

THE TRIBUNAL RESUMED AS FOLLOWS ON TUESDAY, 7TH DECEMBER

1999 AT 10:30AM:

CHAIRMAN: Good morning. Mr. Healy?

MR. HEALY: Yes, Sir. Mr. Conor Haughey.

CONOR HAUGHEY, PREVIOUSLY SWORN, WAS EXAMINED AS FOLLOWS BY

MR. HEALY:

Q. MR. HEALY: Thanks, Mr. Haughey. Mr. Haughey, you have already been sworn and you have provided the Tribunal with two memoranda dealing with some of the matters the Tribunal is to pursue today. Those memoranda, to some extent, overlap. One of them deals with material that hasn't yet been mentioned in public because one of the individuals involved is deceased but everybody who should be on notice, it has been improbable to put them on notice so I will take you to the part of your memorandum where I propose to introduce material, and omit material that shouldn't be mentioned at this point. Do you have copy of the two documents with you?

A. I have one. I have both of them, yes.

Q. Yes. You provided a Memorandum of Evidence of 9th September 1999 in which you say that in response to queries concerning Celtic Mist, that Celtic Mist is owned by Larchfield Securities. You say it was bought from the last owner through a broker. You go on to say the boat required refurbishment and had been assessed by Mr. Ron Holland, a

well known provider of yachts. You say you knew Mr. Dermot Desmond and you knew that he would be in a position to give you some financial advice and also knew that his company, NCB, was having a yacht designed and built by Mr. Holland at the time and that you therefore asked Mr. Desmond to help you to get a good price from Mr. Holland and also for advice as to how the project might best be financed.

You said that Mr. Desmond indicated that he would lend the money for the refurbishment?

A. That's correct.

Q. You then say, "It was understood between us that the loan would be backed by my shares in Feltrim Mining plc" and you say this loan has not yet been repaid. I think Feltrim mining is now called Minmet, is that right?

A. That's correct.

Q. It was called Feltrim Mining at the time?

A. Yes.

Q. It is not the present intention to sell Celtic Mist but that option is not and has never been ruled out. Routine maintenance and day-to-day expenses of the boat are dealt with on an ad hoc basis by the family and sailing friends who act as crew when necessary. Insurance is largely funded by Mr. Charles Haughey and his loan account with the company credited accordingly. You say that you gave Mr. John Glackin, a government appointed inspector inquiring into Chestvale Properties Limited and Hoddle Investments

Limited a full account of this matter in April 1992 and you say that you have furnished this Tribunal on a previous occasion with the accounts of Larchfield and indeed the Tribunal has heard evidence from Mr. Ryan concerning their accounts and I think you were present when that evidence was given?

A. That's correct.

Q. A number of queries were raised with you and you provided the Tribunal with a further Memorandum of Evidence and what I suggest is that you turn to the second page of that Memorandum of Evidence and dealing with the boat again, you say that, "As for the original purchase monies of the boat, I believe that the money to purchase the boat was arranged by my father and I know nothing at all about the source of those monies beyond that. I now know that it was purchased for the sum of £120,000 sterling." You say that the boat was imported in the name of a Mr. Brian Stafford to facilitate Customs entry, payment of VAT etc. and it was transferred from his name into the name of Larchfield Securities Limited by a Bill of Sale. That was simply a formal transfer for a consideration of £1 and I don't think anything turns on it and you have provided the Tribunal with the bill of sale.

A. That's correct.

Q. You then say that the boat required to be refurbished and "the refurbishment was discussed amongst members of my family including my father. We had a friend of the family

in Cork, Mr. Brian Forrest who sailed with us regularly and he undertook to go along with Ron Holland and look at the boat and suggest what should be done in the line of refurbishment." You go on to say, "I do not recall any document coming into existence setting out details of the works but I do recall a plan prepared by Ron Holland which was shown to us by Brian Forrest concerning the refurbishment works. I, my father and Brian Stafford suggested a few changes in the plan and then agreed that the works would proceed on that basis. You say your recollection was that it was very much a case of Brian Forrest and Ron Holland suggesting what works would be done and we were guided by their expertise in that. As the work progressed, on taking out some of the panels, it was seen that there was rust in the hull and refurbishment job escalated considerably as a result of this because the inside of the hull of the boat had now to be treated. I stayed in touch with the works which were being carried out to the boat by ringing Mr. Forest. I also made one trip down to Cork to see what was going on."

You say, "I should say that before the refurbishment actually started, I didn't realise that the job was going to be as big a job as it turned out to be."

You then go on to say, "Before the works started, I discussed the matter with Dermot Desmond. He is a friend of mine and a family friend. I valued his advice very

highly. I asked him to advise me as to the best way to finance the works of the refurbishment." You say, "I also approached him because I knew that he had commissioned Ron Holland to build a boat for Sail Ireland which was a €4 million project and I thought that he would be placed therefore not only to advise me of the best way of funding the works of refurbishment but also in securing the best possible price with Ron Holland."

You say that Mr. Desmond indicated to you that he would lend the money for the refurbishment and as I said earlier, there's a degree of repetition between this statement and your last statement.

You say, "It was understood between us that the loan would be backed by my shares in Feltrim Mining plc." You say this is a loan which has never been repaid and the arrangement was a loose and informal arrangement. "No formal document ever came into existence concerning the loan and I still regard it as outstanding and as a loan from Mr. Desmond personally to me. There was no formal arrangement, no time for the paying back of this loan and no arrangement as to any interest. It was a commitment which I made to Mr. Desmond to repay the loan and it is a commitment which I propose to settle at some time in the future. I did not discuss the ongoing costs of the work with anyone and as far as I know, Mr. Forest, Mr. Holland and Mr. Desmond, dealt with the ongoing bills between them. I therefore

knew nothing about the manner in which the statements were made."

