Account Number 27064189 being Princes Investments Limited No. 1 Account?

A. Yes.

Q. And you have also annexed to your statement a copy extract from the Princes Investments account showing the debit to that account on the 27th July of 1987 of €260,000 and it was in that way that you were able to identify the Princes Investments account as appearing to be the source of the funds for the banker's payment that was issued on the 27th?

A. It appeared to be.

Q. As I said at the outset, Princes Investments have in any event confirmed they were the source of these funds?

A. Yes.

Q. Thank you.

A. Thank you.

MR. COUGHLAN: Those are the witnesses for today.

CHAIRMAN: Thank you very much, the usual time tomorrow morning, thank you very much.

THE TRIBUNAL THEN ADJOURNED UNTIL THE FOLLOWING DAY,

WEDNESDAY, 31ST MAY 2000 AT 10:30AM.