I think in fairness to you, perhaps what you are referring to there is the fact that the payments may have come from a number of companies that were mentioned in evidence on last Friday.

A. That's right.

Q. And I will come to how you dealt with that at the Glackin Inquiry later on.

You say, "I did not know the source of these payments or the manner in which those payments were made. I had no dealings with Mr. Colin Probets, whom I do not know, nor did I have any dealings with Dedeir Limited or Freezone Investments as I explained to the Glackin Inquiry. I regarded the payments as payments made personally by Mr. Desmond and I regard the obligation to repay as an obligation to personally repay Mr. Desmond.

As for the continuing expense of the boat, the major expense of insurance up to now was funded by my father. Day-to-day expenses are funded between the crew as they use the boat and records are not kept of this minor expenditure."

Now just so that we can refer to, we won't have to go over the documents later on. In the course of providing information to the Tribunal, reference was made to the

Glackin Inquiry and I think as a result of communications with Mr. Glackin and as a result of effectively waivers which you quite properly provided enabling the Tribunal to get the information that had been given to Mr. Glackin and which would not otherwise be available to the Tribunal, the correspondence Mr. Glackin had with you and indeed the transcript of your evidence has been provided by you to the Tribunal. I don't propose to go through your transcript of evidence but it is effectively along the lines of what you have told the Tribunal but with reference to your own statement where you said you did not know the source of these payments, I think at this point I should mention that you your attention was drawn to the potential involvement of some of the companies that are mentioned in your statement as a result of a letter you received on the 14th April of 1992 from the inspector appointed to inquire into Chestvale Properties Limited and Hoddle Investments Limited, isn't that right?

A. That's right.

Q. If you don't have a copy of the letter, I can get you a copy unless you can read it on the monitor in front of you. It's addressed to you at Abbeville. Dated 14th April 1992. Re Chestvale Properties Limited and Hoddle Investments Limited and the letter says, "Dear Sir, I was appointed inspector of the companies" meanings the two companies I have just referred to," by Warrant of the Minister of Industry and Commerce on the 9th October 1991

and for your assistance I enclose a copy of my Warrant of Appointment. In the course of my investigation, I have identified that part of the proceeds of sale of the Telecom site were transferred into an account in the name of Freezone Investments Limited in Dublin.

On inspection of the accounts of that company pursuant to an order of Mr. Justice Costello in the High Court dated 10th April 1990, I noted payments out of the account to Ron Holland Yacht Design, reference Celtic Mist. On searching the shipping register in the Customs House I note that the owner of Celtic Mist is Larchfield Securities Limited and that you are noted as the manager.

I note from a company's office search in respect of Larchfield Securities Limited that you are also a shareholder and a director. As such I consider that you are a person within the meaning of section 10, subsection 2 of the Companies Act 1990 who may be in possession of information concerning the membership of the companies and otherwise with respect to the companies for the purpose of determining the true persons who are or have been financially interested in the success or failure, real or apparent of the companies or able to control or material to influence their policy or who might otherwise be able to assist the investigation. Note that my warrant extends to the investigation of any circumstances suggesting the existence of an arrangement or understanding which, though

not legally binding, is or was observed or likely to be observed in practice and which is relevant for the purpose of the investigation in accordance with the provisions of section 14.4 of the Companies Act 1990.

Accordingly, I shall be obliged if you would attend before me for the purpose of giving me assistance in connection with the investigation and should be obliged if you would produce to me any books or documents in your custody or power relating to the above matter. I do not anticipate your attendance will take long and I suggest either 2:30pm on Wednesday 22nd and/or Thursday 23rd inst. I would be obliged if you would tell me on receipt of this letter...

Your faithfully" and so on, John Glackin.

In fact you attended with Mr. Glackin and in the course of your meeting with him, he threw up the involvement of Dedeir and Freezone in making the payments to Ron Holland for the refurbishment of Celtic Mist and those have been mentioned in details in the evidence last Friday?

A. That's right.

Q. Am I correct in summarising what you said to Mr. Glackin as follows: That you never heard of those companies apart from newspaper references to them leading up to the inquiry until Mr. Glackin drew them to your attention, is that correct?

A. That's correct.

Q. Now if I just go back over one or two aspects of your

statement. One of the things you say is that there was no formal arrangement and no time for the paying back of the loan and no arrangement as to any interest, I will come back to the details of the loan later on. But you say that the loan was a commitment which you made to Mr. Desmond to repay the loan and that it was a commitment which you proposed to settle at some time in the future. You regarded it as a personal commitment.

A. That's right.

Q. Therefore I take it what you mean is you say that at some stage you will dispose of the loan?

A. Yes.

Q. And I am just interested in your use of the expression "I propose to settle". I take it that by that you mean you are going to get rid of the loan, you are either going to pay Mr. Desmond what's due or do a deal but the loan will then disappear?

A. That's right.

Q. And would you agree with me that that's what the words "settle" normally means when two people talk about settling a loan?

A. Yes, not necessarily financially settle even though I do consider that's the way it will be settled but by some means.

Q. In any case, the result of settling it, you will either pay money, the whole lot or you will do a deal how much money or do some other deal, you might give him the boat or swap

a boat or whatever but it will be the end of your commitment is how I think you would understand it?

A. That's how I understand it, yes.

Q. And I think you were here, were you here for part of the evidence given by Mr. Desmond on Friday?

A. I was here for part of it, yeah.

Q. Did you hear him give evidence in relation to how he understood that word ought to be viewed?

A. I did, yes.

Q. I think it's different from your understanding, would that be right?

A. Yes.

Q. I think your understanding is the understanding that I would have or that most ordinary business people or ordinary non business members of the public would have, is that right?

A. That's right.

Q. I'd like to just come back to the manner in which the expenditure which led to the loan came up. You say that you originally had discussions with Mr. Forest I think and Mr. Ron Holland or Mr. Forest may have had discussions with Mr. Ron Holland concerning what was needed to get the boat right?

A. That's correct.

Q. Your initial impression as to what it would cost was ultimately proved to be inaccurate because on investigation, more work was found to be needed than you

had anticipated?

A. That's right.

Q. That's not unusual in any refurbishment obviously?

A. No.

Q. Do you have any recollection of what the initial cost of carrying out the refurbishment was likely to be?

A. I would have thought at the time, something around 20, 25,000 and as you can see, it escalated.

Q. Of course. Quite considerably. So you felt to get this boat right, we are going to have to come up with 20, 25, perhaps even a little more than that, refurbishment always is to some extent and open-ended commitment to a contractor, is that right?

A. Yes.

Q. But it was in the range of 20 to 25 or maybe even \approx 30,000?

A. 20, to 25 was the figure I would have had in my mind at the time.

Q. And that was presumably the figure that your father had in his mind or any person that you discussed it with?

A. Presumably.

Q. Was it yourself, your father, Mr. Forest and Mr. Holland or who were originally mainly involved in the discussions concerning what would or would not be done and how much would be the cost?

A. We never had direct discussions with Mr. Holland. It would have been Mr. Stafford, Mr. Forest, myself, my father.

Q. On your side, if you like so, leaving Mr. Holland the

contractor out of it, on your side, the impression you had,

he said we will get this job for 20, œ25,000?

A. Correct.

Q. And you didn't have that money at that time?

A. No,.

Q. In terms of ready cash in any case. And you all knew that you were going to have to raise this money from somewhere.

A. Yes.

Q. And were you the person who was, as it were, deputed to organise this?

A. Yes.

Q. And you say you discussed it with Mr. Desmond?

A. Yeah.

Q. And that was because of his involvement with NCB Ireland had brought him into contact with Mr. Holland and therefore you felt he might have good connections I suppose?

A. That's correct, yes.

Q. And also because of what you perceived to be his expertise in financial matters?

A. Yes and also the fact that he was advising me personally in regard to some of my business affairs as well.

Q. Is that in relation to Feltrim or in relation to Feltrim and other matters?

A. Mainly in relation to Feltrim.

Q. I see. And he said to you now I think there's some slight uncertainty as to what initial arrangements were made between you. I think he may have felt that at one

point he agreed that he'd arrange finance for you, I am not sure if that's your recollection.

A. My recollection is in Dermot Desmond's style, he said, "Leave it to me, I'll look after it."

Q. By that you certainly understood he was going to provide the finance?

A. Yes.

Q. Himself?

A. Yes.

Q. He was going to make a loan?

A. Yes.

Q. For this work to be carried out?

A. Yeah.

Q. And you definitely understood at that point it was a loan that he was making that would have to be repaid?

A. Yeah.

Q. And you didn't discuss when it would be repaid?

A. No, we didn't.

Q. Or how?

A. Well at the time as I said, I was involved in the mining company, people in mining companies generally think they are going to make a fortune in the near future and at the time, 20,000-25 was a manageable figure that could have been repaid from share options and

Q. Right. And you thought you'd pay it from your Feltrim Mining shares?

A. At some stage but I knew there was no immediate pressure to

repay it straightaway.

Q. When you say that it was understood between you that the loan would be backed by your shares, was that an impression you had in the back of your mind or did you actually discuss it with Mr. Desmond?

A. I may have discussed it. Now I don't know but it was an impression I had in the back of my mind, yes.

Q. You could recoup whatever it cost and pay it back to Mr. Desmond out of the sale of some of those shares or the options as you say?

A. Yes.

Q. Now, I don't know how those mining shares did over the years, I don't think they are

A. Very poorly.

Q. They are not doing terribly well at the moment. There was a point when they were doing fairly well, is that right?

A. Yes.

Q. And Mr. Desmond himself, as I think he quite fairly told the Tribunal, had some good luck with them?

A. That is right.

Q. At any point did you consider I better sell some of these shares now and repay this debt?

A. The way the share price went, it wasn't really an option.

Q. But they did prosper, is that right?

A. They did at some stage, yes.

Q. To the extent that Mr. Desmond certainly as he has informed the Tribunal, made a reasonably good profit out of them,

isn't that right?

A. That's right.

Q. Would you not have been able to make a similar profit by the exercise of options or the sale of shares at that point?

A. Well the fact is I got in at the beginning, which was when the share price was very high and Mr. Desmond got in when the share price was very low.

Q. I see. In any case the work proceeded and as bills were raised by Ron Holland, they were paid by Mr. Desmond?

A. Sorry, could I just say something, in relation to the last point there, the fact too that I was managing director of the company at the time made it a lot harder for me to deal in the shares, I wouldn't have been able to deal in the shares.

Q. You weren't as free to deal in them as an outside shareholder ?

A. No.

Q. Because it would have sent the wrong signals?

A. Correct.

Q. As the work progressed, Mr. Holland raised bills and they were paid by Mr. Desmond, isn't that right? In fact they were paid by the various companies, Dedeir and Freezone and in one case by NCB?

A. That's right, I now know that.

Q. You didn't know that at the time?

A. No.

Q. As far as you were concerned, the bills were not coming to you, they were going directly to him?

A. Yes.

Q. Did you know as the work was being done that bills were being raised?

A. Yes, I would have been aware of that from Mr. Forest, yes.

Q. And that they were being paid?

A. Yes.

Q. So as time went on and as the cost of the work escalated, you knew that you had passed the €25,000 mark obviously?

A. Yeah, I didn't it kind of took on a life of its own but yes, I knew it was escalating but I didn't realise how much so.

Q. Well eventually when the final cost came clear, did you know that €79,000 had been spent €75,000 had been spent?

A. Yes.

Q. Was that at the time that the work was actually completed?

A. I would say I became aware of that a few months afterwards, after the work was completed.

Q. At that point, you now knew that the bill was three times what either you, your father, or Dermot Desmond presumably had originally been led to believe it might be?

A. Yeah.

Q. And I think you described your arrangement with him as a loose and informal arrangement?

A. That's correct.

Q. But now what was a loose and informal arrangement for

œ25,000 had become an arrangement for œ75,000. At that point did you have any discussion with Mr. Desmond?

A. I am sure I did. I would have met him socially or otherwise from time to time.

Q. Did you discuss

A. I would have discussed it with him, yes.

Q. Did you discuss with your father or Mr. Stafford saying "Look, we have got a loan from this man now and it's three times more than originally envisaged."?

A. They would have been aware of it, yeah.

Q. And was there any concern as to how this was going to be repaid?

A. There was, on my behalf, yes. Still is.

Q. Did you discuss it with your family, either your father or any members of the family who used the boat how you were going to repay this œ75,000?

A. Yes, I am sure I did. As I say, they would have been aware of the situation.

Q. Can I take it as a result of all those discussions, nothing was done, nobody decided we better sell the boat, mortgage the boat, do anything like that to raise any finance?

A. No, because Mr. Desmond wasn't pressing us for repayment.

Q. Did you know that as a result of discussions with him or because he hadn't mentioned it or raised it with you?

A. Well one, because he hadn't raised it for a long time and when I did raise it with him, he just said, "We will sort that out somehow."

Q. When did you raise it with him when he said that?

A. I can't remember, it would have been a few years afterwards. I couldn't say exactly when.

Q. Well does the fact that the Inspector wrote to you in April of 1992 help you to put a date on it?

A. It would have been after that.

Q. After that. So up to that time you had no discussion with him about the repayment?

A. I may have but I don't think so.

Q. And after that date, you had some discussion as a result of what he said, "Don't worry about it."?

A. Yes.

Q. Was that discussion prompted by Mr. Glackin contacting you or was it prompted by something else?

A. Well I wouldn't have seen him very often then, around say after the Glackin and that time and when I did run into him at some social, maybe a race meeting or something, and we just discussed it and he said "Don't worry about it, we will settle that at some stage in the future."

Q. When you got the letter from Mr. Glackin, did you not think of ringing Mr. Desmond?

A. No, I didn't ring Mr. Desmond but my solicitor who was advising me at the time I believe was in contact with either Mr. Desmond or Mr. Desmond's lawyers and

Q. And was that for the purpose of trying to find out "what's all this?" before, is it?

A. Yes.

Q. Did you not ever say to Mr. Desmond afterwards, "I never knew the money was coming from this source."?

A. Did I ever say it to him? I don't think I ever actually said it to him but he knew that I didn't know where it was coming from.

Q. Surely you were concerned about it the suggestion that was being made or the reason that the letter was written to you was because part of the proceeds of the Telecom site was the subject of a huge amount of controversy?

A. Yes.

Q. Were paid into the very account out of which your boat refurbishment costs were paid at the same time as the whole Telecom controversy was occurring?

A. Absolutely, I was very concerned about it.

Q. Did you not ring up and say "Am I in the clear here? Is there any reason for me to be concerned about this?"?

A. I didn't think it was the right thing to do to ring Mr. Desmond. I thought it was better for my solicitor to inquire from Mr. Desmond or Mr. Desmond's people and I thought, I mean, I knew nothing at the time so I felt it was better to go into Inspector Glackin and tell him exactly what I knew about the sources of the money which was nothing.

Q. Mr. Desmond has said that he spoke to you about the matter afterwards and I think his account of the conversation is a bit like yours, he said it was to forget about it. Don't worry about it.

A. Don't worry about it. I can't remember the exact words but the meaning of what he was saying was we will settle at some stage in the future, it's not pressing.

Q. Would I be right in saying that from his point of view, he wasn't concerned if you ever paid it?

A. He probably wouldn't be concerned but obviously he'd prefer if it was repaid I would imagine.

Q. But he was telling you not to worry yourself about it.

A. He wasn't concerned about it, no.

Q. And he didn't regard it as a commercial type loan?

A. No.

Q. As he put it himself, it wasn't a bankable loan.

A. No.

Q. And to this day, he doesn't regard it as a matter of any concern to him and I don't think, judging from his evidence, he is particularly concerned if he is ever going to get repaid.

A. That's the impression I got from his evidence too.

Q. Could I suggest that that was the way in which the money was made available from the beginning, that "I'll pay for it, if you have the money, you can pay me. If you don't, don't worry about it."

A. Correct.

Q. And that it was not only was it not commercial, he was a close friend of yours, I understand, is that right?

A. Yes, I would regard him as that, yes.

Q. And he had the resources and he was prepared to do this for

you and your family?

A. Yeah.

Q. You may regard it as a personal commitment you have because you did the dealings with him but he was prepared to pay for this, for you, for your family, for the friends of family who use this boat and it was more in the nature of a gift with perhaps a requirement that if you got into a lot of money in the future, you might see your way to help him out of it?

A. Well, at the time I can't say what his reasons were but he was very involved in sailing in Ireland and promoting the sailing in Ireland and I thought, he probably considered that the boat used by the Taoiseach of the country at the time should have a, should represent the country in a good light.

Q. And that would be impressive if the Taoiseach had a good and well presented boat. Impressive to other people, to third parties?

A. Yes. It would as I said, it would reflect sailing in Ireland in a good light.

Q. And he was happy to be the person who funded that, creating that image?

A. So I believe, yes. That's only speculation on my part now. I don't really know his motives but...

Q. In any case, you felt that he was, how shall I put it, enthusiastic, I won't say anxious but enthusiastic about being associated with presenting a good image or impression

of the boat with which the leader of the country was associated?

A. As I say, I don't know his motives but I would think that would be a motive.

Q. Thanks very much.

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. QUINN:

Q. MR. QUINN: Mr. Haughey, I just wish to ask you one or two questions on behalf of the Revenue Commissioners. Now, I think your evidence is that in fact there were at least two loans made in relation to this boat, one a loan from Mr. Desmond to you, and one a loan from you to Larchfield, is that correct?

A. That's correct.

Q. Now, when the first loan was made in, a loan from Mr. Desmond to you, I think that was as a result of discussions you had with Mr. Desmond prior to April 1990, is that right?

A. Yeah, I think that date is right.

Q. That would have been the first payment I think in relation to the refurbishment on the 3rd April?

A. It would have been prior to that, yes.

Q. And yet in relation to that loan, as I understand your evidence, insofar as a repayment date was concerned, no repayment date was agreed?

A. That's correct.

Q. Or has yet been agreed?

A. No.

Q. Or the manner of repayment was not agreed?

A. No.

Q. Or a rate of interest, if any, was agreed?

A. No.

Q. Or indeed the principal in relation to the loan was agreed?

A. You mean the amount?

Q. Yes.

A. Well that was we both knew what the figure was.

Q. But you didn't, from your evidence I understand it you didn't know until some months after the work was done as to exactly how much the works had cost, isn't that right?

A. That's right.

Q. So therefore before the works would commence and you say the loan was agreed, the principal wasn't agreed?

A. That's right.

Q. Now, in relation to the second loan, namely the loan from you to the company, can I ask you when did you discuss, if ever, with the other members of the company the facts surrounding that loan?

A. I did discuss with them, yes.

Q. When?

A. Over the years it would have been discussed, Larchfield business would have been discussed.

Q. But when was the first time you discussed that loan with Larchfield?

A. I would imagine somewhere around the summer of 1990.

Q. The summer of 1990.

A. Yes.

Q. That would have been after some of the funds had been advanced by Mr. Desmond in relation to the boat, is that right?

A. Maybe it was later than that then, maybe towards the end of 1990. After the

Q. I think the last payment was made in February of 1991.

A. Okay, then it would have been the summer of 1991.

Q. The summer of 1991.

A. Yeah.

Q. So the loan which you say exists between you and the company would have come into existence long after the loan which you say exists between Mr. Desmond and you, is that right?

A. Sorry, say that question again.

Q. The loan between you and Larchfield would have come into existence long after the loan between Mr. Desmond and you?

A. Yes. The, as I say, the books of Larchfield, when they were brought up-to-date, that the loan would have been recorded.

Q. Just in relation to the books of Larchfield and being brought up-to-date, what document, if any, existed at any stage in relation to either loan?

A. None, bar the accounts of Larchfield.

Q. Which were prepared I think post 1996, is that right?

A. Yes.

Q. Now, the only document that exists in relation to the purchase of the boat, I think, is a Bill of Sale which shows the purchase of the boat by Larchfield for the sum of œ1, is that correct?

A. That's correct.

Q. The boat I think was purchased by a Mr. Stafford, is that right?

A. That's correct.

Q. And Mr. Stafford imported the boat into the country, is that correct?

A. That's correct.

Q. Is there any question of Mr. Stafford having made a gift of the boat to Larchfield for œ1?

A. No.

Q. Why do you say that?

A. We were advised at the time that the simplest way, the boat was being brought by Mr. Stafford from Spain, through Spain and Portugal and France possibly and to Ireland and the easiest way from the legal and clerical point of view was to put the boat into Mr. Stafford's name until such time it was imported and thence transferred it into the name of Larchfield Securities.

Q. But there was no difficulty with Larchfield Securities importing a boat, is that right?

A. Seemingly, it's easier to do with an individual's name.

Q. Or no difficulty with any director of Larchfield Securities individually importing the boat?

A. No, but the reason Mr. Stafford was because he skippered the boat back from Spain.

Q. He skippered the boat on its return to Ireland. Thank you Mr. Haughey.

CHAIRMAN: Mr. Shipsey?

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. SHIPSEY:

Q. MR. SHIPSEY: Mr. Haughey, one or two questions. I am Bill Shipsey for Mr. Dermot Desmond. You have in your evidence today described the arrangement which you came to with Mr. Desmond in relation to the refurbishment of the boat as being a very loose arrangement?

A. That's correct.

Q. And that looseness you describe as being in the nature of Mr. Desmond's style?

A. That's correct.

Q. And if I understand your evidence, there was no formality whatsoever about the arrangement come to at the time when you were seeking money for the refurbishment, is that correct?

A. That's correct.

Q. And I think you have also stated that Mr. Desmond didn't press you over the years for the repayment of the money?

A. That's correct.

Q. And insofar as the matter was raised at all with Mr. Desmond subsequent to the period when the refurbishment works were carried out, it was raised by you?

A. That's correct.

Q. And again there was nothing formal about the way that was raised by you, it was when you met Mr. Desmond on social occasions?

A. That's correct.

Q. And I am not sure how much of Mr. Desmond's evidence you were here for but do you recall him saying that it was you in fact who was bringing it up with him over the years insofar as it was brought up over the years?

A. That's right.

Q. And is it true to say that insofar as the original arrangement was entered into, there might have been an understanding or at least you understood that the loan was backed by your Feltrim shares but there was no pledge or security of those securities?

A. No, it was an option, it was one option that we could use to settle the loan.

Q. And so if one were to ask at any time following the loan, in the few years following the loan what are the arrangements in relation to the repayment of that loan?

You wouldn't have been able to say what the arrangements were, that you had come to any settlement with Mr. Desmond as to how it would be paid, would that be correct?

A. That would be correct.

Q. I think you said to Mr. Healy that there was some discussion or some meeting between you at which some further discussion occurred about the repayment of the loan

and you put that at some time subsequent to the inspection

by Mr. Glackin?

A. Yeah.

Q. So sometime subsequent to 1991 or 1992?

A. Yes.

Q. Do you recall Mr. Desmond's evidence saying he recalls a meeting sometime in 1995 again at a social meeting with you sometime in 1995?

A. I recall him saying 1995, yeah. I couldn't be sure of the date myself.

Q. But at least we know from the best of your recollection that subsequent to sometime in 1991, 1992

A. It may well have been 1995.

Q. It may well have been 1995. And do you recall Mr. Desmond saying that his understanding as a result of that discussion was that the money would be repaid if and when the boat was sold?

A. Yes, I heard his evidence to that effect, yes. Again, that was another option how the loan could be repaid.

Q. And if the boat were to be resold and presumably it realised more €75,000, is that what will happen?

A. Yeah.

Q. Thank you.

MR. O'DONNELL: I have no questions.

CHAIRMAN: Well, Mr. Haughey, we have been through all the circumstances fairly fully but it would be fair to say

whatever the exact nature of your agreement with Mr.

Desmond, it was very different to formally extracting a loan from a bank?

A. Very different.

CHAIRMAN: Obviously from your years in business, you would

know that had that been the case, be it for the €25,000 or

the ultimate €75,000, there would have been a written

agreement, provision for interest and exact definition of

the principal and a very exact definition of what security

you were providing?

A. Yes.

CHAIRMAN: And it was always reasonably clear to you that

there could be no realistic likelihood of solicitors'

letters or this winding-up in court. Would that be fair to

say?

A. It would be fair to say.

CHAIRMAN: And the concern that you expressed about the

agreement, may I take it that this would have been partly

your own feeling of commitment towards Mr. Desmond but also

the matter that Mr. Healy put to you that mainly the

possible proximity of the Telecom controversy in the

circumstances that Mr. Glackin made known to you?

A. Yes, I was very concerned about that.

CHAIRMAN: Mr. Healy?

MR. HEALY: Yes. Mr. Ryan Sir.

CHAIRMAN: Thank you very much for your attendance and I am sorry you were kept here on the last day.

THE WITNESS THEN WITHDREW.

KIERAN RYAN PREVIOUSLY SWORN WAS EXAMINED AS FOLLOWS BY MR.

HEALY:

CHAIRMAN: Thank you very much again Mr. Ryan, you are already sworn.

Q. MR. HEALY: Thank you, Mr. Ryan. I think you have made, provided some assistance to the Tribunal in connection with the I beg your pardon I think you have provided some assistance to the Tribunal concerning the purchase of and the refurbishment of Celtic Mist and its treatment in the accounts of Larchfield Securities?

A. That's correct.

Q. And I will just go through your statement. You say, "I can state that the balance sheet at the 31st December 1996 includes plant and machinery recorded in the sum of €242,620. This relates to a boat named Celtic Mist is made up as follows: Cost: January 1989, sterling €120,000 at an exchange rate of the 7231, that is in the balance sheet at €145,790. VAT is added at €21,284, giving a total of €167,074. The subsequent refurbishment is in the books at €75,546 and the total is the figure we mentioned at the outset, €242,620.

You then refer to copies of a form showing the importation of Celtic Mist at Kinsale in January 1989 and a letter dated 24th May 1993 from the Customs and Excise showing the amount of VAT paid and perhaps those documents could be put on the overhead projector. I can refer to them in a moment.

You say the cost of the refurbishment. €75,546 was treated as an improvement and added to the value of the boat. As the boat had no bank account the matching liability is included in creditors. It is treated as a loan from Conor Haughey with no interest and no repayment terms.

Details of payments made are as follows: And you have the payments

CHAIRMAN: Sorry, to be pedantic, just in the transcript I think you said inadvertently the boat had no bank account - the company.

MR. HEALY: As the company had no bank accounts the matching liability included in creditors. It is treated as loan from Conor Haughey with no interest and no repayment terms. You then give the details of the payments from April of 1990 to February of 1991 coming in total to €75,546. You say that you understand that the initial three payments were made by Dedeir Investments Limited with the last three being made by Freezone. You may not be

aware but it now appears that one of the first three payments attributed to Dedeir was initially made by NCB.

A. I wasn't aware of that at the time.

Q. If the Tribunal require anything further, please revert - can I take you to the last statement you made concerning the sources of the payments to Ron Holland Yacht Design.

From whom did you acquire that information, Mr. Ryan, and when?

A. When I was preparing the accounts long after the event and I acquired that information from a man named Rodger Conan who is employed by Mr. Desmond. My function here was to establish the cost of the boat.

Q. Your function vis-a-vis the accounts of Larchfield?

A. Absolutely. Was to establish the cost of the boat, any further costs in acquisitions of the boat, subsequently then if there were improvements to the boat, to recognise those.

Q. Of course.

A. I viewed those as the asset of Larchfield Securities and I then had to, I had to be satisfied firstly if they were the asset of Larchfield Securities, then if there were liabilities arising, who the liabilities were to and also what the costs involved were.

Q. Uh huh.

A. In doing that I had direct evidence which I understand you are going to show regarding the importation of the boat. I didn't have the Bill of Sale or I did have direct

evidence about the amount of VAT.

Q. When you say direct evidence?

A. I had a letter from the Customs authorities and at that point I understand there was VAT at the point of importation so anybody importing were obliged to pay at that point and Customs and Excise would be the relevant regulatory authority to make the payment to.

Q. If I could stop you there for a minute. Does the amount of VAT that you learned about, 21,284, tally with the purchase price of œ120,000?

A. I haven't attempted to reconcile it.

Q. Do you think yourself whether that is the appropriate amount of VAT referable to a purchase price of that sum? I am not saying it isn't.

A. I haven't attempted to reconcile it.

Q. I see.

A. But the documentation for the importation makes it quite clear that the value of the boat at the time was œ120,000 sterling and in fact displays that so I would presume if that's the documentation that the Customs authorities can impose whatever the correct rate of taxes that are due are. Following that, I then asked if there were any further improvements to the boat and was advised of this work. I had to establish the cost of that work and I then had to establish to whom the company had a liability because it was clear the company had no bank account at that point so it wasn't possible for the company to

discharge the payments.

In the course of that, I would have spoken to each of the directors and shareholders, I would have spoken to Mr.

Haughey and I would have been led to talk to Mr. Desmond's office. At no point did I talk to Mr. Desmond but I did contact his secretary and I did speak to an accountant and established the details of those payments with him.

Q. And what you mentioned a moment, Mr. Conan, is that the person you were put on to Mr. Desmond's secretary?

A. Yes.

Q. I think he has been mentioned in evidence as either associate of Mr. Desmond or employee of one of his companies?

A. I have to say I didn't ask but it was clear he was on top of the subject and he was able to advise me of the amount. Now the other thing I wanted to establish was in his mind, who was the liability to. Was it to the company or was it to an individual? And there were quite clear at all times that the liability was to an individual, to Conor Haughey and the evidence that you have heard about Feltrim, I have heard that during the course of that meeting.

Q. Could I just ask you, you say it was a liability to Conor Haughey. Do you mean a liability from Larchfield to Conor Haughey?

A. Sorry, just to explain myself. I am coming from the point of view of Larchfield as a separate independent entity. It has relationships with the world at large, I wanted to see

if the relationship was with Conor Haughey or with Dermot Desmond or with some other entity.

Q. Whom did you perceive the liability as being to?

A. To Conor Haughey.

Q. Did you investigate whether there was any further liability from Conor Haughey or was your involvement with NCB solely with a view to excluding them as the person to whom the liability was

A. Well, I was concerned primarily to establish one, the instance of the loan and secondly, whatever terms there might be in connection with it and/or charges because these are things I would routinely have to disclose. I was satisfied from talking to shareholders, directors on the one hand and Mr. Conan, that the arrangements regarding the payments and the liability from Mr. Desmond or whoever on the one hand was to Conor Haughey and not to Larchfield and that Larchfield's obligations were to Conor Haughey.

Q. So it was from Mr. Conan you found out about the payments being paid by Dedeir and Freezone?

A. Yes.

Q. When was that?

A. I don't have a date for it but I can say to you the accounts were signed in May 1988 and that it would have been sometime in 1988.

Q. Do you mean 1998?

A. Sorry, 1998 I beg your pardon.

Q. It would have been sometime in 1998 that you got this

information?

A. Well after the event and arising from the initial instructions which were, and I have to emphasise this, these accounts were prepared, this is an unlimited company who don't have an obligation to file accounts in the way that one would associate with limited liability companies and they were prepared primarily with a view to satisfy the commitments to the Revenue and specifically to the Inspector of Taxes and detailed, those accounts were filed with the Inspector on the 12th May and a detailed letter covering these circumstances was submitted with that.

Q. I think before you gave evidence I drew to the attention of your counsel that in answer to a question being put by Mr. Coughlan earlier in the course of the Tribunal sittings you seem to have suggested that Celtic Mist, including its refurbishment costs, was regarded as an asset of Larchfield Securities with a matching liability to Mr. Charles Haughey?

A. I

Q. Well if I could stop for a moment there. That's not quite what's in your recent memorandum.

A. I think for clarification, if I could just explain the circumstances. I was called at short notice to prepare a statement. I was also called at under 24 hours' notice to attend here on the first time. The emphasis at that time was not the boat but on the other assets and that memorandum was written in a matter of hours after

considerable consultation with you and your colleagues so the tone of it was very definitely in connection with their assets. By way of clarification, if I could read from a letter dated 12th May 1998 to the Inspector of Taxes and it will just take me a moment to find it. Yes. "Position regarding Refurbishment". "It was carried out by Ron Holland Yacht Design until one of the directors were aware of the cost at the time of refurbishment... between Conor Haughey and Dermot Desmond with the latter being responsible for the subsequent refurbishment cost. The relationship in connection with this amount is between Conor Haughey and Dermot Desmond and we have regarded these costs as loans made by Conor Haughey to Larchfield Securities. They are therefore regarded as other loans rather than loans from shareholders. This is to highlight the distinction."

Now he is, that's the 12th May, four days after these accounts were signed off so there hasn't been any ambiguity about it from my point of view but I have to say all evidence I am getting is much like you, I am getting it from questioning people. I wasn't there and I am relying on what people told me.

Q. And there are no documents?

A. There are no documents.

Q. And the information you got was in a context you were seeking to establish statistics of the Revenue

Commissioners, liabilities for tax or non liabilities for tax or whatever?

A. Sorry, that was one end but if I prepare a set of accounts and I am going to sign that they give a true and fair view, I have to be satisfied.

Q. That's based on what you are told, not based on any documentation.

A. Well if there is documentation I take it into account, if there isn't, I make whatever inquiries I can of the people there and I form a view based on what they tell me and in this case, as you have heard directly in evidence from the time being here as I understand it, there has been little or no documentation in fact in connection with it.

Q. Of course. Your inquiries didn't have anything to do with establishing the source of the cost of the purchase price of the boat?

A. Well that arose. I had to see if that was the cost of it. I was advised that it was and then insofar as there was a matching liability, that matching liability is accounted for by way of a loan from Mr. Charles J. Haughey.

Q. And there were no documents relating to that either,, again it's based on information

A. Again this is a company which does not carry out trading activities as one would normally understand them. The only other income is from short-term lettings it later appears was a property in Wexford so it's not a company where one would expect the degree of formality that one would

normally see in trading companies.

Q. In any case, this is effectively a family company?

A. Quite.

Q. And the assets are essentially family assets?

A. As an unlimited company with unlimited liability for all of the shareholders and as I observe it, has been, is not a trading company and hasn't been regarded by the directors and shareholders as a trading company.

Q. You heard the evidence, I think, of Mr. Conor Haughey and to some extent you may be aware of some of the evidence of Mr. Desmond, the loan that Mr. Desmond made available, it seems to have been in any case motivated by a desire to help out the Haughey family with the refurbishing of their family boat?

A. I wasn't there, I can't comment on that. It's way outside any remit that I would have had.

Q. You are looking at the whole thing from a somewhat technical point of view and in retrospect, isn't that right?

A. Quite.

Q. Thanks very much.

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. QUINN:

Q. MR. QUINN: Just one question, Mr. Ryan, on behalf of the Revenue Commissioners. Since the Celtic Mist is the property of Larchfield Securities, I think you take it that Mr. Conor Haughey couldn't deal with the proceeds of sale

of that boat as he wished?

A. In the event that he did sell it?

Q. In the event that the owners of the boat, namely Larchfield Securities, sold the boat, it wouldn't be for Mr. Haughey to deal with it as he personally wished?

A. I would accept that, save to the extent that there is a loan in the matching amount of €75,000 odd, €75,546 to Mr. Haughey so it would be open to the directors to repay that loan and from that loan it would be open to Mr. Haughey to pay.

Q. That loan of course could be discharged out of the sale of any asset, it isn't specifically tied into the sale of Celtic Mist?

A. Absolutely.

Q. And there was no documentation to tie it into the sale of Celtic Mist?

A. Not that I have seen, thank you.

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. O'DONNELL:

Q. MR. O'DONNELL: Just one question if I could ask you, Mr. Haughey, I think you have cooperated fully with the Tribunal in its investigations, is that correct?

A. I hope so.

Q. And indeed at short notice prepared statements and consulted when necessary, is that correct?

A. I think so.

Q. When you were dealing with the issue of the treatment of

property in the accounts of Larchfield Securities, you were dealing with that at very short notice and in a general way, is that correct?

A. I believe that is the case, in fact the notice to deliver a statement from recollection was about 24 hours and dealing with the point where it was being written, it was after an extensive briefing session.

Q. Yes. During which all the accounts were disclosed?

A. Yes.

Q. Thanks, Mr. Ryan.

CHAIRMAN: I am conscious of and appreciate the urgent attention you have given to the matter, Mr. Ryan, both on these days and on the previous occasion.

THE WITNESS WAS RE-EXAMINED AS FOLLOWS BY MR. RYAN:

Q. MR. HEALY: Just one thing, again to put Mr. Ryan's mind at ease, the information you provided to the Tribunal and the conclusions you have reached, as it were, on the technical aspects of the accounts is based on what you have been informed, isn't that right, Mr. Ryan?

A. Indeed.

Q. Just as the information the Tribunal has is to a considerable extent based on information from some of the same people, isn't that right?

A. That's it but I have to say I wasn't there.

Q. I want to make it clear to you in drawing that document to your attention, it was for the purpose of affording you an

opportunity of providing an explanation which you have so helpfully provided.

MR. O'DONNELL: I am much obliged.

MR. HEALY: Sir, the witnesses that you have heard today, Sir, as you recall are in fact hangover witnesses from last Friday and there's one other witness who wasn't available and in fact was out of the country for a number of days and it seems preferable subject to your own view, that witness be put back until next week when the Tribunal resumes sometime next week.

CHAIRMAN: I think provisionally, Mr. Healy, we should seek to set Tuesday with the intention that there will be a relatively substantial remaining completion phase to be carried out prior to Christmas. I think consideration has been given to some further hearings this week but on balance I am of the view that they would be piecemeal and rather limited and given the current amount of further preparatory work of urgent nature that has to be finalised this week, I share your view, a resumption, failing announcement to the contrary, of 10:30 Tuesday next is preferable. Thank you.

THE TRIBUNAL THEN ADJOURNED UNTIL TUESDAY, 13TH DECEMBER, 1999 AT 10:30AM: